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## Pakistan Scraps Digital Tax to Boost E-Commerce

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Pakistan's Federal Board of Revenue (FBR) has withdrawn a 5% digital tax on foreign retailers to encourage e-commerce growth, a move influenced by trade talks with the United States.

On July 31, 2025, the Federal Board of Revenue (FBR) announced the rollback of the Digital Presence Proceeds Tax Act, 2025, which had imposed a 5% levy on digitally ordered goods and services from foreign retailers like Temu, Shein, and AliExpress, as reported by Dawn.com. The decision, effective retroactively from July 1, 2025, aims to foster Pakistan's burgeoning e-commerce sector by easing the tax burden on international platforms, according to a statement from Finance Adviser Khurram Schehzad to Arab News. The move follows trade negotiations with the United States,

which secured a temporary suspension of a 29% tariff on Pakistani exports, per the Finance Ministry. The FBR's notification emphasized that the tax withdrawal applies to all digitally ordered goods and services supplied from abroad, benefiting platforms like Google and Meta.

The initial tax, introduced in the June 2025 federal budget, sparked concerns among local retailers, who argued it failed to level the playing field. Asfandiyar Farrukh, Chairman of the Chainstore Association of Pakistan (CAP), noted that while the 5% levy was removed, local businesses still face up to 25% in taxes, creating competitive disadvantages, per Arab News. Farrukh acknowledged that stricter customs enforcement, including a reduced duty-free threshold from Rs5,000 (\$18) to Rs500 (\$1.8), could curb tax evasion on foreign goods. However, Ariba Talreja of Topline Securities highlighted that domestic retailers struggle against untaxed foreign imports, which account for 30,000 daily parcels, up from 1,000 two years ago, according to CAP estimates.

The decision aligns with Pakistan's goal to meet the \$7 billion International Monetary Fund (IMF) loan program targets, aiming to collect Rs14 trillion (\$49.3 billion) in taxes this fiscal year, as reported by Reuters. Information Technology Minister Shaza Fatima Khawaja described the rollback as a signal that "Pakistan is open for business," per her post on X. While the move may lower prices for consumers, local retailers remain cautious, urging stronger enforcement to ensure fair competition. This policy shift reflects Pakistan's balancing act between global trade commitments and domestic economic priorities.