THE FEDERAL TAX OMBUDSMAN
ISLAMABAD

Complaint No.00741/KHI/IT/2026
Dated 08.01.2026* R.O. Karachi.
(Tax Years 2014, 2015, 2016 & 2018 & 2020)

MR. MUHAMMAD ABID SHERANI ....Complainant
Registration No.4210119188251
House No.58, Popular Avenue,
Phase-VI, DHA,
Karachi.

Versus

The Secretary
Revenue Division
Islamabad. ....Respondent

Dealing Officer	: Syedain Raza Zaidi, Advisor
Appraisal Officer	: Mr. Khalid Javed, Advisor
Authorized Representatives	: Mr. Faraz Hussain, Advocate, Advocate
Departmental Representatives	: Mr. S.M. Rizwan, SAIR, RTO-I, Karachi

FINDINGS / RECOMMENDATIONS

The complaint has been filed under Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance) against the Order u/s 221(1) of the Income Tax Ordinance, 2001 (ITO), passed by the Deputy Commissioner Inland Revenue, Unit-05, Range-B, Zone-II, RTO-I, Karachi u/s 221 of the Income Tax Ordinance, 2001 for the Tax Year 2020. The Complainant also prayed for issuance of refunds for Tax Years 2014, 2015, 2016 and 2018.

2. Briefly stated, the Complainant is a non-resident individual, settled in Qatar for over 18 years, who maintains investments and bank accounts in Pakistan. He has been a regular filer of income tax returns, declaring profit on debt and dividend income. For Tax Years 2014, 2015, 2016, and 2018, the Complainant accumulated tax refunds totaling Rs.384,252/-. Formal refund applications for these years remain pending before the Respondent.

Date of registration in FTO Secretariat

3. In his tax return for Tax Year 2020, the Complainant adjusted a refund of Rs.235,666/- against his tax liability. The Respondent issued a notice under Section 221 of the Income Tax Ordinance, 2001, questioning this adjustment. Despite the Complainant's written explanations highlighting the pending status of his previous refund applications, the DCIR passed an order on 25.11.2025, arbitrarily disallowing the adjustment. The Complainant has relied upon findings in O.M. 0052 and 0064/OM/2022 and ATIR judgement reported as (2024 PTD 511).

4. The Complainant also filed refund applications u/s170 of the Income Tax Ordinance, 2001 for Tax Year 2014 claiming refund of Rs.16,849/- for Tax Year 2015, Rs.200,356/-, for Tax Year 2016 at Rs.85,677/- and for Tax Year 2018 claiming refund of Rs.81,370/-. However, the Department did not take cognizance of the said refund claims and failed to take any action in this regard, hence this complaint.

5. The complaint was referred to the Secretary Revenue Division, Government of Pakistan for comments and hearing by the Departmental Representative (D.R.), in terms of Section 10(4) of the FTO Ordinance read with Section 9(1) of the Federal Ombudsmen Institutional Reforms Act, 2013.

6. The Commissioner IR, Refund Zone, RTO-I, Karachi submitted Para-wise comments dated 27.01.2026, which is reproduced below:

> *"Federal Board of Revenue (FBR), Pakistan has issued instructions in letter No.4(10)Rev.Bud/2024-25/205490-R, dated 17.10.2024, that refunds be processed strictly on a First-In, Firs-Out (FIFO) basis to ensure fairness and prevent undue delays. This directive mandates that refund applications be logged and tracked based on their date of receipt, except in exceptional circumstances requiring deviation, which must be explicitly approved and documented. These instructions are effective immediately, reinforcing transparency and accountability in the refund process. Since refunds applied for in 2014 are now being assessed under these fresh directions, any delay in*

processing does not indicate malafide intent on the part of the department.

It is important to mention that taxpayer's refund application is listed at Serial No.8,611 and should process strictly as per the law and in accordance with the direction of FBR as communicated vide bearing No.4(10)Rev.Bud/2024-25/205490-R, dated 17.10.2024. No maladministration is involved in the instant case at all looking at the date of filing return which is 31.10.2023."

FINDINGS:

7. Both the parties attended the hearings and made their submissions, which were considered, and record perused. The record reveals that the Complainant after long waiting for issuance of refunds for the Tax Years 2014, 2015, 2016 and 2018, adjusted an amount of Rs.235,666/- out of claimed refund against the tax liability for the subsequent Tax Year 2021. However, Deptt has disallowed this adjustment of accumulated refunds of prior years against the tax liability for the Tax Year 2021 vide order passed u/s 221 of the Ordinance, thus restoring the availability of the refunds as per their original claims under the respective tax years. The Complainant has contested the Dept'l order u/s 221 and has relied upon this Forum's decision in OM 0052 and 0064/OM/2022 dated 20.09.2022. The above referred decision does not apply on all fours to the circumstances of the case in hand. In the quoted decision dated 20.09.2022 of this Forum, the Deptt had issued only show cause notice u/s 221/122(5A), whereas in the instant case, the Deptt has passed order u/s 221 by disallowing the adjusted claim of refunds of prior tax years. It is observed here that if Deptt had disallowed adjustment of claimed refunds then they should have immediately disposed of the applications of refunds for the tax years under consideration which they have not done so for. However, the main issue of the Complainant as per his prayer in the complaint is issuance of refunds for the tax years under considerations. As a consequence of order u/s 221 the adjusted refunds have become restored in their original tax years where the same were claimed by the Complainant.

The refund applications for the Tax Year 2014, 2025, 2016 and 2018 are pending for disposal by the Deptt.

8. Further, during investigation, it got established that the Complainant filed his refund applications under Section 170 of the Income Tax Ordinance, 2001 for the Tax Years 2014, 2015, 2016 & 2018, well within the prescribed time period. However, the Department did not process the said applications on the pretext of FIFO (First-In, First-Out) policy as circulated vide FBR letter No. 4(10)Rev.Bud/2024-25/205490-R dated 17.10.2024.

9. The above referred Policy of FIFO (First-In-First Out) adopted by FBR regarding issuance of refunds has conclusively been adjudicated by the Hon'ble President of Pakistan in a decision in Rep. No.362 to 368/FTO/2025 dated 14.01.2026. The relevant part of the decision is reproduced below:-

> *"The policy of first in and first out will not absolve the department from deciding refund applications within a reasonable time. In matters where the disposal of such applications is delayed beyond a reasonable time then regardless of this policy, such delayed disposal of refund applications will constitute maladministration. The learned FTO undoubtedly has the jurisdiction to deal with such issues to the exclusion of any other forum in the country, including the Federal Court, Supreme Court or other courts functioning within the limits of a province. In this view of the matter, the representation of the FBR against the present respondent is not justified. Accordingly, the FBR is directed to implement the order of the learned FTO at the earliest. Although the compliance was to be reported within 45 days and that period has elapsed since long. However, it is trite law that when a law requires a thing to be done within a certain time and if it is not done within time, it shall still be done. It may be reiterated that the FBR will implement the order of the learned FTO at the earliest."*

10. In view of above decision, it's very clear that in the cases decided by this Forum, the Policy of FIFO will not be applied. Thus, Dept'l stance taken regarding the delay in issuance of refunds has no legal footing.

11. The perusal of record further reveals that claim of refunds pertains to the Tax Years 2014 to 2016 and 2018. The Deptt has remained

inactive for a very long time period, which is gross negligence and inefficiency. The claim of refunds are to be disposed of within a time period of 60 days from the date of filing of refund applications as envisaged u/s 170(4) of the Income Tax Ordinance, 2001. This omission amounts to "maladministration", as it constitutes neglect, inattention, delay, incompetence, inefficiency and ineptitude, in discharge of duties and responsibilities as defined under Section 2(3)(ii) of the FTO Ordinance, 2000.

Federal Tax Ombudsman Secretariat HQs FTO Islamabad

RECOMMENDATIONS:

12. FBR to direct;

(i) the Commissioner-IR, Zone-II, RTO-I, Karachi to dispose of refund claims of the Complainant for the Tax Years 2014, 2015, 2016 & 2018 in accordance with law, after providing opportunity of being heard; and

(ii) report compliance within 45 days.

(M. Zafar-ul-Haq Hijazi)
Federal Tax Ombudsman

Dated: 07 MAY 2026