THE FEDERAL TAX OMBUDSMAN
ISLAMABAD

COMPLAINT NO.29347/KHI/IT/2025
Dated: 05.12.2025* RO, Karachi
(Tax Year 2019)

Mr. Tanveer Muhammad ...Complainant
CNIC # 4230176927213
B-235, Mehmoodabad Bus Stop # 3
Karachi.

Versus

The Secretary, ...Respondent
Revenue Division,
Islamabad.

Dealing Officer	:	Mr. Syedain Raza Zaidi, Advisor
Appraised by	:	Mr. Khalid Javed, Advisor
Authorized Representative	:	Mr. Muhammad Hasham Khan, Advocate
Departmental Representative	:	Mr. S.M. Rizwan, Senior Auditor, RTO-I, Karachi

Federal Tax Ombudsman Secretariat HQs FTO Islamabad

FINDINGS / RECOMMENDATIONS

The complaint has been filed under Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance) against non-issuance of refund for the tax year 2019 (recovered through attachment of bank account) by the Commissioner Inland Revenue, Refund Zone, RTO-I, Karachi.

2. Brief facts of the case are that the complainant being a non-resident individual filed return of Income declaring Nil income. The Departmental officer initiated proceedings under Section 122(9) read with Sections 122(5) and 111 of the Ordinance, 2001 on the allegation that the complainant had declared untaxed inflows amounting to Rs.16,640,250/-. These proceedings culminated in the passing of an order whereby the income of the complainant was

* Date of registration with FTO Secretariat

assessed at Rs.16,640,250/- and tax payable thereon was determined at Rs.3,567,173/-. Being aggrieved by the said order, the complainant preferred appeal before the Commissioner (Appeals) as well as the Appellate Tribunal. During the pendency of these appellate proceedings, the disputed tax amount was recovered from the complainant's bank account. The Appellate Tribunal Inland Revenue (ATIR), Karachi vide order dated 15.05.2025, remanded back the case to the Department with the directions to conclude the matter within 45 days of the said order after affording proper opportunity of hearing to the taxpayer. Subsequently, the Department passed order u/s 124/132 of the Income Tax Ordinance, 2001 dated 15.08.2025 and determined refund of Rs.2,676,943/-. The complainant submitted refund application u/s 170 of the Income Tax Ordinance, 2001 on 25.08.2025 for issuance of refund of Rs.2,676,943/- recovered through bank attachment. However, the Department did not take cognizance of the refund application and failed to initiate any proceedings in this regard; hence, this complaint.

3. The complaint was referred to the Secretary Revenue Division, Government of Pakistan for comments and hearing in terms of Section 10(4) of the FTO Ordinance read with Section 9(1) of the Federal Ombudsmen Institutional Reforms Act, 2013. In response, the Chief Commissioner IR, RTO-I, Karachi forwarded para-wise comment vide letter No.CCIR/RTO-I/F-1673/SO-FTO/(29347/KHI/IT/2025)/2025-26/5724 dated 02.01.2026, stating as under.

> *"(i) That taxpayer is an individual. Return of income for the tax year was e-filed on declaring income at Rs.Nil/-and Tax Chargeable at Rs.1,021,250/-. The return filed was deemed to be assessment order u/s 120 of the Income Tax Ordinance, 2001.*

(ii) Taxpayer filed an application u/s 170 on 25.08.2025 for tax year 2019, claiming refund of Rs.2,676,943/-.

(iii) Afterwards, consequent to order u/s 124/132, the taxpayer filed a complaint on FTO portal on 08.12.2025 in which it was prayed for issuance of refund for the tax year 2019.

(iv) Further, Federal Board of Revenue (FBR), has issued instructions in letter No.4(10)Rev.Bud/2024-25/205490-R, dated 17.10.2024, that refunds will 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, with older applications given priority over newer ones, 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 for the tax year 2014 are being assessed under these fresh directions, any delay in processing does not indicate malafide intent on the part of the department.

(v) It is important to mention that taxpayer's refund application is listed at Serial No.18,139 and should be processed strictly as per law and in accordance with the direction of FBR as communicated vide letter bearing no.4(10) Rev.Bud/2024-25/205490-R dated 17.10.2024. No maladministration is involved in the instant case".

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FINDINGS:

4. Both the parties were heard. The investigation and examination of the record has transpired that the complainant filed his refund application under Section 170 of the Income Tax Ordinance, 2001 on 25.08.2025. However, the Department did not take cognizance of the said application on the pretext of principle of FIFO in the light of letter referred to above. It is highlighted that the ground taken by the Deptt. based on FBR's instructions dated 17.10.2024 regarding treating all refund applications on the principle of First-In, First-Out (FIFO) has been misread and misconceived as the same letter also distinguishes the orders of this Forum. Further FBR, itself has provided categorical exclusion to FTO's recommendations pertaining to refund cases from the principle of FIFO vide FBR's letter No. 17297-12 dated 04.02.2022. Resultantly

the above referred policy of FBR is not applicable in respect of recommendations of this Forum in cases of refund. Further the Hon'ble President in Representation No. 418/FTO/2025 dated 18.12.2025 filed by the FBR on the policy of FIFO has upheld the order of this Forum by holding as under:

> *"11. The case was fixed for hearing on 30.10.2025. Mr. Muhammad Waqa Tarar, Commissioner, Inland Revenue appeared on behalf of the Petitioner/FBR. Mr. Abdul Waheed Shabir and Mr. Gulbaz Qasiser Advocates represented the respondent/M/s Healthcare Innovations International (Pvt) Ltd.* ***The learned Commissioner appearing on behalf of the FBR stated that these refund applications are to be taken on their own turn, on the basis of the policy of the Agency of first in and first out****. The learned FTO passed the impugned order on 04.06.2025. It is already over 4 months that the refund applications have not been processed. In this view of the matter, the FBR has already gained sufficient amount of time. In principle, the policy of the FBR of first in and first out is not inconsistent with the order of the learned FTO, which in principle admits of no exception. In this view of the matter, the representation filed by FBR has served its purpose. When a law requires a thing to be done within a certain time and if that is not done within that time, that is still to be done.* ***With these observations, the order of the learned FTO is upheld and a direction is issued to the petitioner Agency/FBR to process these refund applications at the earliest. Suffice it to add that there is no cavil to the policy of first in and first out, but obviously the complainants who have gone to the FTO for processing of their refund applications are entitled to be given preference with regard to those who are not that hard pressed for recovery of the refund amount****. Orders accordingly".*

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5. In view of above discussion, the pretext of FIFO policy adopted by the Deptt. is misconceived and wrongly applied to the cases of this Forum and as such the same is overruled.

6. The refund claim is required to be processed within sixty days of the filing of the refund application in terms of provision of Section 170(4) of the Income Tax Ordinance, 2001. The refund application in the instant case is dated 15.08.2025. The Deptt. did not dispose of the same despite lapse of almost five months. It has been found out that the concerned officer did not attend the refund application with due diligence and failed to act within the stipulated time period

of 60 days. Resultantly the Deptt. has committed inaction, delay and ineptitude in dealing with the processing of refund application of the Complainant which constitute maladministration in terms of Section 2(3)(ii) of the FTO Ordinance, 2000.

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RECOMMENDATIONS:

7. FBR to direct:

   (i) the Commissioner-IR, Refund Zone, RTO-I, Karachi to dispose of refund application for the tax year 2019, after providing an opportunity of being heard; and

   (ii) report compliance within 20 days.

(M. Zafar ul Haq Hijazi)
Federal Tax Ombudsman

Dated: 04 FEB 2026