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## Pakistan Exempts US Tech Firms From New Digital Tax

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– Categories: Finance



Pakistan has withdrawn a recently introduced 5% digital tax on foreign technology firms, in a key move to facilitate trade negotiations with the United States. The Federal Board of Revenue (FBR) issued the exemption notification on Wednesday, coinciding with Finance Minister Muhammad Aurangzeb's visit to Washington for bilateral trade discussions.

According to the FBR's official statement, the waiver applies broadly to all foreign companies supplying digitally ordered goods and services into Pakistan. The tax will not

apply from July 1, 2025, the start of the new fiscal year, and when the Digital Presence Proceeds Tax Act came into effect.

A senior FBR official confirmed the decision was made in response to concerns raised by the US administration. American tech firms, particularly Google, had expressed reservations during previous rounds of trade talks, arguing that the tax would negatively impact their operations in Pakistan.

The United States remains Pakistan's largest trading partner and is also the largest shareholder in the International Monetary Fund (IMF), giving Washington considerable influence in global economic negotiations. Pakistani officials believe the exemption could ease US concerns and accelerate a broader trade agreement.

While the waiver applies globally, major beneficiaries will include firms such as Google, Meta, Amazon, Microsoft, and Netflix. These platforms have significant digital operations in Pakistan and previously faced tax liabilities under the new law.

The FBR had originally implemented the 5% tax in June, targeting foreign digital vendors operating in Pakistan without a physical presence. The intent was to tax cross-border e-commerce activity that had largely gone untaxed due to treaty limitations.

The Digital Presence Proceeds Tax Act sought to bring Pakistan in line with global trends, where many countries have introduced similar digital services taxes. These laws typically aim to reclaim tax revenue from companies offering streaming, cloud computing, software services, and other automated online solutions.

Despite the potential loss of billions of rupees in tax revenue, Pakistani authorities indicated that US support at the IMF level could offset any backlash. Officials clarified that the exemption is not a blanket pardon but applies to services already covered under other existing tax regimes.

The FBR also emphasised that companies with a “significant digital presence” but no physical footprint in Pakistan remain subject to certain reporting and tax collection requirements through local financial intermediaries.

Google, which provides services such as advertising, search, cloud, and communications in Pakistan, is currently the largest digital tax contributor. The company was recently assured that it is not the primary target of the new digital tax legislation.

