

CONTENTS

Chapter I — Preliminary

Short title and commencement

Definitions

Chapter II — Chargeability and Scope

Charging of Digital Presence Proceeds Tax

Significant digital presence in Pakistan

Chapter III — Collection and Recovery

Responsibility to Collect Digital Presence Proceeds Tax

Responsibility to collect digital presence proceeds tax on advertisement at social media platform

Failure to deduct or deposit collected tax and recovery along with default surcharge

Chapter IV — Reporting Requirements

Furnishing of information of e-commerce transactions by Online Payment Intermediaries

Furnishing of information by social media and online platforms regarding advertisement

Chapter V — Penalty and Suspension

Penalty for non-filing of statement

Suspension of remittances to a Foreign Advertiser

Chapter VI — Appeals

Appeals

Page 1 of 8

Chapter VII — Miscellaneous

13. Administration of this Act

14. Power to make rules

15. Power to grant exemption

Schedule

Page 2 of 8

THE DIGITAL PRESENCE PROCEEDS TAX ACT, 2025

"ACT No. XIX of 2025

[27th June, 2025]

An
Act

for the enactment of Digital Presence Proceeds Tax Act, 2025

Whereas the rapid digitization of the global economy has fundamentally transformed traditional business models, enabling multinational enterprises particularly those in digital sector to generate substantial revenues and profit from jurisdictions where they maintain little or no physical presence;

AND Whereas the current international tax framework, designed in the early 20th century, relies on concepts of physical presence and permanent establishment that fail to capture the value created through digital interactions, user data, and intangible assets within market jurisdiction;

AND Whereas this misalignment has resulted in significant tax base erosion for nations, as profits generated from local users, data, and digital engagement are shifted to low-tax jurisdictions, undermining fiscal sovereignty and the principle of "value creation" as the cornerstone of equitable taxation;

AND Whereas objection to Digital Service Tax overlook the failure of existing rules to adapt to the digital economy and the legitimate right of nations to safeguard their revenue until a unified solution is achieved.

Now, therefore, the introduction of Digital Presence Proceeds Tax Act, 2025 stands as necessary, justified and proportionate measure to ensure tax fairness and protect public revenue.

It is hereby enacted as follows;—

Chapter I — Preliminary

1. Short title and commencement.— (1) This Act shall be called the Digital Presence Proceeds Tax Act, 2025.

(2) It shall come into force at once.

2. Definitions.— In this Act, unless there is anything repugnant in the subject or context,—

(a) "Authority" means the Commissioner Inland Revenue who has been assigned jurisdiction for the purposes of this Act by the Federal Board of Revenue;

(b) "Board" means the Central Board of Revenue established under the Central

'Enacted vide section 12 of the Finance Act, 2025 (Act No. XIX of 2025).

(c)

(d)

(e)

(f)

(g)

Board of Revenue Act, 1924 (IV of 1924), and on the commencement of Federal Board of Revenue Act, 2007, the Federal Board of Revenue established under section 3 thereof and includes a Member of the Federal Board of Revenue to whom powers of the Board have been delegated under section 8 of the Federal Board of Revenue Act, 2007;

“digitally delivered services” means any service delivered over the internet or electronic networks, where the delivery is automated and required minimal or no human intervention including music, audio and video streaming services, cloud services, online software application services, services delivered through online inter-personal interaction i.e. tele-medicine, e-learning etc., online banking services, architectural design services, research and consultancy reports, accounting services in the form of digital files or any other online facility;

“e-commerce” means sale or purchase of goods and services conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders either through websites, mobile applications or online marketplace having digital ordering features by using either mobile phones or automated computer-to-computer ordering system;

“e-store” means the online platform including websites and software applications used to conduct e-commerce, which involves buying and selling goods or services including digital products, through electronic transactions over the internet or other computer networks;

“online marketplace” means Online interfaces that facilitate, for a fee, the direct interaction between multiple buyers and multiple sellers for digital orders for supply of goods and services, without the platform taking economic ownership of the goods or rendering the services that are being sold; and

“payment Intermediary” means any third part entity including a banking company, financial institution, a licensed foreign exchange company or payments gateway that facilitate the transfer of funds or payment instructions between two or more parties to enable, process, route or settle payments in a financial transaction, without being the ultimate source or recipient of the payment.

Chapter II — Chargeability and Scope

3. Charging of Digital Presence Proceeds Tax.— (1) Every foreign vendor having significant digital presence in Pakistan shall be charged to Digital Presence Proceeds Tax on proceeds of every supply made from outside Pakistan of digitally ordered services or goods irrespective of whether delivered digitally or physically.

(2) The tax under sub-section (1) shall be charged at the rate provided in the Schedule of this

Act.

Page 4 of 8

(3) Proceeds of foreign vendors are attributable to Pakistani users based on their significant digital presence in Pakistan as provided in section 4 of this Act, where—

- (i) the transaction is carried out through foreign online marketplace or e-store;
- (ii) they arise in connection with digitally ordered services and goods; and
- (iii) a Pakistani user is a party to the transaction.

(4) Any reference to a Pakistani user, in relation to this Act means any user who is reasonable to assume—

- (a) in the case of an individual, is normally resides in Pakistan;
- (b) in the case of a company, is established or have permanent establishment in Pakistan; and
- (c) the payment for the digital order of services and goods has been electronically paid from within Pakistan.

(5) This section shall not apply to any payment for—

- (a) digitally ordered goods where such payment is effectively connected with a branch office of foreign vendor in Pakistan of the non-resident person and the goods are supplied from within Pakistan; and
- (b) digitally delivered services where such services giving rise to the payment are received in Pakistan and are rendered through a branch office of foreign vendor in Pakistan of the non-resident person.

4. Significant digital presence in Pakistan.— A foreign vendor shall have significant digital presence in Pakistan under this Act, where the foreign vendor supplies digitally ordered services and goods from outside Pakistan to any user in Pakistan, if the aggregate amount exceeds one million rupees in a financial year along with one of the following additional factors—

- (a) existence of a user base and the associated data input;
- (b) billing or collection in local currency or with a local form of payment;
- (c) responsibility for the final delivery of goods and services to Pakistani consumers;
- (d) responsibility for the provision by the foreign vendors of other support services (aftersales services, repairs and maintenance); and
- (e) continued marketing and sales promotion activities, online or not, to attract customers.

Chapter III — Collection and Recovery

5. Responsibility to Collect Digital Presence Proceeds Tax.— (1) Every payment intermediary including a banking company, financial institution, licensed exchange company or payment gateway responsible for making a payment in whole or part remitting outside Pakistan, the proceeds chargeable to tax under section 3 of this Act, to a foreign vendor for digitally ordered services or goods shall deduct tax from the gross amount paid at the rate specified in Schedule to this Act.

(2) Notwithstanding anything contained in any law, the payment intermediary shall not maintain any bank account for a foreign vendor supplying goods or services from outside Pakistan and remit funds outside Pakistan unless the deduction of the tax under this section has been made and deposited in the government treasury as provided in sub-section (1) of this section:

Provided that this sub-section shall not apply where the payment intermediary collects and deposit this tax at the time of remitting any payment outside Pakistan.

(3) Every payment intermediary who has deducted the tax under this section in a month is required to deposit the deducted amount in the government treasury before the 7th of immediately succeeding month.

(4) Notwithstanding anything contained in any law, Customs shall ensure that no courier delivers any consignment unless provide the evidence of payment of this tax at the time when its payment has been settled by the buyer and seller under sub-section (1) of this section.

6. Responsibility to collect digital presence proceeds tax on advertisement at social media platform.— (1) Every foreign vendor having digital presence in Pakistan making any payment in whole or part to social media platforms or any other online platform for online advertisement in Pakistan which is chargeable to tax under section 3, shall deduct tax from the gross amount paid at the rate specified in the Schedule of this Act.

(2) Every foreign vendor who has deducted the tax under this section in a month is required to deposit the deducted amount in the government treasury before the 7th of immediately succeeding month.

7. Failure to deduct or deposit collected tax and recovery along with default surcharge.—

(1) Where a—

(a) payment intermediary fails to collect tax as required under section (1) of section 5;

(b) payment intermediary fails to comply with the provisions of section (2) of section 5;

(c) foreign vendor fails to comply with the provisions of section 6; or

(d) having collected tax under sub-section (3) of section 5 or sub-section (2) of section 6 fails to deposit the tax to the Commissioner, the payment intermediary of foreign vendor, as the case may be, shall be personally liable to pay the amount of tax along with default surcharge @ of KIBOR +3% per annum for

the days of default and the Authority under this Act may pass an order to that effect and proceed to recover the same.

(2) No recovery under sub-section (1) shall be made unless the person referred to in sub-section (1) has been granted with an opportunity of being heard.

(3) For recovery of the demand created under this Act, the Part IV of Chapter X of Income Tax Ordinance, 2001 (XLIX Of 2001) regarding tax recovery shall apply mutatis mutandis.

Chapter IV — Reporting Requirements

8. Furnishing of information of e-commerce transactions by Online Payment

Intermediaries.— (1) Every payment intermediary responsible for collection of tax in respect of remitting proceeds to foreign vendors under section 5 of this Act shall file a quarterly statement in the manner as prescribed to the Commissioner Inland Revenue containing foreign vendor wise information regarding all payments related to e-commerce transactions of sale of digitally ordered services and goods including as follows—

(a) name of the purchaser, its identification number (CNIC) and address of the foreign vendor to whom payments have been made from which tax has been collected under section 5 and section 6;

(b) transaction date, unique identifier (invoice number) and total transaction value from which tax has been collected under section 5 and section 6;

(c) the total amount of tax deducted from the seller under section 5 and section 6; and

(d) any other particular may be prescribed.

(2) Every payment intermediary maintaining bank account for foreign vendors with digital presence in Pakistan shall file a quarterly statement in the manner as prescribed to the Commissioner Inland Revenue containing information regarding total credit amount in the bank account during this period in the account of foreign vendor and the amount remitted outside Pakistan.

9. Furnishing of information by social media and online platforms regarding

advertisement.— Every social media and online platform having digital presence in Pakistan is required to file a quarterly statement in the manner as prescribed providing client-wise information of local vendors or foreign vendors with or without a permanent establishment whose advertisements are relayed in Pakistan through its platform and the amount received.

Chapter V — Penalty and Suspension

10. Penalty for non-filing of statement. Where every payment intermediary and social media platform, who fails to submit the statement required under section 8 or section 9 of this Act, with respect to digitally ordered services and goods or advertisements relayed in Pakistan shall be liable to a penalty of one million rupees for each default.

11. Suspension of remittances to a Foreign Advertiser.— The payment intermediary shall suspend the remittances of proceeds of such foreign vendors if it is reported to them by Commissioner that such vendors are advertising continuously for one hundred and twenty days without the payment of this tax by the foreign vendor:

Provided that this suspension shall be in addition to the recovery under section 7 for violation of section 6.

Chapter VI — Appeals

12. Appeals.— (1) A person dissatisfied with any order of recovery under this Act can file an appeal with the Appellate Tribunal Inland Revenue within thirty days from the receipt of the order.

(2) Within sixty days of the receipt of the order of the Appellate Tribunal Inland Revenue an aggrieved person or the Commissioner may prefer a reference in the prescribed along with the statement of the case and complete record of the appellate tribunal to the High Court stating any question of law arising out of such order.

Chapter VII — Miscellaneous

13. Administration of this Act.— The Inland Revenue Department of the Board and its subordinate offices shall act as tax administrator for the carrying out the purposes under this Act.

14. Power to make rules.— The Board may prescribe rules for the purposes of giving effect to the provisions of this Act and for the removal of any difficulty or matter ancillary thereto.

15. Power to grant exemption.— The Federal Government may, by notification in the official Gazette, subject to such conditions and restrictions as may be specified therein, exempt any country, any class of goods or services and class of persons from the chargeability under this Act, as deemed appropriate.

Schedule

[See section 3(2)]

The tax rate for collection for cross-border transactions of digitally ordered goods and services shall be as under.

S. No. | Description Rate of Tax

q) (2) (3)

1. Services 5% of the payment including of advertisement on social media platforms
2. Goods 5% of the payment made to foreign provider