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President orders FTO, FBR to implement ADRC decision

BUSINESS RECORDER President Asif Ali Zardari has set aside the stance taken by both the Federal Tax Ombudsman (FTO) and Federal Board of Revenue (FBR), directing that a decision rendered in the taxpayer's favor by an Alternate Dispute Resolution Committee (ADRC), be implemented by the FBR.

In this regard, the President has issued a ruling in favour of the taxpayer as well as the ADRC mechanism, President order arose out of FTO's order in 1499/2026, in which, a corporate taxpayer manufacturing equipment for the exploration and production sector, had challenged FBR's dissolution of an ADRC constituted, pursuant to directions of the Supreme Court of Pakistan.

Responding to the President order, officials said that in all such cases where Presidency discards FTO's decision and presidential order goes against FBR, the competent authorities go to the court.

When contacted tax expert Khurram Shahzad Butt, informed that the ADRC, headed by a retired judge of the Lahore High Court, concluded proceedings on 23.12.2025 and ruled in the taxpayer's favour, discharging the principal tax liability under dispute in the presence of the full departmental team from the CTO, Islamabad. Only after the outcome proved unfavorable did the Secretary (Sales Tax Operations) dissolve the Committee on 12.01.2026, citing failure to decide within the statutory period, without notice or hearing to the taxpayer.

The FTO's original order of 20.02.2026 stopped short of ruling on the validity of the 23.12.2025 decision or directing its implementation, confining itself to directing FBR to constitute a fresh ADRC and frame institutional safeguards. When taxpayer sought review, the FTO's order of 06.04.2026 declared the review petition non-maintainable, reasoning that FBR had already approached the President in a separate representation, which has since been dismissed independently.

The taxpayer then filed its own representation, seeking that the FTO's orders be set aside, that the dissolution be declared maladministration, and that the ADRC's 23.12.2025 decision be implemented. At a hearing on 06.08.2026, attended by rival parties, the President held that since FBR's own representation against the FTO's findings had already been dismissed, the natural consequence was that the ADRC's decision had to stand, Khurram Shahzad Butt added.

The order observed that because FBR never formally challenged the decision, the ADRC proceedings were conducted with the consent of both parties, and once such a forum decides an issue, it is “not possible for one of the parties to wriggle out of that decision.” Accordingly, the representation was accepted, and FBR has been directed to implement the ADRC’s decision of 23.12.2025.

Legal observers say the ruling’s significance extends well beyond the ADOS Pakistan dispute. By declining to endorse either FBR’s administrative dissolution of an unfavorable ADRC or the FTO’s more cautious, procedure-only approach, the President’s order affirms that ADRCs constituted under Supreme Court directions cannot be dissolved retroactively once they have rendered a decision, a principle tax practitioners regard as essential if the ADR mechanism, conceived as a neutral and time-bound alternative to prolonged tax litigation, is to retain credibility with taxpayers.

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