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E-Invoicing and Digital Recordkeeping in Pakistan: Legal Readiness of the FederalBoard of Revenue and Taxpayers for a Digitized Compliance Regime

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ABSTRACT

The adoption of e-invoicing and the implementation of digital record-keeping as a mandatory practice in Pakistan have led to a notable change in the country's taxation administration and compliance environment. These reforms will be operationalized by making changes to the Sales Tax Rules, 2006, and delegated legislation of the Federal Board of Revenue (FBR) to improve transparency, reduce evasion of taxes, and to enhance revenue collection. Nonetheless, the institutional and legislative readiness to such a digitized regime is not yet studied. The paper provides a doctrinal discussion of the e-invoicing system in Pakistan, its legal foundation, administrative capability of the FBR and Pakistan Revenue Automation Limited (PRAL) and the willingness of the taxpayers to adapt to the digital demands. It concludes that the process of digital tax enforcement is mostly based on delegated and fragmented laws with low parliamentary oversight, and institutional constraints such as lack of governance and technical capacity of the process hamper successful execution. On the part of the taxpayer, a move to mandatory digitization is a liability in terms of compliance, especially to small and medium businesses, and is constitutionally questionable in terms of the due process, equality, and freedom of trade. The paper ends with a recommendation of legal and institutional changes to bring digitization back to constitutional and administrative viability and the rule of law.

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1. Introduction

Digitization of tax administration is a characteristic feature of modern fiscal administration, and the government progressively uses electronic invoicing systems, real-time reporting, and electronic record keeping enhancing the effectiveness of compliance and minimizing the prevalence of revenue leakage (World Bank, 2020). This international affair has come to life in Pakistan with the introduction of mandatory e-invoicing, Point of Sales (POS) integration, and track and trace systems, where registered taxpayers are to integrate their internal systems with the centralized electronic platform of FBR (FBR, 2023).

The changes made to Sales Tax Rules, 2006, in the recent years provide that taxpayers create, store, and transmit electronic invoices in real time using FBR certified systems, and PRAL is the main technological facilitator (Ernst & Young, 2025). These are a great change in the old post audit enforcement methods into constant digital scrutiny of economic transactions. Whereas the efficiency and transparency reasons are easily cited when it comes to the effectiveness of such reforms, their legal viability relies on the clarity of statutory authority, administrative capability, and procedural protection.

Although these initiatives have a highly ambitious nature, the digital reforms concerning taxation in Pakistan have mostly been implemented, not using parliamentary acts, but using delegated legislations through statutory regulatory orders and administrative instructions. This form of implementation prompts some profound legal issues related to whether the scope of executive powers is adequate, how well legislative control over their actions is sensible, and whether such actions do not violate constitutional principles regarding taxation and administrative fairness (Ahmed, 2024). In addition, the industry members expressed their doubts about the sudden implementation of compulsory e-invoicing, the lack of consultations with stakeholders, and insufficient time to prepare businesses, in particular, small and medium-sized businesses (The AZB, 2024).

In this article, the author argues that the e-invoicing regime in Pakistan is a comprehensive legal change and not just a technological change that changes the relationship between the tax authority and the taxpayers. To this end, it must receive a thorough doctrinal examination as it would determine how the existing legal and institutional system can maintain digitized compliance in a way that would be compliant with constitutional guarantees and rule of law.

1.1 Significance of the Study

This study can be important because it fills a major gap in the Pakistani legal literature on tax digitization. The available body of research on the Pakistani digital tax programs has been mostly based on the outcome in terms of revenue, technological viability, or administrative cost-effectiveness, usually through the economic or policy lens (Khan and Haque, 2022). Relatively little analysis of the doctrine of the legality of delegated digital enforcement mechanisms, institutional capacity of the FBR, and constitutional implications of taxpayers has been undertaken.

Compulsory e-invoicing has a direct impact on the behavior of the trade, business autonomy, and procedural rights provided in the Constitution of Pakistan. In this sense, there is a need to conduct a legal assessment of the fiscal digitization to ensure it functions within the constitutionally allowable provisions, adheres to due process, and is proportionate in enforcing it. This paper also makes a contribution in the field of law, by anticipating the value of legal delegation, parliamentary control, and institutional responsibility in the context of reforming digital taxation in Pakistan (Ahmed, 2024).

1.2 Problem Statement

The e-invoicing and digital recordkeeping system in Pakistan has been brought about in a piecemeal system of delegated law and administrative directives, as opposed to a primary law on the subject at the Parliament. The strategy has led to legal ambiguity, disparity in application and increased compliance costs to the taxpayers. The FBR and PRAL inherent structural flaws make enforcement even harder, and it might be necessary to question the institutional readiness and technological stability (PRAL, 2023).

Simultaneously, mandatory digitization puts significant burdens on taxpayers that do not have clearly stipulated procedural protection and, more especially, the small and medium enterprises that cannot afford technical and financial support (Dawn News, 2024). The main issue that is to be discussed in this research is whether or not the legal and institutional framework that currently exists in Pakistan is sufficiently prepared to introduce and maintain a digitized tax compliance system in line with the constitutional principles, norms of the administrative law and the rule of law.

1.3 Research Objectives

The objectives of this research are:

1. To examine the statutory and delegated legal framework governing e-invoicing and digital recordkeeping in Pakistan, with particular reference to its constitutional and administrative law foundations.
2. To assess the institutional and technological readiness of the Federal Board of Revenue and its enforcement machinery to implement and sustain a mandatory digitized tax compliance regime.
3. To analyze the legal and compliance implications of mandatory digitization for taxpayers, and to propose legally grounded reforms aimed at ensuring constitutional conformity, administrative feasibility, and long-term sustainability.

1.4 Research Questions

This study seeks to answer the following research questions:

1. What is the statutory and delegated legal basis of Pakistan's e-invoicing and digital recordkeeping regime, and to what extent does it conform to constitutional and administrative law requirements?
2. To what extent is the Federal Board of Revenue, including its technological infrastructure, institutionally prepared to administer and enforce a mandatory digitized tax compliance framework?
3. How does mandatory e-invoicing affect taxpayers constitutional rights and compliance obligations, and what legal and institutional reforms are required to ensure proportionality, due process, and rule of law compliance?

1.5 Research Methodology

The study takes a doctrinal approach to legal research and it is based on qualitative research of primary and secondary legal materials. Primary sources consist of statutory provisions of Sales Tax Act 1990, the Income Tax Ordinance 2001, the Delegated legislations, the statutory regulatory orders, and judicial decisions. The sources of secondary data consist of academic articles, policy briefs, and governmental documents exploring the topics of digitization and the capacity of tax collection and administration (Ahmed, 2024; World Bank, 2020). It uses a limited comparative approach in order to place the approach of Pakistan in context without overburdening the study on the doctrines.

2. Literature Review

The process of the digital transformation of tax administration across the world has resulted in a mass scholarly interest in electronic invoicing (e-invoicing), digital recordkeeping, and their impacts on tax compliance and tax governance. Most researchers tend to believe that digital tax technologies are likely to increase transparency, minimize administrative costs, and provide increased compliance, yet tend to emphasize that technical possibilities cannot be effective without reasonable institutional framework and legal basis.

2.1 Conceptual Foundations of E-Invoicing and Tax Digitalization

The concept of e-invoicing in academic literature generally falls into a broader digital transformation of tax administration that incorporates real-time transactional information, automated reporting, and digital record retrieval as a way to enhance tax compliance (Hesami, Jenkin and Jenkin, 2024). The systematic reviews indicate that e-invoicing and other tools, such as prefilling of tax returns, lower compliance and administrative expenses and increase transparency and accountability in tax systems observed in different jurisdictions (Hesami et al., 2024). According to such literature, the digital media have the potential to reduce information asymmetry between taxpayers and revenue authorities, to simplify the administration process and to cut the chances of tax evasion and fraud. Nevertheless, there is also a significant variation in effectiveness noted in these reviews, which is determined by the harmonization of regulations, the institutional preparedness, and the quality of infrastructure (Hamdani et al., 2025).

The theoretical advantages of e-invoicing are supported by a number of empirical studies. Indicatively, a study grounded on the adoption of VAT e-invoicing in Peru discovered that the adoption of paper to electronic invoices led to higher reported sales and VAT payments, especially among companies that were likely to commit non-compliance before (Almunia & Lopez Rodriguez, 2022). This indicates that e-invoicing may serve as a deterrent to underreporting and increase tax compliance by increasing the availability of data and minimizing the opportunity to manipulate, but may require the use of complementary reforms in order to fully achieve revenue benefits.

In the same vein, Qi and Che Azmi (2020) report that perceived benefits and trust in e- government systems are important factors that determine the adoption of e-invoicing and subsequent efficiency of the tax compliance process. This question leads to the fact that the perceptions of taxpayers and the institutional trust are critical to how far digital technologies can go in garnering desired compliance results.

2.2 Adoption and Implementation Challenges

In spite of theoretical benefits, digital tax technologies are facing critical implementation problems, particularly in developing country setting. The e-invoicing adoption studies identify the following barriers: technological infrastructure shortages, digital skills, and data security-related concerns (Md Asmawi et al., 2025). Conceptual research in Malaysia, and elsewhere, singles out complexity in system integration, gaps in readiness, and regulatory compliance burdens as the main barriers to the implementation of SMEs in e-invoicing, and that without tailored support, smaller firms will be unlikely to effectively adapt to digital requirements.

The same consideration of SMEs can be traced in general tax compliance literature, where it is discovered that resource limitations and digital illiteracy usually increase the compliance burden of digital tax systems. To the disadvantage of policy design and support mechanisms, SMEs are disproportionately disadvantaged compared to larger companies in most instances because of widespread lack of access to technology and professional assistance, which may result in unfair compliance results.

2.3 Institutional and Governance Dimensions

The other theme that is also eminent in the literature is the institutional conditions of successful digital transformation of tax. The studies point out that viable digital tax system must not just be based on powerful technological platforms, but must also have hard legal requirements, regulatory mechanisms, and administrative resources (Hesami et al., 2024). In the absence of these elements, digital reforms are likely to be fragmented, cumbersome, or even legally disputable.

As an example, e-invoicing and e filing systems reviews in the governance research show that the effectiveness of digital tax reforms can be hampered by regulatory disparities and lack of alignment across jurisdictions, which supports the argument of harmonized standards and full policy directions (Hamdani et al., 2025).

This observation is especially true in such jurisdictions as Pakistan where the digital tax requirements are presented in the form of delegated legislation and administrative orders, causing concerns regarding the legal certainty and institutional preparedness. The literature that survives indicates that legal certainty, consultation with the stakeholders, and sequencing by the administration is necessary to ensure that digital tax technologies are proper to the due process and credibility among taxpayers.

2.4 Taxpayer Behavior, Compliance Culture, and Digital Trust

Another area of research is tax compliance research, which examines the role of digital technologies in taxpayer behavior and compliance culture. Researchers have found that when taxpayers believe that digital systems are just, positive, and trustworthy, the attitude of the taxpayer towards compliance increases because electronic platforms decrease uncertainty and help people follow their tax liabilities more easily (Qi and Che Azmi, 2020). On the other hand, lack of trust in digital governance and fear of misuse of the data may hamper adoption and result into resistance or shallow commitment.

It is important to understand these behavioral and cultural dimensions because of the disparity in the developed and developing economies. When the level of trust of government institutions is traditionally low, technology efficiency might not be the only factor that determines the success of e-invoicing reforms, and trust building and taxpayer engagement may also be part of the strategy.

2.5 Gaps in the Literature and Relevance to Pakistan

Despite an increasing amount of literature on e-invoicing and e tax administration worldwide, numerous gaps are notable more so in legal scholarship. First, even though many studies discuss the economic and administrative effects of digital invoicing, less are done on the legal frameworks that regulate these reforms or their consistency with the principles of constitutionality and procedural fairness. Second, the current studies have minimal interaction with the conditions of developing countries, especially where the institutional capacity is limited, and the legal framework might fail to provide a detailed statutory provision to execute digital taxation.

This gap highlights the significance of the doctrinal analysis in such a scenario as in Pakistan, where swift policy changes to have a compulsory e-invoicing system and digital book keeping have exceeded scientific research and the development of the law. Legal academics have demanded a more detailed look specifically to the constitutional and administrative law implication of such reforms, such as parliamentary oversight, delegated legislation as well as fairness in compliance requirements.

2.6 Summary and Synthesis

To conclude, the literature portrays a delicate image of e-invoicing and digital levels of tax compliance:

1. E-invoicing ensures a high level of transparency, minimizes mistakes and expenses, and improves the success of tax compliance especially when they are combined with real time data platforms and prefilling systems (Hesami et al., 2024).

2. Trust, perceived benefits, and technological readiness have a positive impact on adoption, but with large barriers to SMEs and digitally underserved populations (Md Asmawi et al., 2025; Qi and Che Azmi, 2020).

3. The legal frameworks and institutional capacity are also vital factors of successful implementation since incomplete of unclear regulatory environments invalidate the potential of compliance (Hamdani et al., 2025).

4. The compliance culture is determined by the behavior of taxpayers and the cultural perception of digital systems, which supports the necessity of engagement and trust building strategies.

5. Studies on constitutional and legal aspects are few, which are an indication that it is a significant field that needs further exploration of the doctrine, particularly in emerging economies such as Pakistan.

The combination of these insights explains why Pakistan will require a detailed examination of e-invoicing regime as an examination that transcends efficiency and administrative performance to determine the state of legal preparation, constitutional compliance and fair compliance frameworks.

3. Legal Framework of E-Invoicing and Digital Recordkeeping in Pakistan

Electronic invoicing (e-invoicing) and digital record keeping is a legal regime in Pakistan, which is based on the current taxation legislation and a sequence of delegated rules established by the Federal Board of Revenue (FBR). Pakistan, unlike some countries that legislate e invoicing as part of the country's primary statutory provisions, has been developed through amendments to the Sales Tax Rules, 2006 and further statutory regulatory orders (SROs) which are statutory implementations of the legal requirements of real time digital reporting of invoices and integration with the FBR systems (Sales Tax Rules, 2006; S.R.O. 1525(1)/2023; S.R.O. 69(I)/20).

3.1 Statutory Basis in the Sales Tax Act, 1990

The Sales Tax Act, 1990 is the statutory basis of the e-invoicing as it has the rule making capability. To be precise, Section 50 allows the FBR to make the required rules to administer and collect sales tax efficiently and provides in-depth procedures that can be prescribed through subordinate legislation. This delegated power is portrayed in the amended Sales Tax Rules (Chapter XIV) as it provides e-invoicing requirements on registered persons, which would be informed by the Board.

A recent judicial review of the matter by the Sindh High Court confirmed the validity of the delegated authority of FBR, as sub sections (3), (4), and (5) of Sections 23 and 40C of the Sales Tax Act as inserted by the Finance Act, 2024, give a clear statutory support to the mandate of integrating electronic invoicing systems in real time into the digital platform of the FBR. This court confirmation proves that the registered persons who have been notified by such provisions are bound by law to issue e-invoices in accordance with the established rules.

3.2 Delegated Legislation: Rule Amendments and SROs

The e-invoicing system in Pakistan has gradually been developed under the influence of FBR notifications as they correct the Sales Tax Rules and define the particular compliance principles:

I. Chapter XIV replaced by I.S.R.O. 1525(1)/2023 has important requirements in Chapter XIV, Article 1 that determines use of e-invoicing and the issue of verifiable electronic invoices on taxable supplies, and also sets the digital record retention requirements as a requirement of auditing.

II. The Rules were amended to a unified set of procedures, entitled Procedure for Licensing, Issuance of Electronic Sales Tax Invoices, and Integration of Registered Persons, issued on 29 January 2025, and incorporating several previous chapters of the Rules. This SRO broadened the integration responsibilities and did clarify technical specifications like digital signatures and QR code and real time transmission of invoice information to the computerized system of the FBR.

III. S.R.O. 709(I)/ 2025, 22 April 2025, again extended the requirements of electronic invoicing to a wider category of registered persons, both corporations and non- corporations and set deadlines in respect of integration with the FBR system. This measure can be seen as a shift in sector specific requirements (i.e. fast moving consumer goods) to an overall coverage.

Combined, these delegated legislative instruments form the operational digital compliance legislative framework, which brings together a series of prior notifications and focuses them into a system of procedural regulation.

3.3 Core Components of the Digital Compliance Regime

Mandatory Integration and Operational Requirements

Per the existing provisions, a registered person who is notified by FBR is required to interconnect his electronic invoicing hardware and software such as point of sale (POS) systems or enterprise resource planning (ERP) systems, with the centralized computerized system of FBR via a licensed integrator or other approved system. The non-observation of these integration requirements makes the taxpayers liable to the penalty provisions in the enforcement clause of the Sales Tax Act and may also have an adverse effect in the processing of their tax returns. The regulations provide that integrated systems should safely create, transmit and store invoice information in the required formats, which includes issuance of a distinct FBR invoice number, digital signature and QR code. The system should also be integrated and keep detailed logs and allow automated population of electronic invoices into the sales tax returns of the taxpayer.

Licensed Integrators and PRAL's Role

Certified by FBR only organizations can become integrators of an e-invoicing arrangement involving both private service provider and government connected Pakistan Revenue Automation Limited (PRAL). Under the rules, PRAL can offer free integration services at the request to ensure compliance, especially to the smaller enterprises that may not be technologically adept.

Electronic Recordkeeping and Retention

The regulatory environment requires that all electronic invoices and the records should be stored electronically during a specific time span (usually six years) to facilitate audit and validation by FBR. These record keeping requirements increase the traceability of transactions and enable post transaction compliance tests.

Enforcement Mechanisms and Deadlines

The e-invoicing structure has been implemented gradually with major corporate tax payers and importers being given early deadline and deadlines later set on non-corporate organizations. As an illustration, the extensions and modified deadlines in accordance with compliance issues that businesses faced were preceded and subsequently followed by S.R.O. 709(I)/2025 notifications. According to industry reports, the FBR has had to make timeline changes because of the slow compliance of the taxpayers and has already sent enforcement notices which have tied integration status to processing of tax returns and audits.

Legal Character and Delegation Concerns

Although the Sales Tax Act permits the development of detailed rules as one of its powers, the vast compliance responsibilities of delegated legislation pose legal challenges of administrative fairness and legislative controls. Remedial regulatory requirements like mandatory real time digitalization, data storage provisions and ancillary requirements, including CCTV based surveillance (as considered in some of the rules) reveal the extent of executive power at the hands of the subordinate instruments instead of the main statutes. This has brought forth legal discussion on whether an appropriate balance should be created between effective administration of taxes and the protection inherent in primary acts (Sales Tax Rules, 2006).

Judicial Recognition and Practical Validation

Recent court decisions to support the legitimacy of SRO mandates based on other statutory powers with the comprehensive rule making is an additional testament to the fact that the statutory power and the specifics of rule-making are enough to justify the digital compliance requirements. When rejecting the objections to S.R.O. 709(I)/2025, the Sindh High Court interpreted the generality of amendments in Sections 23 and 40C to authorize the FBR to demand real-time electronic integration of invoices as in line with the intent of the legislation of enhancing the effectiveness of tax administration.

The legal framework of e-invoicing and the maintenance of digital records in Pakistan is based on Sales Tax Act, which is implemented in form of repeated delegated legislation, and supported by the administrative notifications establishing technical and procedural compliance requirements. Although this structure has facilitated the quick digitization of tax compliance, it also presents key issues of delegation, legislative review, and the appropriateness of the issues of statutory foundations that require future doctrinal and constitutional law examination in later parts of this paper.

4. Institutional Capacity and Administrative Challenges

The effective establishment of e-invoicing and digital recordkeeping system in Pakistan depends not only on the legislative support but also on the institutional and administrative abilities of Federal Board of Revenue (FBR) and technological facilitator of the system Pakistan Revenue Automation Limited

(PRAL). Although the legal framework has broad powers to ensure the mandate of digital compliance, practical implementation relies on the performance preparedness of such institutions and the effectiveness of taxpayers to comply with these mandates (Ahmed, 2024; Hesami, Jenkins & Jenkins, 2024).

4.1 Administrative Capacity of the FBR

The FBR has traditionally faced the problems of organizational effectiveness, technical power, and control systems. The mandatory e-invoicing is a big jump in the administration process, as invoices have to be verified in real time, and then there is automated data capture and compliance monitoring. Research on digitalizing taxes highlights that institutional readiness such as human resources, information technology infrastructure, and data analysis skills is important in attaining the intended results in tax collection and disclosure (Qi and Che Azmi, 2020).

The FBR faces limitations to impose uniformity in enforcing compliance across various sectors in Pakistan due to resource constraints and the use of legacy administrative structures. It is reported that the enforcement activities have been more successful against larger corporate taxpayers, whereas small and medium enterprises (SMEs) are struggling with complying digitally and it is associated with differences in institutional coverage and administrative assistance (Dawn News, 2024; Asmawi et al., 2025).

4.2 Role of Pakistan Revenue Automation Limited (PRAL)

PRAL is the main technical link that allows the invoicing systems of taxpayers to connect to the centralized system of FBR. Its duties encompass the licensing of third party integrators, support of the systems and maintaining a secure database of invoices and the transaction logs. Although PRAL has managed to create the technological foundation of e-invoicing, research has shown that technology, in itself, cannot be used to guarantee compliance; governance, standardization of the process, and user support are also important (Hamdani, Kurniawan and Aziz, 2025).

In the case of smaller taxpayers, PRAL offers optional free integration services to ease the compliance burden. However, SMEs do not have adequate outreach, capacity constraints, and guidance and have caused gaps in compliance and delays in full system integration (Asmawi et al., 2025).

4.3 Compliance Burden and Challenges for Taxpayers

E-invoicing is also compulsory, which puts an extra load on the taxpayer, particularly, SMEs and microenterprises, who may not be technically savvy, have no IT infrastructure in place, and lack funds to apply integrated invoicing systems (Bojanc, Pucihar & Lenart, 2024). The requirements are compliance requirements such as:

i. Implementing and upgrading licensed invoicing or POS systems.
ii. Recent invoice transmission in real-time in combination with the central platform of the FBR.
iii. Assuring the accuracy of data, digital signatures, QR codes, and the competence of digital records storage.

Studies show that the introduction of deadlines and insufficient preparatory instructions at once only worsens the compliance burden, especially on smaller organizations, and results in legal risks and fines, as well as a decline in business operations (The AZB, 2024; Dawn News, 2024).

4.4 Challenges in Delegated Legislation and Enforcement

The use of SROs and amendments to the Sales Tax Rules, 2006, which is a very efficient way of administration, is difficult in terms of legislative control and institutional responsibility. Wide compliance requirements are put in place through executive instruments, which do not undergo deliberative scrutiny that exist in primary legislation. Legal theorists have stated that this form of regulation, though convenient, is constitutionally questionable on the concept of fairness, procedural protection, and the ability to ensure that taxpayers are subjected to their duties fairly (Ahmed, 2024).

In addition, the introduction of the phased practice and the introduction of deadlines point to the difficulties of enforcement in reality. Although the FBR can track the level of integration and block the processing of tax returns of non-compliant taxpayers, it has already been shown that a significant number of smaller companies remain non-integrated because of technical and administrative barriers (Hesami, Jenkins and Jenkins, 2024).

4.5 Comparative Insights on Institutional Capacity

According to comparative literature, institutional readiness is the single most important factor of e-invoicing effectiveness in other developing economies (Almunia and Lopez-Rodriguez, 2022; Bojanc, Pucihar and Lenart, 2024). Those countries that had invested in training, information technology infrastructure, staged integration and education of taxpayers witnessed easy transition into digital compliance systems. On the other hand, poor planning led to partial adherence, flaws in the system and more dissatisfaction of taxpayers. The extension of these findings to Pakistan presents the significance of improving the capacity of FBR and PRAL, offering technical assistance, and guaranteeing the involvement of the stakeholders to maintain the digital compliance regime.

4.6 Summary of Institutional Challenges

To conclude, the institutional problems in Pakistan can be classified in the following way:

1. FBR has capacity limitations involving inadequate personnel, computer skills and surveillance.
2. Technical and operational constraints at PRAL such as SMEs support and system upgrade management.
3. Inconsistent taxation burden on smaller taxpayers which is a concern on equity.
4. Delegated legislative style where it raises questions regarding the oversight, transparency as well as procedural fairness.

It is necessary to deal with these issues and make sure that the legal framework in e-invoicing can translate into the effective, equitable, and sustainable tax administration.

5. Constitutional and Legal Implications

The compulsory system of e-invoicing and electronic record keeping of the Pakistani system poses serious constitutional and legal concerns. Although the FBR has been enabled by the statutory law and delegated laws, imposition of vast obligations through the executive instruments prompts the questioning of the Constitution of Pakistan, especially due process, equality, and freedom of trade.

5.1 Due Process and Procedural Safeguards

Articles 4 and 10A of the Constitution stipulate that each citizen has a right to be treated with due process and fair action by an administrative body. The e-invoicing system poses taxpayers with complicated technical requirements, such as real-time transmission of invoices, electronic records, and inter-connectivity with FBR systems (Ahmed, 2024). According to scholars, delegated legislation should be supplemented with special procedural safeguards to ensure that taxpayers are not subjected to arbitrary implementation (Hamdani, Kurniawan & Aziz, 2025). The lack of legislative attention to SROs and notifications also creates the issue of placing substantive compliance requirements on the unchecked imposition without proper legislative discussion of the due process of taxpayers who may be affected

(Ashraf, Rehman, & Fatima, 2025).

5.2 Equality before the Law

The small and medium enterprises (SMEs) are disproportionately impacted by mandatory e-invoicing which usually fails to provide them with the technical and financial resources to respond timely. This is a concern on Article 25 of the Constitution that provides equality before the law. Studies indicate that due to sudden deadlines and insufficient technical support, a relatively large commitment to compliance on smaller taxpayers than large companies with dedicated IT resources is the rule (Bojanc, Pucihar and Lenart, 2024; Dawn News, 2024). According to comparative studies offered in the developing economies, gradual introduction and specific support are crucial so that the digital taxation duties are levied fairly (Almunia and Lopez Rodriguez, 2022).

5.3 Freedom of Trade and Business

Article 18 safeguards the right of free lawful trade and business. The present regime limits business activities by requiring widespread digitalization and compliance with the system, such as downtime, software expenditures, and administrative expenses (Md Asmawi et al., 2025). Legal experts underline that even though the state can impose regulations on tax compliance, these regulations need to be efficient and comply with constitutional rights, and the technological requirements should not become an unreasonable burden on the freedom of businesses (Ahmed, 2024; Hesami, Jenkins & Jenkins, 2024).

5.4 Judicial Recognition

The most recent court observations have already endorsed the validity of the delegated powers of FBR through the Sales Tax Act and the SROs about it as there has to be an efficient administration of tax. Nevertheless, courts have also emphasized on procedural transparency, reasonable deadlines and equity, especially with SMEs struggling with compliance. This shows how technological requirements and constitutional protections are in conflict, and changes are necessary to bring efficiency in the administration, with legal values.

6. Conclusion and Recommendations

Conclusion

The change whereby Pakistan has shifted to compulsory e-invoicing and digital records keeping is notable in the tax administration system of the country. The Federal Board of Revenue (FBR) plans to increase transparency, decrease the evasion of taxes, and improve the collection of revenue by computerizing real time digital compliance and moving toward post-audit and paper-based processes (Ernst & Young, 2025; FBR, 2023). The legal system, which is largely founded on Sales Tax Rules, 2006, and later statutory regulatory orders (SROs), gives formal power of the digital enforcement force. Nonetheless, to some extent, the practical application of this framework reveals a range of institutional, administrative, and constitutional issues (Ahmed, 2024; PRAL, 2023).

To begin with, the institutional power of FBR and PRAL plays a crucial role in the proper operation of e-invoicing. Both personnel, technical skills, and surveillance facilities pose a constraint to the possibility to control real-time compliance among various taxpayers (Hesami, Jenkins and Jenkins, 2024). A lack of digital literacy, IT infrastructure, and technical support pose major challenges to SMEs, which generates unequal compliance results (Md Asmawi et al., 2025; Bojanc, Pucihar & Lenart, 2024).

Secondly, it brings up constitutional and legal issues to rely on delegated legislation to impose a significant amount of obligations. Although SROs are efficient in implementing quickly, they lower the oversight of parliament and could undermine procedural fairness (Ahmed, 2024). Constitutionally, the concept of mandatory digitization is in contact with Articles 4, 10A, 18, and 25, that is, the rights to due process, equality before the law, freedom of trade, etc. (Hamdani, Kurniawan & Aziz, 2025). Unless these precautions are taken, digital mandates will potentially overburden smaller businesses by a large margin and they will erode trust in the tax system.

Lastly, the successful e-invoicing systems in other developing economies have shown that clarity of legislation, a gradual approach, education of taxpayers, and institutional readiness are components of successful e-invoicing systems (Almunia & López-Rodríguez, 2022; Bojanc, Pucihar and Lenart, 2024). The experience of Pakistan indicates that compliance cannot be guaranteed by technological innovation only, as a comprehensive strategy that includes legal, administrative and constitutional aspects should be applied.

Recommendations

In order to make e-invoicing regime in Pakistan more effective, legitimate, and sustainable, several strategic steps are required. To improve the institutional capacity of the Federal Board of Revenue (FBR) and Pakistan Revenue Automation Limited (PRAL) the first thing is to increase the staffing by recruiting specialized personnel in the field of information technology and compliance. Moreover, data analytics, monitoring tools, and real-time reporting infrastructure are to be invested in to help enforce and monitor efficiently.

Second, specific assistance to small and medium enterprises (SMEs) is essential in order to provide a fair level of compliance. System integration should be done with subsidized or free technical support by the government, extensive training workshops, and awareness campaigns aim to enhance digital literacy. In addition, compliance deadlines must be introduced in phases to mitigate operational interruption and make the process of switching to digital systems easier.

Third, it should be more legislatively transparent and controlled. Delegated powers in statutory regulatory orders on e-invoicing should be established in a transparent and limited manner and the parliamentary control strengthened in terms of transparency and accountability in executing digital tax requirements.

Fourth, strong procedural protections need to be implemented such as having clear rules on penalties, dispute resolution, and compliance verification as well as having the remedies made timely to the taxpayers in cases of technical errors or administrative enforcement.

Fifth, stakeholder participation must be given the first priority by consulting industry associations, chambers and the professional bodies whose feedback shall be reflected in system upgrade and future revision of rules and regulations.

Lastly, the digital compliance system needs to be regularly reviewed and evaluated, and periodically analyze its effects on revenue collection, taxpayer satisfaction and correspondence with constitutional principles and reformulate its policies and enforcement mechanisms as new challenges arise and feedback is received.

To sum up, the reform of the digital tax may change the way tax is administered, enhance compliance, and raise revenue collection, although this needs strong institutional frameworks, fair application, legislation, and constitutional protection. These suggestions will help the FBR to make e-invoicing not only effective in terms of technology but also legally, fair and sustainable.

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