

Circular to members # 7/2026-27

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FBR blocks refunds of over Rs6bn of non-compliant taxpayers



The Federal Board of Revenue (FBR) Thursday blocked refunds of over Rs6 billion of non-compliant taxpayers, who failed to comply with the digital initiatives including production monitoring at business premises.

This has been conformed from the industry sources that the FBR has implemented extreme enforcement measures to punish non-compliant units, which refused to implement digital initiatives from July 2026. This is for the first time that refunds have been blocked following non-compliance to digital initiatives.

The FBR has obtained massive powers under the Finance Act 2026 to heavily penalized units, who are showing resistance to the digital initiatives. Therefore, the FBR has decided to go with full force for implementation of digital initiatives including installation of video monitoring systems or video analytics at specified sectors.

In the first phase, the FBR system has stopped refunds of over and above Rs6 billion of units where production monitoring and other digital initiatives have not been complied with.

In the next phase, registrations would be suspended and embargo would be imposed on imports. The business premises would be sealed and production of finished products would be confiscated.

By July 31, 2026, the units/factories, which continued to refuse installation of production monitoring at their premises would further face extreme punishments.

The non-compliant units, which show resistance will face embargo on imports, penalties, sealing of business premises, suspension of sales tax registration, blacking-listing and non-clearances from the production premises.

Digital initiatives have been implemented at tobacco sector, cement, sugar, fertilizer and tiles where mostly production monitoring system has been installed. The installation of production monitoring systems is underway at iron and steel sector, packaged milk industry, beverages and textile sector.

The FBR has adopted "carrot and stick policy" by paying refunds of Rs43 billion in June 2026 and paid nearly Rs600 billion refunds during July-June (2025-26). At the same time, the non-complaint units, which failed to implement the digital initiatives, would face punishments of imposition of penalty, suspension of sales tax

registration, and removal of non-compliant importers from the “green channel” at the import stage.

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