

# Key Regulatory Challenges for Businesses in Pakistan

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As we progress through 2025, businesses in Pakistan are encountering several significant regulatory challenges that impact their operations and strategic planning. These challenges are influenced by the country's unique economic, political, and social dynamics, necessitating agility and proactive measures from companies. Below are the key areas of concern:

- Regulatory Shifts in Technology and Data Risks:** 2025 is anticipated to be a pivotal year for regulatory changes, particularly in technology and data management. Companies will need to navigate new regulations surrounding data protection, cybersecurity, and the ethical use of artificial intelligence. This shift requires businesses to invest in compliance measures to safeguard consumer data and mitigate risks associated with technological advancements. Additionally, as Pakistan accelerates its digital transformation, businesses must address gaps in digital infrastructure and ensure adherence to evolving local standards.
- Consumer and Investor Protections:** With increasing scrutiny on corporate governance and consumer rights, businesses face heightened expectations regarding transparency and accountability. Regulatory bodies are likely to implement stricter guidelines to protect consumers and investors. Emphasis is also growing on the role of independent directors and female directors to strengthen corporate governance practices. Companies must enhance their compliance frameworks and reporting practices to meet these demands.
- Tax Policy and Compliance:** Taxation remains a critical area of focus, with potential changes in tax policy expected in 2025. Despite efforts, the government faces challenges in imposing taxes on the agricultural sector and increasing tax collection from trade activities. Businesses need to stay informed about new tax regulations and ensure compliance to avoid penalties. This includes understanding implications for corporate taxes, value-added tax (VAT), and other fiscal responsibilities that may emerge as part of ongoing tax reforms.
- Political and Economic Instability:** The political landscape in Pakistan continues to be volatile, leading to regulatory uncertainty. Ongoing economic challenges, including high inflation and a growing debt burden, compound the instability. Businesses must be prepared to adapt to sudden changes in regulations or government policies that may arise from political shifts or economic crises. These factors significantly influence investment decisions and operational strategies.
- Security and Operational Risks:** In light of ongoing security concerns, including terrorism and sectarian violence, companies need to implement robust risk management strategies. Regulatory bodies may impose additional requirements for security measures, particularly for businesses operating in high-risk areas. This is especially critical for industries such as logistics, manufacturing, and energy, which are more vulnerable to security threats.
- E-Commerce and Digital Regulations:** As e-commerce continues to grow, businesses will face new regulations related to online transactions, consumer rights in digital spaces, and compliance with digital business laws. Companies must ensure they are aligned with the evolving legal framework governing e-commerce and digital operations. Enhanced focus on consumer data protection in the digital realm will also require businesses to adapt quickly.

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- **Labor and Employment Regulations:** Changes in labor laws, including those related to paid leave and wage regulations, require businesses to reassess their human resource policies. Compliance with these regulations is essential to avoid legal disputes and maintain a positive workplace environment. Furthermore, the emphasis on diversity, equity, and inclusion (DEI) is growing, necessitating that companies adopt inclusive practices to align with regulatory and societal expectations.
- **ESG and Sustainability Regulations:** The emphasis on Environmental, Social, and Governance (ESG) considerations is increasing, driven by both global trends and local regulatory expectations. Businesses in Pakistan must integrate ESG principles into their operations to remain competitive and compliant. This includes adopting sustainable practices, enhancing corporate social responsibility initiatives, and ensuring ethical governance frameworks.

In summary, 2025 presents a complex regulatory landscape for businesses in Pakistan. Companies must proactively address these challenges by enhancing their compliance strategies, staying informed about regulatory changes, and fostering a culture of transparency and accountability. By addressing economic constraints, leveraging good governance practices, and embracing ESG and DEI principles, businesses can navigate the evolving environment and position themselves for success.

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