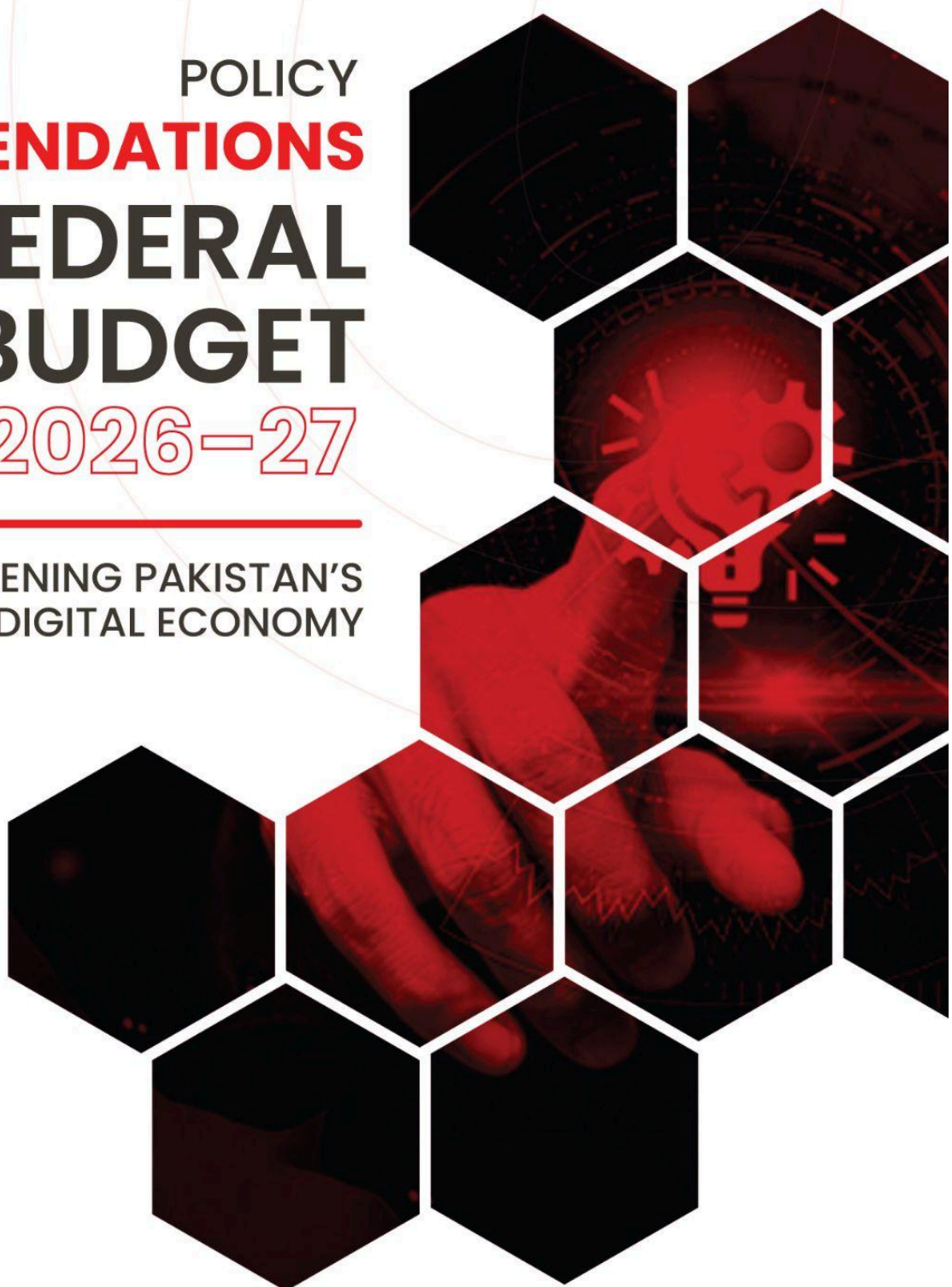


POLICY
RECOMMENDATIONS
**FEDERAL
BUDGET**
2026-27

STRENGTHENING PAKISTAN'S
DIGITAL ECONOMY



For Consideration by
Federal Board of Revenue | Ministry of Finance
Ministry of Information Technology & Telecommunication



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EXECUTIVE SUMMARY

Pakistan’s IT and IT-enabled services (ITeS) sector represents the country’s most scalable pathway to foreign exchange generation, employment creation, and integration into the global digital economy. IT services exports reached a record USD 3.8 billion in FY2024–25, an 18% increase over the previous year. The freelance and remote work segment contributed an additional USD 779 million, surging 90% year-on-year.¹ Over 350,000 professionals were trained through government and industry programmes during the year.²

Yet this growth is fragile. Pakistan’s IT sector operates in an intensely competitive global landscape. India’s technology industry revenue reached an estimated USD 283 billion in FY2024–25, with exports of USD 224 billion and a workforce of over 5.4 million.³ Pakistan’s share of global IT services trade remains well below 1%, though the International Labour Organisation ranks Pakistan as the second-largest provider of digital labour globally.⁴ Tax policy is the single largest lever available to the Federal Government to either accelerate or arrest the sector’s trajectory.

PASHA’s Budget 2026–27 recommendations are organized around six policy interventions that collectively address the sector’s most critical structural constraints. These are not wish-list items; each addresses a specific, quantifiable distortion or gap in the current policy environment, benchmarked against global best practices.

¹Dawn, “IT exports hit record \$3.8bn in 2024–25,” July 19, 2025 (\$3.8B total, 18% growth, freelance segment \$779M at 90% YoY).

²Express Tribune, “IT exports hit record at \$3.8b,” July 19, 2025 (citing IT Minister Shaza Fatima Khawaja).

³NASSCOM Strategic Review 2025; India Brand Equity Foundation (IBEF), “Information Technology Sector in India,” 2025. Revenue and export figures are NASSCOM estimates for FY25.

⁴Pakistan Economic Survey 2024–25; ILO Digital Labour Platform rankings.

PAKISTAN'S DIGITAL ECONOMY

THE STRATEGIC IMPERATIVE

Pakistan's IT sector has demonstrated resilient growth despite macroeconomic headwinds. IT services exports grew from approximately USD 3.2 billion in FY2023–24 to a record USD 3.8 billion in FY2024–25 — an 18% increase.⁵ The freelance and remote work segment surged 90% year-on-year to USD 779 million, and the country was recognized as "Tech Destination of the Year" at GITEX Global 2024.⁶

However, India's technology services sector alone generated USD 224 billion in exports in FY2024–25 with a workforce of over 5.4 million.⁷ Pakistan's total IT ecosystem output, including freelancing, represents roughly 2% of India's exports — suggesting enormous untapped potential but also the risk of structural marginalization if policy constraints are not addressed.

THE POLICY GAP

PASHA's analysis identifies three structural gaps:

- **Policy uncertainty:** The 0.25% FTR is scheduled to expire in June 2026. P@SHA Chairman Sajjad Syed has noted that "every serious investor asks the same two questions: What will my tax exposure be, and will the rules change after I invest?"⁸
- **Structural distortions:** Tax arbitrage between freelancers and remote workers, the contradictory Super Tax, and fragmented provincial sales tax regimes create perverse incentives that drain talent from organized (registered, tax compliant) IT companies.
- **Ecosystem underdevelopment:** Venture capital investment in Pakistani startups collapsed from a peak of USD 366 million in 2021 to approximately USD 22.5 million in disclosed equity funding in 2024 — the lowest since 2018.⁹

⁵Dawn, "IT exports hit record \$3.8bn in 2024–25," July 19, 2025 (18% growth confirmed); Profit by Pakistan Today, "Pakistan's IT exports up by 24% to \$3.2bn in FY24," July 2024.

⁶Dawn, *ibid.* (\$779M freelance figure); PSEB Annual Report 2024 (GITEX award).

⁷NASSCOM Strategic Review 2025. NASSCOM reported 5.43 million employees in FY24, with 126,000 added in FY25.

⁸Dawn, "IT exports hit record \$3.8bn," July 19, 2025 (quoting P@SHA Chairman).

⁹Dawn, "2022 — a dismal year for Pakistani startups," December 26, 2022 (2021 peak figure); Data Darbar / Startup Naama, "Pakistan's Tech & VC Landscape 2024," May 2025 (2024 figure).

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RECOMMENDATIONS



RECOMMENDATION 1

EXTENSION OF 0.25% FINAL TAX REGIME

THE ISSUE

The 0.25% Final Tax Rate on IT export receipts under Section 154A of the Income Tax Ordinance, 2001, is authorized through Tax Year 2026 (ending June 2026). This rate, applicable to PSEB-registered exporters, has been the single most impactful fiscal incentive for the sector's growth.¹⁰ The annual uncertainty around renewal undermines investment planning and client commitments.

THE RECOMMENDATION

Extend the 0.25% FTR under Section 154A for a minimum of 5 years (Tax Years 2027–2031), with PASHA's strong preference for a 10-year extension through Tax Year 2036.

RATIONALE

- **Investment horizon:** IT companies making decisions about delivery centers, hiring, or bidding on multi-year contracts require a minimum 3–5 year policy visibility window. India's SEZ benefits span 10–15 years; Vietnam's IT incentives extend up to 15 years.
- **Revenue impact is net positive:** IT export receipts — and the associated 0.25% collections — have increased year-on-year. FY2023–24 exports were USD 3.2 billion; FY2024–25 reached USD 3.8 billion. The alternative is not taxation at higher rates; it is reduced export activity and foreign exchange inflows.
- **Industry alignment:** P@SHA itself has formally called for a 10-year FTR continuation as a core policy priority.¹¹

See [Annexure A](#) for detailed global competitive benchmarking of IT export tax incentives.

¹⁰Income Tax Ordinance, 2001, Section 154A; Division IVA of Part III of the First Schedule; Finance Act, 2022.

¹¹Dawn, "IT exports hit record \$3.8bn in 2024–25," July 19, 2025 (citing P@SHA's formal recommendations).

RECOMMENDATION 2

TAX CLASSIFICATION OF IT FREELANCERS VS REMOTE WORKERS

THE ISSUE

Remote workers employed full-time by foreign companies are claiming the 0.25% rate under Section 154A for what is functionally employment income. Based on current income tax rates for salaried individuals under Section 149, this creates a graduated tax arbitrage of 18 to 31 percentage points, resulting in 22–44% more take-home pay for identical work – with the gap widening at senior salary levels. The consequence is a systematic drain of senior talent from Pakistan’s organized IT companies.

The following table illustrates the arbitrage at various salary levels using current FY2025–26 income tax rates:

Gross Monthly (PKR)	Income Tax (Section 149)	Take-Home	Section 154A Tax (0.25%)	Take-Home	Arbitrage (Col5 - Col3)/Col3
400,000	71,750	328,250	1,000	399,000	+21.5%
500,000	106,750	393,250	1,250	498,750	+26.8%
600,000	141,750	458,250	1,500	598,500	+30.6%
700,000	176,750	523,250	1,750	698,250	+33.4%
800,000	211,750	588,250	2,000	798,000	+35.6%
900,000	268,958	631,042	2,250	897,750	+42.3%
1,000,000	307,108	692,892	2,500	997,500	+44.0%

At a gross salary of PKR 500,000/month, a remote worker claiming the 0.25% rate takes home PKR 498,750 versus PKR 393,250 for an identically compensated domestic IT company employee – a difference of PKR 105,500/month (26.8%). At PKR 1,000,000/month, the gap widens to PKR 304,608/month (44%). No domestic employer can compete with this implicit subsidy to foreign companies.¹²

¹²Income tax rates per FY2025–26 salaried individual tax slabs under Section 149 of the Income Tax Ordinance, 2001.

THE RECOMMENDATION

Amend Section 154A to introduce two sub-categories: Category A (Independent IT Service Exporters, retaining 0.25%) and Category B (Remote Employees of Foreign Entities, subject to graduated rates of 5–20%). This closes a tax arbitrage that currently gives remote workers 22–44% more take-home pay than identically compensated domestic employees. Implement through a five-factor classification test, self-declaration with risk-based audit, and banking channel integration.

GLOBAL LEARNINGS

Every major economy has enacted specific legislation addressing this distinction. The Netherlands' DBA Act, enforced from January 2025 after a nine-year moratorium, addresses an estimated 13% false self-employment rate among 1.7 million registered freelancers, with IT among the most affected sectors.¹³ The UK's IR35 rules, the US W-2 vs 1099 classification with the ABC Test, and Germany's Scheinselbständigkeit rules all address the same structural problem.

See [Annexure B](#) for full classification framework, proposed graduated rates, global comparative analysis, and implementation roadmap.

¹³AmExpat Netherlands, "Dutch tax authorities to crack down on exploitation of freelancers from 2025," September 2024; 3C Global Group, "Netherlands Freelancer Crackdown," November 2024; Dutch Chamber of Commerce (KvK) data.

RECOMMENDATION 3

MADE IN PAKISTAN — PUBLIC SECTOR IT PROCUREMENT MANDATES

THE ISSUE

Pakistan’s federal and provincial governments spend billions annually on enterprise software licenses, IT infrastructure, and digital transformation. The overwhelming majority flows to multinational vendors, with minimal allocation to locally developed software or locally manufactured hardware — even where competitive Pakistani alternatives exist.

THE RECOMMENDATION

Mandate minimum allocation thresholds for locally developed software and locally produced hardware in all federal and provincial public sector IT procurement, with phased implementation.

Category	Year 1–2	Year 3–5
Software — Not Locally Produced (OS, middleware, cloud tools, antivirus, development tools, databases, email systems, etc.)	Mandatory procurement through PSEB/PASHA-registered channel partners	Foreign software spend routed through registered local firms; captures margin, builds service capability, enables local support and training
Software — Locally Produced (such as ERP systems, banking systems, fintech, e-government platforms, training platforms, portals and websites, etc.)	Phased adoption roadmap: 20% allocation (Year 1) 40% (Year 2)	Competitive local products evaluation mandatory before foreign procurement; Pakistani alternative must be assessed fairly and rejection formally justified
Hardware — Not Locally Produced (servers, storage, networking equipment, etc)	Mandatory procurement through PSEB/PASHA-registered channel partners	Local integration, warranty, and support requirements; builds domestic systems integration capability

Hardware – Locally Produced (PCs, laptops, tablets, smartphones, end-user devices)	Phased adoption: 20% (Year 1) 40% (Year 2)	Pakistan ICT Products Registry certification; preference for locally assembled/manufactured devices; mandatory 60% local devices
Cloud & Hosting Services	Mandatory local hosting where data sovereignty applies	Mandatory local hosting for all government procurement regardless of data sovereignty applicability

See [Annexure C](#) for global procurement mandate precedents, proposed Pakistan ICT Products Registry framework, and implementation mechanism.

RECOMMENDATION 4

CAPITAL GAINS & REPATRIATION RELAXATION FOR VENTURE CAPITAL

THE ISSUE

Total disclosed equity VC investment in Pakistani startups collapsed from a peak of USD 366 million in 2021 to USD 347–355 million in 2022, then to USD 75.8 million in 2023, and just USD 22.5 million in disclosed equity in 2024 — a 70% year-on-year decline and the lowest level since 2018.¹⁴ Q1 2024 recorded zero disclosed deals — the first blank quarter since tracking began in 2015.¹⁵

THE RECOMMENDATION

Principally treat VC Investors / Risk Takers' entities as pass through when their distribution structure (80/20 split of Capital Gains) is in line with global norms. Introduce a targeted capital gains tax exemption and streamlined repatriation framework for VC/PE investments in PSEB-registered IT/ITeS companies.

- **Capital gains tax exemption:** Full exemption for equity investments held 3+ years in PSEB-registered companies. 50% exemption for 1–3 year holds.
- **Repatriation guarantee:** Amend SBP regulations to authorize VC-backed tech companies to open Specialized Foreign Currency Accounts to hold foreign currency equity investments from licensed registered Fund Management Companies in their original denomination. Guarantee repatriation of investment capital for growth and expansion internationally with SBP approvals.
- **Fund registration:** Fast-track SECP registration for VC/PE funds investing primarily in PSEB-registered companies.

See [Annexure D](#) for detailed framework, global comparisons, and proposed legislative amendments.

¹⁴Dawn, “2022 — a dismal year for Pakistani startups,” December 2022 (2021 peak at \$366M); Invest2Innovate Q4 2022 Report (\$355M for 2022); Data Darbar / Startup Naama, “Pakistan’s Tech & VC Landscape 2024,” May 2025 (\$22.5M for 2024, 70% decline).

¹⁵Invest2Innovate, “Q1 2024 Deal Flow Update: Historic Low in Startup Fundraising,” 2024.

RECOMMENDATION 5

NATIONAL SKILLS PROGRAMS — BUDGET ALLOCATION

THE ISSUE

Pakistan produces approximately 25,000 IT graduates annually, yet industry estimates suggest that a big percentage of this number are not “job-ready” for the roles the sector needs. Existing government programmes (DigiSkills, e-Rozgaar) have achieved breadth — over 350,000 professionals trained in FY2024–25¹⁶ — but lack the depth, industry alignment, and outcome accountability required to move Pakistan up the global value chain.

THE RECOMMENDATION

Allocate a dedicated annual federal budget of PKR 5 billion for National Skills Programs, governed jointly by MoIT, PSEB, and PASHA, with disbursements tied to measurable employment and certification outcomes.

PROGRAM DESIGN PRINCIPLES

- **Industry co-governance:** PASHA and member companies participate directly in curriculum design, trainer selection, and outcome assessment.
- **Outcome-based funding:** Training providers compensated based on verified placement rates (minimum 60% within 6 months).
- **Tiered structure:** Foundational (digital literacy), intermediate (job-ready technical skills), and advanced (specialized certifications in AI/ML, cloud, cybersecurity).

See [Annexure E](#) for program descriptions, capacity targets, curriculum outlines, and budget estimates across 8 priority programs.

¹⁶Express Tribune, “IT exports hit record at \$3.8b,” July 19, 2025 (citing IT Minister).

RECOMMENDATION 6

HARMONIZATION OF PROVINCIAL SALES TAX ON DOMESTIC IT SERVICES

THE ISSUE

IT exports are zero-rated for sales tax purposes and are not affected by this recommendation. However, for domestic IT service delivery – where Pakistani IT companies serve local clients including government, banking, telecom, and enterprise customers – the provincial sales tax landscape is fragmented and burdensome. Following the 18th Constitutional Amendment, provinces maintain separate sales tax on services regimes with different rates, exemptions, registration thresholds, and compliance procedures. For IT companies operating nationally, this creates operational complexity, additional compliance costs, discourages inter-provincial service delivery, and possible double taxation conflicts where both the provider’s and the client’s province claim taxing jurisdiction.

THE RECOMMENDATION

Pursue a federal–provincial coordination mechanism (through the Council of Common Interests or National Tax Council) to harmonize the sales tax treatment of domestic IT services across all provinces and ICT, with a unified rate, shared registration, and single–portal filing system.

P@SHA has formally recommended “harmonising provincial sales tax through the National Tax Council under a single, creditable return system.”¹⁷

- **Unified rate:** A single, nationally consistent reduced rate of 5% on domestic IT and ITeS (below the standard services rate in all provinces), replacing the current patchwork of 5%–15% across jurisdictions.
- **Single registration:** IT companies register once at the federal level with reciprocal recognition across all provinces.
- **Single–portal filing:** Unified electronic filing portal with backend revenue sharing to provinces based on an agreed formula.
- **Clear jurisdiction rules:** Unambiguous origin/destination rules for inter-provincial domestic IT service delivery, eliminating double taxation.

See [Annexure F](#) for scope clarification, provincial rate comparison, proposed harmonization framework, and precedent analysis.

¹⁷Dawn, July 19, 2025 (citing P@SHA’s formal policy recommendations).

SUMMARY OF RECOMMENDATIONS

#	Subject	Summary
1	Extension of 0.25% Final Tax Regime (FTR) for IT Exports	Extend the current 0.25% FTR under Section 154A for a minimum of 5 years (preferably 10) beyond June 2026 to provide policy certainty.
2	Tax Classification: IT Freelancers vs Remote Workers	Introduce a legislative distinction between genuine freelancers (retain 0.25%) and remote employees (graduated 5–20%), closing a tax arbitrage of 18–31 percentage points that gives remote workers 22–44% more take-home pay.
3	Made in Pakistan: Public Sector IT Procurement Mandates	Mandate minimum allocation thresholds for locally developed software and locally manufactured hardware in public sector procurement.
4	Capital Gains & Repatriation Relaxation for Venture Capital	Reinstating capital gains tax exemptions and streamlined repatriation for VC/PE investments in PSEB-registered IT companies.
5	National Digital Skills Program: Budget Allocation	Allocate a dedicated federal budget for digital skills programs targeting AI/ML, cloud, cybersecurity, and emerging technologies.
6	Harmonization of Provincial Sales Tax on Domestic IT Services	Pursue federal–provincial coordination to harmonize the fragmented sales tax treatment of IT services and software across all provinces and ICT. IT exports are already zero-rated and unaffected.

These recommendations are **mutually reinforcing** - the FTR extension provides the core incentive; freelancer–remote worker classification safeguards it; procurement mandates drive demand; VC relaxation enables growth capital; skills programs strengthen supply; and sales tax harmonization reduces domestic friction. Each is supported by detailed annexures. **PASHA stands ready to provide sector expertise, industry data, and technical support throughout the consultation, drafting, and implementation process.**

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ANNEXURES



ANNEXURE A

FTR EXTENSION

GLOBAL COMPETITIVE BENCHMARKING

A.1 REGIONAL BENCHMARKING

Every comparable peer economy in the region offers broad-based, non-zone-restricted tax incentives to its IT sector. The following examples demonstrate that sector-wide preferential regimes are the regional norm.

This annexure provides a comparative analysis of IT export tax incentives across competing jurisdictions, demonstrating that Pakistan's 0.25% FTR is competitive but requires long-term certainty to remain effective.

A.2 COMPARATIVE IT EXPORT INCENTIVE REGIMES

Jurisdiction	Incentive	Effective Rate	Duration
Pakistan (current)	0.25% FTR on export receipts under Section 154A	0.25%	Renewed annually; current authorization through June 2026
India	Presumptive taxation under Section 44ADA; SEZ benefits	6–8% effective for digital businesses	SEZ benefits: 10–15 years
Vietnam	Corporate Income Tax exemption + reduction for IT	0% for 4 years, then 50% reduction for 9 years	Up to 15 years total
Philippines	CREATE Act income tax holiday	0% during holiday; 5% SCIT after	4–7 year holiday
Bangladesh	Full income tax exemption for IT/ITES exports	0%	Extended through June 2027
Malaysia	MSC Malaysia status tax incentive	0% Pioneer Status or 100% ITA	10 years

Bangladesh – 100% Tax Exemption (Non-Zone, Industry-Wide)

Bangladesh is the most directly comparable case and the strongest benchmark in our favour. The Bangladesh government, through Finance Act 2024, confirmed that income derived from software development and IT-enabled services is 100% exempt from

corporate income tax for the period July 2024 to June 2027, available to any resident or non-resident Bangladeshi IT company on the condition that a tax return is filed with no requirement to operate inside any special zone.¹⁸ The covered activities include 19 tech-based sectors such as software development and customization, web development, AI-based solution development, digital data analytics and data science, and cybersecurity services. This 100% exemption framework has been in place in various forms since July 2005 nearly two decades of uninterrupted sector-wide tax relief that has directly contributed to Bangladesh's progress in its software sector and attracted both resident and foreign investment¹⁹.

Bangladesh, which competes directly with Pakistan for the same global IT outsourcing contracts, offers a 100 percent corporate income tax exemption across its IT sector.

India – Zero-Rated IT Exports

The Indian IT industry serves as the definitive global case study²⁰ for how aggressive fiscal policy can catalyze a nascent sector into a world leader. Central to this transformation were the Section 10A and 10B tax holidays, which provided a 0% corporate tax rate on all profits derived from software exports. These incentives had a "substantial" positive impact, with industry leaders rating them 4.0 out of 5.0 in importance for growth. This fiscal regime allowed firms to bypass "cumbersome" banking procedures and high collateral requirements by enabling them to finance expansion entirely through tax-free retained earnings. The magnitude of this advantage is evidenced by industry giants like Wipro; while the Indian national tax average was 38.5%, Wipro's IT services units operated under a 0% tax shield, bringing the entire corporation's effective rate down to just 14%. By retaining nearly 100% of their export margins—which averaged 20% of revenues—Indian firms secured the "financial freedom" and "critical scale" necessary to underprice global incumbents and achieve a dominant international market share.

The export of software services is classified as a zero-rated supply under India's GST framework, meaning no tax is charged on services when exported and exporters can claim full Input Tax Credit refunds. This zero-rating applies to all registered IT exporters with no requirement to operate inside a special economic zone.

It has been observed that India's IT sector has reached hyper-maturity and is oversaturated, reducing its growth agility. This context is relevant as India's preferential regime helped it build a \$200 billion plus IT export industry over three decades. Pakistan is at the early-growth stage where India was in the early 2000s. The policy lesson from India

¹⁸ PwC. (2024). *Bangladesh Finance Act 2024*.

<https://www.pwc.com/jp/en/services/globalization/news/assets/pdf/bangladesh-finance-act-2024.pdf>

¹⁹ *Reanda International News | Bangladesh: Tax exemption for software and IT-enabled service (Section 44 of IT Ordinance 1998)*. (n.d.).

<https://www.reanda-international.com/news/bangladesh-tax-exemption-for-software-and-it-enabled-service-section-44-of-it-ordinance-1998>

²⁰ Gregory, N., Nollen, S., & Tenev, S. (2009). *New Industries from New Places: The Emergence of the Software and Hardware Industries in China and India*. Washington, D.C.: The World Bank; Stanford, California: Stanford University Press

is applicable precisely at Pakistan's current stage of IT sector development before saturation, when incentives generate the highest incremental export growth.

Vietnam – 0% CIT Holiday + 10% Preferential Rate

The Vietnamese tax framework, as established in Circular No. 78/2014/TT-BTC, provides a highly aggressive "double-layered" incentive structure designed to position the software sector as a top-tier "prioritized" industry. Under Article 19, new investment projects in software production are granted a preferential corporate income tax (CIT) rate of 10% for fifteen years, a significant reduction from the standard 20% national rate. This is further amplified by Article 20, which provides a total tax holiday (0% tax) for the first four years of taxable profit, followed by a 50% reduction (effectively a 5% tax rate) for the subsequent nine years. This 13-year runway of near-zero taxation provides software exporters with immense "cash-flow liquidity," allowing them to reinvest gross margins into global marketing and talent acquisition, thereby mirroring the fiscal agility that originally fueled the Indian IT boom.²¹

Thailand – 8-Year CIT Exemption via BOI

Under the 2025 Investment Promotion Guidelines, Thailand's fiscal treatment of the IT sector is categorized primarily under Activity 8.1.1 (Software Development and Digital Platforms) and Activity 8.2.2 (Cloud Services).²² The most favorable treatment grants a Corporate Income Tax (CIT) exemption for up to 8 years, with a strategic emphasis on expenditure-based caps. Unlike traditional models, the CIT exemption limit for software projects is linked to 100% of the annual salary expenses of Thai IT personnel, effectively subsidizing the industry's largest operational cost—human capital. For ultra-high-impact technology, the National Competitiveness Enhancement Act (2017) offers a premium tier of incentives, including a CIT exemption for up to 15 years. By decoupling these benefits from specific geographical zones and linking them to technical expertise and salary spend, Thailand ensures its IT industry remains regionally competitive through direct and significant bottom-line relief.

Philippines – 5% Special CIT Post Tax Holiday

Under the National Internal Revenue Code of 1997, recently modernized by Republic Act No. 12066 (2024), the Philippines provides a hyper-competitive fiscal framework specifically engineered to scale export enterprises, including the IT-BPM sector. The regime's most favorable treatment offers a strategic choice between an Income Tax

²¹ Ministry of Finance (Vietnam), *Circular No. 78/2014/TT-BTC: Guiding the implementation of the Government's Decree No. 218/2013/ND-CP detailing and guiding the implementation of the Law on Enterprise Income Tax*. See Article 19 (Preferential Tax Rates for software production projects) and Article 20 (Tax Exemption and Reduction periods). Hanoi, June 18, 2014.

²² Office of the Board of Investment (Thailand), *Investment Promotion Guide 2025*. See Section 03: Group of Industries and General List of Activities, specifically Category 8: Digital, Creative Industries and High Value Service (Activities 8.1.1 – 8.2.2). Also see the *National Competitiveness Enhancement for Targeted Industries Act, B.E. 2560 (2017)*, Section 24 (CIT Exemption for Targeted S-Curve Industries).

Holiday (ITH) or a Special Corporate Income Tax (SCIT) rate of 5% on Gross Income Earned, which serves as a "plug-and-play" tax solution in lieu of all other national and local taxes. To further sharpen export competitiveness, the law introduces an Enhanced Deductions Regime, notably allowing a 100% additional deduction on power expenses and significant offsets for trade exhibitions and reinvestment. By combining these with VAT zero-rating on local purchases and duty-free importation of capital equipment, the Philippines aggressively lowers the "cost of doing business," ensuring that IT service exporters can maintain the high liquidity and lean margins required to dominate the global outsourcing market.²³

China – 15% Preferential CIT for High-Tech Enterprises

China's fiscal strategy for the IT sector is a sophisticated, performance-linked model that transitions from total tax immunity to long-term preferential rates. Under the prevailing Corporate Income Tax (CIT) framework, while the standard national rate is 25%, the most favorable treatment is reserved for Encouraged Designated Key Software Enterprises, which benefit from a full five-year CIT exemption followed by a deeply discounted 10% preferential rate. High-growth firms that qualify as New/High-Tech Enterprises (NHTE) or Technology-Advanced Service Enterprises (TASE) are also eligible for a permanent reduction to 15%.

China's preferential tax policy for technology and R&D dates back to the 1990s, with the State Council issuing its landmark Decision on Accelerating Science and Technology Progress following the National Science Conference of 1995, signalling a long-term commitment to building an enterprise-led innovation system before results were visible.

The real milestone came in 2000. The policy recognized by the industry as transformational is "Document No. 18" Several Policies to Encourage the Development of the Software Industry and IC Industry promulgated in 2000, marking a new stage in China's use of fiscal policy to support the industry.²⁴ Under this framework, tech enterprises received full income tax exemption for two years starting from their first profit-making year, followed by a 50% reduction for the next three years, a generous runway explicitly designed for companies not yet generating substantial taxable income.²⁵ Key software companies recognized by the central government were further entitled to a reduced rate of just 10%, well below even today's 15% NHTE rate, reflecting how aggressively China supported its nascent sector before it could stand on its own.

²³ *National Internal Revenue Code of 1997*, as amended by Republic Act No. 12066 (The CREATE MORE Act), November 08, 2024. See Section 294 (Incentives for Registered Business Enterprises) and Section 295 (Conditions for Availment).

²⁴ Tian, B., Yu, B., Chen, S., & Ye, J. (2020). Tax incentive, R&D investment and firm innovation: Evidence from China. *Journal of Asian Economics*, 71, 101245. <https://doi.org/10.1016/j.asieco.2020.10124>

²⁵ Stewart, T. P. (2007). *China's industrial subsidies study: High technology* (Vol. 1). Trade Lawyers Advisory Group for the U.S.-China Economic and Security Review Commission. <https://www.uscc.gov/sites/default/files/Research/China%27s%20Industrial%20Subsidies%20High%20Technology.pdf>

Two decades later, when China identified semiconductors as a new strategic frontier, again in an early, vulnerable stage, it went even further. Document No. 8 (2020) exempted qualified IC enterprises from corporate income tax for ten consecutive years, covering companies across all growth stages from early-stage entrepreneurship to listing.²⁶

China calibrated the depth and duration of its tax incentives to the maturity of its industry. The more nascent the sector, the longer and more generous the relief. Pakistan's IT sector today is precisely where China's was in 2000 — early-stage, structurally capital-light, and competing for global outsourcing mandates against entrenched rivals. Withdrawing or capping the Fixed Tax Regime (FTR) at this juncture would be analogous to China pulling Document No. 18 in 2003, before a single cohort of companies had reached maturity.

UAE — 0% Corporate Tax for Qualifying Tech Entities

Free Zone entities meeting Qualifying Free Zone Person status are eligible for a 0% UAE Corporate Tax rate on qualifying income.²⁷ The UAE's model is oriented toward attracting regional headquarters and large capital-intensive entities, not the SME-dominated, export-oriented IT sector that Pakistan seeks to develop. The UAE comparison therefore should be used cautiously: it illustrates a jurisdiction that offers 0% tax but only through zone mechanism, and whose IT sector growth in terms of exports and workforce remains limited relative to Vietnam, Philippines, or Bangladesh which all have broader, more accessible frameworks. The UAE example actually supports the PASHA's argument: zone-restricted regimes are less effective at growing a broad-based IT export economy than sector-wide preferential regimes.

Sri Lanka, A Case Study: What Happens When You Remove IT Tax Exemptions

Sri Lanka provides a powerful counter-example that strengthens Pakistan's case for retention. Sri Lanka previously granted full corporate income tax exemptions to IT and BPO service exporters. From April 1, 2025, this exemption was removed and replaced with a 15% concessionary rate. The immediate industry reaction was instructive: tax change increases the cost burden on IT and BPO exporters, and industry groups warned it would erode the country's competitiveness in the global services market.^{28,29} Pakistan, which is pursuing IT export growth as a strategic foreign exchange priority, should draw the opposite lesson: protect and extend IT tax incentives while you have the fiscal space to do so.

²⁶ Song, L., & Wen, Y. (2023). Financial subsidies, tax incentives and technological innovation in China's integrated circuit industry. *Journal of Innovation & Knowledge*, 8(3), 100406. <https://doi.org/10.1016/j.jik.2023.100406>

²⁷ United Arab Emirates - Corporate - Tax credits and incentives. (n.d.). <https://taxsummaries.pwc.com/united-arab-emirates/corporate/tax-credits-and-incentives>

²⁸ Liberty Publishers. (2024, July 9). It, BPM industry pushes back against tax exemptions removal. Latest in the News Sphere | The Morning. <https://www.themorning.lk/articles/rXTOfJyeDof3vjQLJ4K>

²⁹ Business Tomorrow - Sri Lanka's IT sector at a crossroads. (n.d.). <https://www.business-tomorrow.com/magazine/sri-lankas-it-sector-at-a-crossroads>

Summary Benchmarking Table (FY 25)

Country	IT/Software Tax Benefit	Duration	Exports (USD)
Pakistan (current)	0.25% FTR on exports	Until June 2026	3.8B
Bangladesh	100% CIT exemption	July 2024 – June 2027	0.72B
India	0% GST on IT exports (zero-rated)	Indefinite	224B
Vietnam	0% CIT holiday + 10% preferential	Up to 19 years total	2.63 (this figure specifically tracks IT service exports, distinct from Vietnam's \$140B broader ICT sector which remains predominantly hardware and product-based)
Thailand	8-year CIT exemption	8 years	0.5B
China	15% CIT (HNTE/ATSE)	Renewable 3-yr cert	65B
Philippines	5% SCIT post-ITH	10+ years post-ITH	8.0B
UAE	0% CT (qualifying FZ)	Ongoing	–
Sri Lanka	15% (was 0%, rolled back 2025)	IMF-forced reversal	1.6B

A.3 EXPORT GROWTH UNDER THE FTR

Pakistan's IT exports have grown consistently since the introduction of the simplified 0.25% regime: from approximately USD 2.6 billion in FY2022–23 to USD 3.2 billion in FY2023–24 (+24%), and to USD 3.8 billion in FY2024–25 (+18%).³⁰ The government's own target of USD 15 billion by 2030 requires sustained annual growth rates of 25–30%, which is achievable only with policy certainty.³¹

³⁰Dawn, "IT exports hit record \$3.8bn in 2024–25," July 19, 2025 (FY25 figure); Profit by Pakistan Today, July 2024 (FY24 figure of \$3.2B).

³¹Dawn, July 19, 2025 (citing IT Minister Shaza Fatima: "Pakistan was well on its way to achieve \$15bn in IT exports by 2030"); PSEB CEO Abu Bakar's statement on \$15B target.

A.4 THE CASE FOR 10-YEAR EXTENSION

A 5-year extension provides minimum viable policy certainty. A 10-year extension would: (a) align Pakistan with the incentive horizons offered by India, Vietnam, and Malaysia; (b) enable large-scale infrastructure investments (delivery centers, data centers) with 7–10 year payback periods; (c) support Pakistan’s candidacy for Global Capability Center (GCC) establishment by multinationals who require decade-long policy stability; and (d) reduce the annual lobbying and uncertainty cycle that consumes government and industry resources.

ANNEXURE B

FREELANCER VS REMOTE WORKER

DETAILED CLASSIFICATION FRAMEWORK

B.1 BACKGROUND & LEGAL CONTEXT

Section 154A of the Income Tax Ordinance, 2001 provides for a 0.25% final tax on gross export receipts for PSEB-registered IT/ITeS exporters.³² This regime does not currently distinguish between independent service exporters and remote employees of foreign entities receiving income through identical banking channels.

B.2 HOW THE ARBITRAGE OPERATES

Channel 1 – Direct Exploitation: Workers take full-time positions with foreign companies, receive fixed monthly salaries under employer direction, but register with PSEB as “freelancers” and claim the 0.25% rate.

Channel 2 – Company-Facilitated Arbitrage: Pakistani IT companies route employee salaries through offshore entities (typically Dubai or US subsidiaries) as “remittances,” inflating freelancer statistics while eroding the domestic tax base.

B.3 DETAILED CLASSIFICATION CRITERIA

Category A: Independent IT Service Exporters (Retain 0.25%)

Qualifying criteria (must meet at least 3 of 5):

- **Multiple clients:** Income from 3+ unrelated clients; no single client >70% of total IT/ITeS export income.
- **No exclusivity:** Not bound by exclusivity agreements or non-compete clauses.
- **Project-based engagement:** Defined projects with specified scope and completion criteria.
- **Autonomous work:** Controls working hours, tools, and method of delivery.
- **Business identity:** Maintains registered business, issues commercial invoices, bears financial risk.

Category B: Remote Employees of Foreign Entities (Graduated Rate)

Classification triggers (2 or more indicates remote employment):

- **Single-client dependency:** ≥80% of foreign exchange income from one entity.
- **Fixed compensation:** Fixed monthly payment regardless of deliverables.

³²Income Tax Ordinance, 2001, Section 154A; Division IVA of Part III of the First Schedule.

- **Directed work:** Regular supervision, fixed hours, mandatory use of client systems.
- **Ongoing engagement:** Continuous engagement >12 months with no defined project endpoint.
- **Employment-type benefits:** Paid leave, health insurance, equipment allowances from engaging entity.

B.4 PROPOSED GRADUATED TAX RATES

Annual Income (FX)	Rate	Rationale
Up to PKR 6M (~\$20K)	5%	Entry-level; incentivize formalization over evasion
PKR 6M–15M (~\$20K–\$50K)	10%	Mid-level; competitive with regional alternatives
PKR 15M–30M (~\$50K–\$100K)	15%	Senior; below full employment rate as retention incentive
Above PKR 30M (~\$100K+)	20%	Leadership; approaches domestic parity while remaining competitive

B.5 GLOBAL COMPARATIVE ANALYSIS

Dimension	UK (IR35)	Netherlands (DBA)	US (ABC Test)	Germany	Australia (ABN)
Primary Test	Control, Substitution, Mutuality	Authority, Embedding, Entrepreneurship	Behavioral, Financial, Relationship	Single-client + Integration	Control, Delegation, Tools, Risk
Enforcement	PAYE withholding	Risk-based; Soft landing	Up to 41.5% penalties	Retroactive taxes	47% withholding if no ABN
Amnesty	No	Coaching visits first	VCSP program	No	No
Sector Focus	All sectors	IT, media, government	Gig economy	All sectors	All sectors

B.6 IMPLEMENTATION ROADMAP

Phase 1: Legislative Framework (Months 1–3)

- Amend the Income Tax Ordinance to define Category A and Category B under Section 154A.

- Establish the five-factor classification test through SRO with detailed guidance and worked examples.
- Specify graduated tax rates for Category B in the First Schedule.
- Direct PSEB to update registration criteria requiring **annual client diversity declaration**.
- Coordinate with SBP on banking reporting for single-entity remittance flagging.

Phase 2: Amnesty & Transition (Months 4–9)

- 6-month amnesty window (modelled on US VCSP) permitting reclassification without penalties or back-taxes.
- FBR to deploy banking interface: automated flagging of 80%+ single-entity remittances above a monthly threshold.
- Public awareness campaign through PASHA, PSEB, and FBR channels.

Phase 3: Enforcement (Month 10 Onwards)

- Risk-based auditing focused on high-value single-source remittances (Netherlands model).³³
- Coaching and correction visits before escalating to penalties.
- Annual review of classification criteria and rates.

B.7 LEGISLATIVE DRAFTING SUPPORT

PASHA is available to assist FBR’s Law & Procedures Wing in drafting the requisite Statutory Regulatory Order (SRO) under Section 237 of the Income Tax Ordinance, 2001, including the classification test criteria, worked examples, taxpayer guidance documentation, and FAQ materials. PASHA’s member companies can provide real-world case studies and employment patterns to inform the drafting process.

B.8 HOW PEER COUNTRIES HAVE NARROWED THE GAP

Philippines – Tax Reform for Acceleration and Inclusion (TRAIN) Law Tax Comparison (2025)

Income Level (Annual)	Salaried Employee Rate	Freelancer / Remote Worker Rate	Gap	Mechanism
Up to ₱250,000	0%	0%	0 pp	Both exempt

³³KVK Netherlands, “The DBA Act: avoid false self-employment,” January 2026; Dutch enforcement began January 2025 with coaching-first approach.

₱250K – ₱400K	15% on excess	8% flat on gross	~7 pp	Freelancer opts into 8% flat replacing income + business tax
₱400K – ₱800K	₱22,500 + 20% on excess	8% flat on gross	~12 pp	Gap widens as salary bracket rises
₱800K – ₱2M	₱102,500 + 25% on excess	8% flat on gross	~17 pp	Largest practical gap for IT professionals
Above ₱3M	Up to 35%	Graduated rate applies (8% option unavailable above ₱3M)	Converges	8% flat option lapses above ₱3M gross

Reform direction: Philippines is actively compressing this gap via mandatory BIR registration for freelancers – making the lower rate conditional on formal compliance, not an escape from it. The 8% flat is a formalisation incentive, not a permanent wedge.

Malaysia – Structural Parity (2025)

Income Level (Annual, MYR)	Salaried Employee Rate	Freelancer / Self-Employed Rate	Gap	Mechanism
Up to RM5,000	0%	0%	0 pp	Identical threshold
RM5,001 – RM20,000	1%	1%	0 pp	Same schedule
RM20,001 – RM35,000	3%	3%	0 pp	Same schedule
RM35,001 – RM100,000	8–19%	8–19%	0 pp	Same schedule

Above RM100,000	Up to 30%	Up to 30%	0 pp	Same schedule; identical reliefs available to both
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India — Reducing the Top Slab for Employed Professionals

India — New Tax Regime Comparison (FY 2025-26)

Income Level (Annual, INR)	Salaried Employee Effective Rate	Freelancer via Section 44ADA Effective Rate	Gap	Mechanism
Up to ₹12.75L	0% (rebate + std. deduction)	0% (rebate applies on 50% of gross)	0 pp	Both effectively zero below threshold
₹15L gross	~8.5%	~3.5% on gross (tax on 50% of receipts)	~5 pp	44ADA deems 50% of gross as profit; tax applies only to that half
₹20L gross	~12%	~5.5% on gross	~6.5 pp	Gap maintained but moderate
₹30L gross	~17%	~9% on gross	~8 pp	Surcharge (capped at 25% under new regime) begins applying
Above ₹2 Cr	Up to ~39% incl. surcharge	~19% on gross via 44ADA	~20 pp	Maximum structural gap at top income; surcharge capped at 25% under new regime vs 37% under old

ANNEXURE C

MADE IN PAKISTAN

PROCUREMENT FRAMEWORK DETAILS

C.1 GLOBAL PROCUREMENT MANDATE PRECEDENTS

- **India – Government e-Marketplace (GeM):** Mandates preference for “Make in India” products across all government procurement. IT products with domestic alternatives require justification for foreign procurement.
- **Brazil – Marco Civil da Internet:** Government data must be stored domestically. Procurement preference for local technology solutions in public sector.
- **EU – Digital Sovereignty initiatives:** GAIA-X cloud framework, European Chips Act, and public procurement directives increasingly favor European solutions.
- **China:** Multi-Level Protection Scheme (MLPS 2.0) mandates domestic technology for government systems, with escalating requirements by security classification.

C.2 PAKISTAN ICT PRODUCTS REGISTRY

PASHA recommends establishing a registry under PSEB certifying locally developed software and locally manufactured hardware meeting defined quality, security, and interoperability standards. Certification criteria would include: PSEB registration, demonstrated deployment track record, security audit compliance, and interoperability with existing government systems.

C.3 IMPLEMENTATION MECHANISM

PPRA rules (federal) and provincial equivalents would be amended to require procuring entities to demonstrate compliance with allocation thresholds. A “comply or explain” mechanism would allow justified exceptions where no domestic alternative exists or where the domestic product does not meet minimum technical requirements, subject to PSEB review.

ANNEXURE D

VENTURE CAPITAL

PROPOSED FRAMEWORK DETAILS

D.1 PAKISTAN VC FUNDING TRAJECTORY

The collapse in venture funding is documented in detail: 2021 saw record inflows of USD 366 million across 73 deals.³⁴ 2022 remained strong at USD 347–355 million (57 deals) despite global contraction.³⁵ The decline accelerated in 2023 to USD 75.8 million, and 2024 saw just USD 22.5 million in disclosed equity.³⁶ Q1 2024 recorded zero disclosed deals for the first time since tracking began.³⁷

D.2 GLOBAL CAPITAL GAINS FRAMEWORKS FOR VC

- **India – Section 54EEC:** Capital gains deferral/exemption for investments in specified technology funds. Angel Tax abolished in 2024 Budget.
- **Singapore – Section 13H:** Exempts specified fund vehicles from tax on gains from qualifying investments.
- **UK – SEIS/EIS:** 30–50% income tax relief for qualifying investments in early-stage companies. CGT exemption for SEIS investments held for 3+ years.
- **US:** Qualified Small Business Stock (QSBS) exclusion provides up to 100% exclusion of capital gains on qualifying investments held 5+ years.
- **Global fund structure norm:** Across the US, UK, Singapore, and India, VC funds operate on an 80/20 distribution structure – 80% of capital gains flow through to limited partners, with 20% retained as carried interest by the general partner. Pass-through tax treatment of the fund vehicle is the common mechanism ensuring this distribution is not subject to double taxation at both fund and investor levels.

D.3 PROPOSED AMENDMENTS

- Treat licensed VC/PE firms as pass-through entities for tax purposes, consistent with global norms where funds distribute 80% of capital gains to investors and

³⁴Dawn, “2022 – a dismal year for Pakistani startups,” December 26, 2022 (states “record investment of \$366 million in Pakistan” for 2021).

³⁵Arab News Pakistan, January 2023 (Data Darbar: \$347.44M; Invest2Innovate: \$355M across 57 deals).

³⁶Data Darbar, “Tech & VC Landscape 2024” report, via Startup Naama, May 2025 (\$22.5M in 2024, down 70.4% from \$75.8M in 2023; lowest since 2018).

³⁷Invest2Innovate Q1 2024 Deal Flow Update.

retain 20% as carried interest. Tax liability should rest at the investor level, not duplicate at the fund vehicle level.

- Insert new clause in the Second Schedule, treating licensed VC firms as full pass through entities - full capital gains exemption for investments in PSEB-registered companies held 3+ years, 50% exemption for 1-3 year holds, no tax on "Management fees" which are typically included in what is returned to investors before calculating gains.
- Amend SBP regulations to authorize VC-backed tech companies to open Specialized Foreign Currency Accounts to hold foreign currency equity investments from licensed registered Fund Management Companies in their original denomination. Guarantee repatriation of investment capital for growth and expansion internationally with SBP approvals.
- SECP to establish fast-track fund registration for VC/PE vehicles with >60% IT/ITes portfolio concentration.

ANNEXURE E

DIGITAL SKILLS PROGRAMS — DETAILED DESCRIPTIONS

AI & MACHINE LEARNING ENGINEERING

Target Cohort	CS/SE graduates; mid-career professionals transitioning into AI
Duration	6 months (480 contact hours + 120 hours project work)
Annual Capacity	2,000 per year across 10 training centers
Core Curriculum	Python for ML, TensorFlow/PyTorch, supervised/unsupervised learning, deep learning, NLP, computer vision, MLOps, responsible AI
Certification Target	Google TensorFlow Developer Certificate, AWS ML Specialty
Estimated Annual Budget	PKR 800M (PKR 400K per participant)

CLOUD-NATIVE DEVELOPMENT (AWS / AZURE / GCP)

Target Cohort	IT graduates, working developers seeking cloud specialization
Duration	4 months (320 contact hours)
Annual Capacity	5,000 per year
Core Curriculum	Cloud fundamentals (multi-cloud), Docker/Kubernetes, serverless, CI/CD, Terraform, cloud security, cost optimization
Certification Target	AWS Solutions Architect Associate, Azure Administrator, or GCP Professional Cloud Architect
Estimated Annual Budget	PKR 1B (PKR 200K per participant)

CYBERSECURITY OPERATIONS & COMPLIANCE

Target Cohort	IT professionals, career changers with technical aptitude
Duration	6 months (480 contact hours + lab work)
Annual Capacity	1,500 per year

Core Curriculum	SOC operations, threat detection, incident response, penetration testing, ISO 27001, SOC 2, PCI-DSS, cloud security, digital forensics
Certification Target	CompTIA Security+, CEH, or CISSP (senior track)
Estimated Annual Budget	PKR 600M (PKR 400K per participant)

FULL-STACK DEVELOPMENT BOOTCAMP

Target Cohort	Non-IT graduates, career changers, self-taught developers
Duration	6 months intensive (600 contact hours)
Annual Capacity	10,000 per year (highest demand category)
Core Curriculum	HTML/CSS/JS, React/Next.js, Node.js/Python, SQL + NoSQL, REST APIs, Git, agile, deployment, portfolio
Certification Target	PASHA-certified Full-Stack Developer (industry credential)
Estimated Annual Budget	PKR 1.5B (PKR 150K per participant)

Additional programs in Data Engineering & Analytics, QA & Test Automation, DevOps & SRE, and Digital Marketing & IT Sales follow similar formats. Full descriptions available from PASHA Secretariat.

ANNEXURE F

HARMONIZATION OF PROVINCIAL SALES TAX ON IT SERVICES

F.1 SCOPE

This recommendation pertains exclusively to the sales tax treatment of domestic IT service delivery – where Pakistani IT companies provide services to local clients (government, BFSI, telecom, enterprise). IT exports are zero-rated for sales tax purposes under existing federal and provincial frameworks and are not affected by this recommendation.

F.2 CURRENT PROVINCIAL LANDSCAPE

Following the 18th Constitutional Amendment, each province maintains its own sales tax on services regime for domestic transactions. The IT sector faces varying rates (typically 3–16%), different exemption criteria, separate registration portals, and divergent interpretations of what constitutes a “taxable IT service.” IT companies serving domestic clients across multiple provinces must register, file, and comply separately in each jurisdiction – a compliance burden that often exceeds the tax liability itself, particularly for SMEs and startups.

F.3 THE DOUBLE TAXATION PROBLEM

Inter-provincial domestic IT service delivery creates jurisdictional ambiguity. When a company based in Punjab provides services to a client in Sindh, both provinces may claim taxing jurisdiction – Punjab as the province of supply, Sindh as the province of consumption. This results in either double taxation or complex credit mechanisms that often fail in practice. This problem does not affect IT exports, which are zero-rated, but materially impacts the growing domestic IT market.

F.4 PRECEDENT: INDIA’S GST

India’s implementation of the Goods and Services Tax in 2017 consolidated 17 different state and central levies into a single framework for domestic transactions. Despite its complexity, GST eliminated cascading taxes and inter-state barriers. Pakistan’s challenge is more limited in scope and could be addressed through inter-provincial agreement focused specifically on domestic IT services as a pilot.

F.5 PROPOSED FRAMEWORK

- **Unified rate:** A harmonized reduced rate of 5% on domestic IT and ITeS (below the standard services rate in all provinces), replacing the current patchwork of 3–16%

across jurisdictions. IT exports remain zero-rated under existing provisions and are outside the scope of this framework.

- **Single registration:** IT companies register once at the federal level or through a designated lead province, with automatic reciprocal recognition for domestic service delivery.
- **Single-portal filing:** Unified electronic filing portal managed by FBR or a designated provincial authority, with backend revenue allocation to provinces based on an agreed formula (e.g., workforce location, client location, or a hybrid).
- **Jurisdiction clarity:** Destination-based principle for inter-provincial domestic services; origin-based for intra-provincial. Clear safe harbors for common scenarios.

F.6 IMPLEMENTATION PATH

PASHA recommends that domestic IT services serve as a pilot for broader sales tax harmonization. A federal-provincial working group under the Council of Common Interests or National Tax Council would develop the framework, with implementation within 12–18 months. The IT sector’s small contribution to total provincial sales tax revenue makes it a low-risk pilot with high demonstration value.

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