

Asia Internet Coalition (AIC) Statement on Pakistan's New Digital Presence Proceeds Tax Act, 2025

26 June 2025

The Asia Internet Coalition (AIC) is deeply concerned with the proposal to introduce the "New Digital Presence Proceeds Tax Act, 2025" via Finance Bill presented on June 10 in Pakistan's National Assembly. As with all Digital Services Taxes (DSTs), the proposed Digital Presence Proceeds Tax (DPPT) appears to be a unilateral and discriminatory measure to tax foreign digital companies; is inconsistent with prevailing international tax principles; and does not respect the spirit and provisions of the Double Taxation Avoidance Agreements between Pakistan and other countries. It would lead to double or even multiple taxation of the same income, given the inability of foreign companies to obtain corresponding tax credits for this new tax. The proposed DPPT will disproportionately impact foreign companies, create significant tax uncertainty in Pakistan, and ultimately disincentivize foreign investments into Pakistan.

Pakistan is one of more than 140 jurisdictions participating on an equal footing in multilateral negotiations at the OECD/G20 Inclusive Framework on BEPS, which agreed to stop the spread of DSTs and focus on income taxes protected by global treaties to avoid double taxation and targeting specific sectors of the economy or businesses that provided a narrow set of services. Pakistan's current unilateral actions in introducing the DPPT in the midst of ongoing negotiations undermine the global process and risk further destabilizing the fragile global economy.

This is also happening at a time when the Governments in the region are withdrawing unilateral taxing measures (for eg. India recently withdrew its 6% Equalisation Levy w.e.f. 1 April 2025 and New Zealand withdrew its DST bill in May 2025). It is our humble request to the Pakistan Government, that before the Government of Pakistan hastily passes a harmful and destabilizing piece of legislation, it initiates a genuine, transparent, inclusive, and comprehensive public consultation process with stakeholders, including industry, civil society, and the public.

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