PROVINCIAL ASSEMBLY SECRETARIAT,
KHYBER PAKHTUNKHWA

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NOTIFICATION

Dated Peshawar, the 26/08/2026

No.PA/Khyber Pakhtunkhwa/Bills-84/2026/ 2195 In pursuance of the provision contained in Rule 227(6) of the Provincial Assembly of Khyber Pakhtunkhwa Procedure and Conduct of Business Rules, 2025, the "Report of Standing Committee No. 10 on Finance Department regarding the Khyber Pakhtunkhwa Promotion of Digital Payments Bill, 2026" as presented in the Provincial Assembly of Khyber Pakhtunkhwa on 17th August, 2026 is hereby published for general information.

(Here print as in the accompaniment).

(SYED WIQAR SHAH)
Secretary,
Provincial Assembly of Khyber Pakhtunkhwa

The Manager, Government Printing Press, Peshawar

For publication in the Gazette of Khyber Pakhtunkhwa, extraordinary bearing the same date. One copy may be supplied to this Secretariat

Assistant Secretary,
Provincial Assembly of Khyber Pakhtunkhwa

Endst. No. & Date Even.

Copy of the above is forwarded to:-

1. The Chief Secretary to Government of Khyber Pakhtunkhwa.
2. The Secretary to Government of Khyber Pakhtunkhwa, Law, Parliamentary Affairs and Human Rights Department.
3. The Secretary to Government of Khyber Pakhtunkhwa, Finance Department.
4. The Principal Secretary to Chief Minister, Khyber Pakhtunkhwa for information of the Honourable Chief Minister.
5. The Principal Secretary to Governor, Khyber Pakhtunkhwa, for information of the Honourable Governor.
6. The Principal Secretary to Mr. Speaker, Provincial Assembly of Khyber Pakhtunkhwa.
7. The Deputy PS to Deputy Speaker, Provincial Assembly of Khyber Pakhtunkhwa.
8. The Director I.T, Provincial Assembly of Khyber Pakhtunkhwa, for official website.

Assistant Secretary,
Provincial Assembly of Khyber Pakhtunkhwa

ANNEXURE-A

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BILL

to provide for the promotion, regulation and adoption of digital payment systems in the Province of Khyber Pakhtunkhwa.

WHEREAS, it is expedient to provide for the promotion, regulation and adoption of digital payment systems, including Quick Response Codes, across the commercial and service sectors of the Province of Khyber Pakhtunkhwa;

AND WHEREAS, it is necessary to enhance transactional transparency and security, ensure financial inclusion of all segments of society and modernize the commercial ecosystem for ease of doing business;

It is hereby enacted by the Provincial Assembly of Khyber Pakhtunkhwa as follows:

CHAPTER-I
PRELIMINARY

1. **Short title, extent and commencement.**---(1) This Act may be called the Khyber Pakhtunkhwa Promotion of Digital Payments Act, 2026.

(2) It shall extend to whole of the Province of Khyber Pakhtunkhwa.

(3) It shall come into force at once.

2. **Definitions.**---In this Act, unless there is anything repugnant in the subject or context,-

(a) **"Authorized Service Provider"** means a bank, financial institution, digital bank, electronic money institution, payment system operator or payment service provider, duly licensed or authorized by the State Bank of Pakistan to provide digital payment services and issue Quick Response Codes;

(b) **"business entity"** means any person, firm, company, association of persons or undertaking, whether incorporated or not, in public or private sector, engaged in any business activity and includes but not limited to any permanent or temporary shop, commercial outlet, market, shopping center, medical store, educational institution, clinic, hospital, transport service, utility payment point, street vendor, kiosk, or any other person engaged in a commercial activity for profit or gain;

(c) **"customer"** means any person, who, in the course of purchasing goods or availing services from a business entity, makes or attempts to make a payment through a digital payment system, including but not limited to payments made by scanning a QR Code or using any other specified digital channel;

(d) **"Designated Officer"** means the Assistant Commissioner, Additional Assistant Commissioner of the concerned district or any other officer, not below the rank of BPS-17, designated by the relevant Department of Government in consultation with the Department, by notification in the official Gazette, to exercise the powers and perform the functions under this Act;

(e) **"Department"** means the Finance Department of Government;

(f) **"digital payment"** means a payment transaction, through a digital channel, results in a credit or debit to a financial account, mobile wallet or stored-value account, without the use of physical cash;

(g) **"Government"** means the Government of Khyber Pakhtunkhwa;

(h) **"prescribed"** means prescribed by rules;

(i) **"Province"** means the Province of Khyber Pakhtunkhwa;

(j) **"QR Code"** means a Quick Response Code, which is machine-readable optical label, containing information that facilitates a digital payment transaction, through an authorized payment system, which is interoperable as per the standards set by the State Bank of Pakistan; and

(k) **"rules"** mean rules made under this Act.

CHAPTER-II
MANDATORY ADOPTION OF DIGITAL PAYMENTS

3. **Mandatory Display of QR Code.** ---(1) Every business entity, operating within the territorial jurisdiction of the Province, shall obtain from an Authorized Service Provider, at least one QR Code and display it at its premises.

(2) The QR Code shall be prominently displayed in good condition, at the point of sale, payment counter or another conspicuous location, in a manner that is clearly visible and easily scannable by customers at all times during business hours.

4. **Obligation to accept digital payments.**---(1) Every business entity shall be obligated to accept digital payments from any customer, who chooses to pay through the displayed QR Code.

(2) No business entity shall levy any additional charge, fee or surcharge on a customer for making a digital payment under this Act.

(3) Refusal to accept a digital payment, without a valid technical reason, shall be deemed a violation of this Act.

5. **Applicability**.---The provisions of this Act shall, without prejudice to the generality of section 3, mandatorily apply to all business entities in the Province.

CHAPTER-III
FACILITATION, AWARENESS, STANDARDIZATION AND ENFORCEMENT

6. **Facilitation and capacity building**.---(1) The Department shall, in collaboration with other relevant Departments of Government and Authorized Service Provider, establish or designate facilitation centers at the district or tehsil level to assist business entities with-

(a) registration and issuance of QR Codes;

(b) opening of mobile wallets or bank accounts; and

(c) training on the use of digital payment system.

(2) The Department shall, in collaboration with Information and Public Relations Department and other relevant Departments of Government, conduct, through mass media and other means, comprehensive awareness and digital financial literacy campaigns for the general public and business entities.

7. **Obligations of Authorized Service Providers**.---Every Authorized Service Provider, operating in the Province, shall-

(a) ensure seamless and timely onboarding of business entities;

(b) provide necessary technical assistance and support to business entities;

(c) ensure the reliability, security and uptime of their payment systems; and

(d) comply with the service standards and reporting requirements as may be prescribed.

8. **Standardization of QR Codes**.---The Department may, in consultation with the State Bank of Pakistan and other stakeholders, prescribe the standards for the size, material, branding and placement of QR Codes to ensure uniformity and ease of use.

9. **Integration with business registration and licensing**.---It shall be mandatory for all Administrative Departments, authorities or agencies, responsible for the registration, licensing, certification or renewal of any business entity, commercial service, trade activity or transport operation, within the Province, to ensure that proof of QR Code display and digital payment readiness is furnished as a precondition for the issuance or renewal of any such registration, license, certificate or permit, as the case may be.

10. Powers of Designated Officer---A Designated Officer shall have the powers to-

(a) enter and inspect, at any business hours, any premises or vehicle where a business activity is being conducted, to verify compliance with provisions of this Act;

(b) require the production of any document or record relevant for the purpose of such verification;

(c) record any non-compliance in writing, supported by photographic or other digital evidence; and

(d) issue a written notice of violation to business entity found to be in contravention of the provisions of this Act, requiring compliance within a specified time frame.

CHAPTER-IV
MONITORING, INCLUSION AND MISCELLANEOUS

11. Monitoring system.---The Department shall, with the assistance of Science and Technology and Information Technology Department of Government, establish and maintain a centralized Management Information System or dashboard to monitor the implementation of this Act, including issuance of QR Code, transactional activity and compliance data across the Province.

12. Financial inclusion and safeguards.---(1) All relevant Departments of Government may implement financial incentives, such as credits, rebates or benefits, for QR-enabled businesses, to promote the inclusion of informal and marginalized business entities, in the manner as may be prescribed.

(2) For a period of two (2) years from the commencement of this Act, digital payments received by a previously undocumented business entity through a QR Code, registered under this Act, shall not constitute a basis for the imposition of any new direct sales tax liability, so as to encourage formalization, in the manner as may be prescribed.

13. Data protection.---All personal and transactional data, collected and processed under the authority of this Act, shall be handled in strict compliance with the applicable data protection laws of Pakistan. Such data shall only be used for the purposes specified in this Act and shall not be shared with any unauthorized person or entity.

14. Grievance redressal mechanism.---Government shall establish a grievance redressal mechanism to address complaints from customers or business entities regarding system errors, fraudulent transactions or other related matters.

15. Power to make rules.---(1) Government may, by Notification in the official Gazette, within ninety (90) days time from the commencement of this Act, make rules for carrying out the purposes of this Act.

(2) Without prejudice to the generality of sub-section (1), such rules may provide for-

(a) onboarding timelines;

(b) QR technical specifications;

(c) establishment of grievance redressal procedures; and

(d) regional or sectoral exemptions.

16. **Overriding effect.**---The provisions of this Act shall have effect notwithstanding anything to the contrary contained in any other law for the time being in force.

17. **Indemnity.**---No suit, prosecution or other legal proceeding shall lie against Government, any Designated Officer or any other person for anything which is done or intended to be done in good faith under this Act or rules made thereunder.

18. **Power to remove difficulties.**---If any difficulty arises in giving effect to any of the provisions of this Act, Government may make such orders, not inconsistent with the provisions of this Act, as may appear to it to be necessary for the purpose of removing the difficulty.

STATEMENT OF OBJECTS AND REASONS

1. Pakistan's economy continues to rely predominantly on cash transactions, with a substantial volume of money circulating outside the formal banking system. This heavy dependence on cash leads to inefficiency, reduced transparency, leakages in revenue collection and exclusion of marginalized groups such as women, small vendors, and informal workers from the financial system.

2. At the same time, the internal systems and financial operations of the provincial Government remain largely outdated, continuing to rely on cash based and traditional payment mechanisms. In light of the Province's e-governance and digitization agenda, it is imperative that all functions of Government are digitized and that payments into Government accounts are received digitally and settled in real time, thereby reducing reliance on physical cash and providing greater ease and convenience to all citizens of the Province of Khyber Pakhtunkhwa.

3. Recognizing these challenges, the Government of Khyber Pakhtunkhwa has launched the "Provincial Action Plan for Cashless Khyber Pakhtunkhwa" as a cornerstone of its digital transformation agenda. The Action Plan seeks to modernize service delivery, improve efficiency in governance and position in the Province of Khyber Pakhtunkhwa as a pioneer Province in the transition to a cashless economy.

4. The Action Plan focuses on enabling a comprehensive digital payments ecosystem, encompassing Government-to-Person (G2P) disbursements, Person-to-Government (P2G) collections and Person-to-Merchant (P2M) transactions through interoperable digital channels. It also emphasizes cybersecurity and fraud response mechanisms, institutional capacity building, public-private collaboration, district-level enforcement and facilitation public Wi-Fi access in bazaars and markets and integration of financial and digital literacy in school curriculum.

5. This Bill, therefore, forms the legal backbone of the Provincial Action Plan for Cashless Khyber Pakhtunkhwa. It provides a structured framework to mandate the adoption of interoperable digital payment systems across Government Departments, businesses and service sectors. It establishes enforcement mechanisms, grievance redressal processes, transparency reporting obligations and provisions for extending the framework to emerging technologies.

6. By creating an enabling legal and regulatory environment, this Bill aims to accelerate financial inclusion, strengthen transparency in transactions, reduce revenue leakages, empower marginalized groups and foster inclusive economic growth. It safeguards the interests of small businesses by providing phased adoption, awareness campaigns and targeted support programs, while simultaneously paving the way for innovation and modernization of the Provincial economy.

7. Ultimately, this Bill shall transform the way Government payments are made, services are delivered and businesses operate in the Province of Khyber Pakhtunkhwa, aligning the Province with global best practices in digital finance and positioning it at the forefront of Pakistan's digital economy. Hence, this Bill.

Peshawar,
dated the
, 2026.

MINISTER-IN-CHARGE.

ANNEXURE-B

THE KHYBER PAKHTUNKHWA PROMOTION OF DIGITAL PAYMENTS BILL, 2026 AS REPORTED BY THE COMMITTEE.

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to provide for the promotion, regulation and adoption of digital payment systems in the Province of Khyber Pakhtunkhwa.

WHEREAS, it is expedient to provide for the promotion, regulation and adoption of digital payment systems, including Quick Response Codes, across the commercial and service sectors of the Province of Khyber Pakhtunkhwa;

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(c) **"customer"** means any person, who, in the course of purchasing goods or availing services from a business entity, makes or attempts to make a payment through a digital payment system, including but not limited to payments made by scanning a QR Code or using any other specified digital channel;

(d) **"Designated Officer"** means the Assistant Commissioner, Additional Assistant Commissioner of the concerned district or any other officer, not below the rank of BPS-17, designated by the relevant Department of Government in consultation with the Department, by notification in the official Gazette, to exercise the powers and perform the functions under this Act;

(e) **"Department"** means the Finance Department of Government;

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(2) No business entity shall levy any additional charge, fee or surcharge on a customer for making a digital payment under this Act.

(3) Refusal to accept a digital payment, without a valid technical reason, shall be deemed a violation of this Act.

Explanation.---For the purpose of this Act, **"valid technical reason"** means a justification or explanation that is based on technical verifiable evidence or data as recognized by the financial standards.

5. **Applicability**.---The provisions of this Act shall, without prejudice to the generality of section 3, mandatorily apply to all business entities in the Province.

CHAPTER-III
FACILITATION, AWARENESS, STANDARDIZATION AND ENFORCEMENT

6. **Facilitation and capacity building**.---(1) The Department shall, in collaboration with other relevant Departments, facilitate the Authorized Service Provider to establish or designate facilitation centers at the district or tehsil level to assist business entities with-

(a) registration and issuance of QR Codes;

(b) opening of mobile wallets or bank accounts; and

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(d) comply with the service standards and reporting requirements as may be prescribed.

8. **Standardization of QR Codes**.---The Department may, as per the regulations of the State Bank of Pakistan and in consultation with relevant entities, prescribe the standards for the size, material, branding and placement of QR Codes to ensure uniformity and ease of use.

9. **Integration with business registration and licensing**.---It shall be mandatory for all Administrative Departments, authorities or agencies, responsible for the registration, licensing, certification or renewal of any business entity, commercial service, trade activity or transport operation, within the Province, to ensure that proof of QR Code display and digital payment readiness is furnished as a precondition for the issuance or renewal of any such registration, license, certificate or permit, as the case may be.

10. **Powers of Designated Officer**.---A Designated Officer shall have the powers to-

(a) enter and inspect, at business hours, any premises or vehicle used for business purposes, to verify compliance with provisions of this Act;

(b) require the production of any document or record relevant for the purpose of such verification;

(c) record any non-compliance in writing, supported by photographic or other digital evidence; and

(d) issue a written notice of violation to business entity found to be in contravention of the provisions of this Act, requiring compliance within a specified time frame.

11. Penalty.---Any business entity that fails to comply with any provision of this Act shall be liable to such penalty as shall be prescribed.

CHAPTER-IV
MONITORING, INCLUSION AND MISCELLANEOUS

12. Monitoring system.---The Department shall, with the assistance of Science and Technology and Information Technology Department of Government, establish and maintain a centralized Management Information System or dashboard to monitor the implementation of this Act, including issuance of QR Code, transactional activity and compliance data across the Province.

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15. Grievance redressal mechanism.---Government shall establish a grievance redressal mechanism to address complaints from customers or business entities, digitally or manually, as the case may be, regarding system errors, fraudulent transactions or other related matters.

16. Power to make rules.---(1) Government may, by Notification in the official Gazette, within ninety (90) days time from the commencement of this Act, make rules for carrying out the purposes of this Act.

(2) Without prejudice to the generality of sub-section (1), such rules may provide for-

(a) the penalties for failure to comply with any provision of this Act;

(b) onboarding timelines;

(c) QR technical specifications;

(d) establishment of grievance redressal procedures; and

(e) regional or sectoral exemptions.

17. Overriding effect.---The provisions of this Act shall have effect notwithstanding anything to the contrary contained in any other law for the time being in force.

18. Indemnity.---No suit, prosecution or other legal proceeding shall lie against Government, any Designated Officer or any other person for anything which is done or intended to be done in good faith under this Act or rules made thereunder.

19. Power to remove difficulties.---If any difficulty arises in giving effect to any of the provisions of this Act, Government may make such orders, not inconsistent with the provisions of this Act, as may appear to it to be necessary for the purpose of removing the difficulty.

STATEMENT OF OBJECTS AND REASONS

1. Pakistan's economy continues to rely predominantly on cash transactions, with a substantial volume of money circulating outside the formal banking system. This heavy dependence on cash leads to inefficiency, reduced transparency, leakages in revenue collection and exclusion of marginalized groups such as women, small vendors, and informal workers from the financial system.

2. At the same time, the internal systems and financial operations of the provincial Government remain largely outdated, continuing to rely on cash based and traditional payment mechanisms. In light of the Province's e- governance and digitization agenda, it is imperative that all functions of Government are digitized and that payments into Government accounts are received digitally and settled in real time, thereby reducing reliance on physical cash and providing greater ease and convenience to all citizens of the Province of Khyber Pakhtunkhwa.

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6. By creating an enabling legal and regulatory environment, this Bill aims to accelerate financial inclusion, strengthen transparency in transactions, reduce revenue leakages, empower marginalized groups and foster inclusive economic growth. It safeguards the interests of small businesses by providing phased adoption, awareness campaigns and targeted support programs, while simultaneously paving the way for innovation and modernization of the Provincial economy.

7. Ultimately, this Bill shall transform the way Government payments are made, services are delivered and businesses operate in the Province of Khyber Pakhtunkhwa, aligning the Province with global best practices in digital finance and positioning it at the forefront of Pakistan's digital economy. Hence, this Bill.

Peshawar, **MINISTER-IN-CHARGE.**
dated the , 2026.

REPORT OF THE STANDING COMMITTEE NO. 10 ON FINANCE DEPARTMENT ON THE KHYBER PAKHTUNKHWA PROMOTION OF DIGITAL PAYMENTS BILL, 2026.

I, Chairperson of the Standing Committee No. 10 on Finance Department, have the honour to present this report on **the Khyber Pakhtunkhwa Promotion of Digital Payments Bill, 2026** [Government Bill], referred to the Committee on 6th April, 2026.

2. The Committee comprised of the following:

1)	Arbab Muhammad Usman Khan,	Chairperson
2)	Mr. Aurangzeb Khan, MPA	Member
3)	Mr. Anwar Zeb, MPA	Member
4)	Mr. Munir Hussain, MPA	Member
5)	Mr. Sher Ali Afridi, MPA	Member
6)	Mr. Muhammad Nisar Baz, MPA	Member
7)	Mr. Gurpal Singh, MPA	Member
8)	Ms. Sobia Shahid, MPA	Member
9)	Ms. Farah Khan, MPA	Member
10)	Ms. Shazia Tehmas Khan, MPA	Member
11)	Ms. Madina Gul Afridi, MPA	Member

3. The Committee considered the Bill as introduced in the Provincial Assembly, placed at **"Annexure-A"**, in its meetings held on 14th and 23rd July, 2026. The following members were present in the meetings of the Committee held on the dates mentioned against each:-

1)	Mr. Anwar Zeb, MPA	14th July, 2026
2)	Mr. Munir Hussain, MPA	14th & 23rd July, 2026
3)	Mr. Sher Ali Afridi, MPA	14th July, 2026
4)	Mr. Gurpal Singh, MPA	14th & 23rd July, 2026
5)	Mr. Muhammad Nisar Baz, MPA	23rd July, 2026
6)	Ms. Sobia Shahid, MPA	14th July, 2026
7)	Ms. Farah Khan, MPA	14th & 23rd July, 2026
8)	Ms. Shazia Tehmas Khan, MPA	14th & 23rd July, 2026
9)	Ms. Madina Gul Afridi, MPA	14th & 23rd July, 2026

4. Apart from the above, Mr. Muzzammil Aslam, Adviser to the Chief Minister, Khyber Pakhtunkhwa for Finance also attended the meeting of the Committee held on 23rd July, 2026.

5. Ms. Amna Sardar, MPA attended the meetings as mover of proposed amendments.

6. **Officers in Attendance.**-The following officers attended the meeting:

1) Mr. Kamran Afridi, Secretary to Government of Khyber Pakhtunkhwa, Finance Department.
2) Mr. Zubair Ahmad, Special Secretary, Finance Department, Khyber Pakhtunkhwa.
3) Mr. Touseef Khalid, Additional Secretary, Finance Department, Khyber Pakhtunkhwa.
4) Mr. Abdul Haseeb, Additional Secretary, Finance Department, Khyber Pakhtunkhwa.
5) Mr. Muhammad Munaim, Director (Finance), Khyber Pakhtunkhwa IT Board.
6) Mr. Abdul Qayum Khan, CTL Finance Department, Khyber Pakhtunkhwa.
7) Mr. Adnan Jamil, Deputy Secretary, Finance Department, Khyber Pakhtunkhwa.
8) Mr. Masood-ul-Hassan, Legislation Officer, Law Department, Khyber Pakhtunkhwa
9) Mr. Faseeh Ullah, Deputy Legislation Officer, Law, Parliamentary Affairs & Human Rights Department.

7. The Committee was informed by the Assembly Secretariat that the time allotted for examination of the Khyber Pakhtunkhwa Promotion of Digital Payments Bill, 2026 had already expired. It was, therefore, apprised that an extension of time may be sought under the relevant Rules, as the Bill had been referred to the Committee by the House on 6th April, 2026 with a twenty-day reporting period.

8. The Committee was requested to conclude its proceedings on the Bill under consideration at the earliest so that the Committee's reports could be presented before the House within the prescribed time.

9. **Legislative intent of the Bill.**-The undersigned, while updating the Members on the legislative intent of the Bill, apprised the Committee that the proposed legislation seeks to promote the use of digital payment systems across the Province by encouraging the transition from cash-based transactions to electronic payment mechanisms through QR code. The Members were encouraged to examine the Statement of Objects and Reasons appended to the Bill for a comprehensive understanding of its legislative intent and objectives.

10. **Clause by clause consideration of the Bill.**-After deliberating upon the legislative intent of the proposed Bill, and expressing agreement with its underlying objectives, the Committee commenced clause-by-clause consideration of the Bill and examined the amendments proposed therein by Ms. Amna Sardar, MPA, and Ms. Shazia Tehmas Khan, MPA.

11. In the meeting of 14th July, 2026, the Committee considered the Bill up to Clause 10 and unanimously proposed the following amendments:

i. **Addition of Explanation to sub-clause (3) of clause 4.**-In clause 4, after sub-clause (3), the following explanation was added, namely:

"**Explanation.**-For the purpose of this Act, **"valid technical reason"** means a justification or explanation that is based on technical verifiable evidence or data as recognized by the financial standards."

ii. **Substitution of sub-clause (1) of clause 6.**-In clause 6, for sub-clause (1), the following was substituted, namely:

"(1) The Department shall, in collaboration with other relevant Departments, facilitate the Authorized Service Provider to establish or designate facilitation centers at the district or tehsil level to assist business entities with-

(a) registration and issuance of QR Codes;
(b) opening of mobile wallets or bank accounts; and
(c) training on the use of digital payment system."

iii. **Substitution of clause 8.**-For clause 8, the following was substituted, namely:

"**8. Standardization of QR Codes.**---The Department may, as per the regulations of the State Bank of Pakistan and in consultation with relevant entities, prescribe the standards for the size, material, branding and placement of QR Codes to ensure uniformity and ease of use."

iv. **Substitution of clause (a) in clause 10.**-In clause 10, for clause (a), the following was substituted, namely:

"(a) enter and inspect, at business hours, any premises or vehicle used for business purposes, to verify compliance with provisions of this Act;"

12. After detailed deliberation, Ms. Amna Sardar, MPA, and Ms. Shazia Tehmas Khan, MPA, withdrew their proposed amendments up to Clause 10 of the Bill, as some of their suggestions had been incorporated into the amendments adopted by the Committee, while the remaining suggestions contained in their proposed amendments were assured by the Finance Department to be incorporated, wherever appropriate, in the rules to be framed under the proposed Act.

13. The Committee deferred consideration of the Bill to 23rd July, 2026 till the presence of the Advisor to the Chief Minister for Finance, in order to obtain the views of the concerned Minister. While deferring the matter, the Committee unanimously recorded the following observations:

(1) The proposed law is intended to apply uniformly throughout the Province from the outset; however, the Committee was of the view that its implementation should be phased and introduced gradually in different areas and districts, keeping in view the prevailing ground realities.

(2) The proposed law seeks to apply simultaneously to all businesses, irrespective of whether they are small, medium, or large business entities. The Committee observed that a phased implementation based on the nature and scale of businesses would be more appropriate.

(3) The proposed law does not provide for penal consequences or an enforcement mechanism in the event of its violation. The Committee observed that the absence of such provisions may adversely affect the effective implementation and enforceability of the proposed legislation.

(4) The undersigned observed that the above concerns ought to have been examined by the Provincial Cabinet before approving the proposed legislation, particularly when the relevant administrative departments were represented during the Cabinet deliberations. It was also observed that these issues required careful consideration to ensure that the proposed law is practical, implementable, and capable of achieving its intended objectives without putting any extra burden including financial on businesses as well as the general public.

14. At this stage, the Law Department brought to the notice of the Committee that the Administrative Department had originally incorporated a penal provision in the proposed Bill. However, the Provincial Cabinet did not approve the said proposal and made amendments to the Bill before according its approval.

15. Next meeting of the Committee was held on 23rd July, 2026 wherein clause-by-clause consideration of the Bill from Clause 10 was resumed.

16. The Committee was informed by the Assembly Secretariat that the Provincial Cabinet, decision communicated vide letter No.Legis:1(16)2025/7656-60 dated 13/07/2026, had conveyed its concurrence, with certain modifications, to the amendment proposed by Ms. Shazia Tehmas Khan, MPA in clause 2 of the Bill for insertion of definition of Valid Technical Reason. Whereas, the remaining proposed amendments communicated to the Provincial Government were not approved. It was further informed that the Committee had already proposed the same amendment, with further modifications, on the recommendation of the Finance Department in previous meeting of the Committee. Thereafter, copies of the said letter were circulated among the Members for their information.

17. In response to the observations raised by the Committee during its previous meeting, the Finance Department submitted a written reply, which was placed before the Committee for its consideration.

18. The Committee considered the Department's response to its first observation regarding phased implementation of the proposed law. The Finance Department submitted that the Bill had been drafted to establish a uniform legal framework applicable throughout the Province. They further explained that the gradual establishment of facilitation centres, onboarding, technical support, enforcement and monitoring mechanisms under the relevant provisions of the Bill would effectively ensure phased implementation based on administrative readiness. It was contended that incorporating an express provision for geographical phased implementation in the parent proposed statute might dilute the uniform applicability of the law and create legal uncertainty. After detailed deliberations, the Committee noted the Department's explanation.

19. The Committee then considered its second observation regarding the simultaneous application of the proposed law to all business entities irrespective of their size. The Finance

Department submitted that the objective of the Bill was to establish a uniform legal obligation for the adoption of interoperable digital payment systems by all business entities operating within the Province in order to promote financial inclusion, transactional transparency and a comprehensive digital payment ecosystem.

20. At this point, Mr. Zubair Ahmad, Special Secretary, Finance Department further stated that excluding or deferring any category of businesses could undermine these policy objectives and create regulatory disparities. The Committee took note of the Department's reply.

21. While considering the Committee's third observation regarding the absence of penal provisions, the Finance Department explained that the Bill already contained an enforcement mechanism empowering the Designated Officer to inspect business premises, verify compliance, require the production of relevant records, document instances of non-compliance and issue notices requiring compliance within a specified period. The Department informed the Committee that the Bill had deliberately adopted a facilitative and compliance-oriented approach during the initial phase of implementation with the primary objective of encouraging voluntary adoption of digital payment systems through awareness, technical assistance and institutional support rather than punitive action. It was also pointed out that the provisions relating to penalties and appeals had originally formed part of the draft Bill but were omitted later on.

22. The Committee, however, did not agree with the Department's justification and expressed the view that an effective enforcement mechanism should necessarily be accompanied by appropriate penal provisions to ensure compliance with the proposed law. Accordingly, the Committee conveyed its intention to propose the insertion of a penalty clause in the Bill to strengthen its implementation and enforceability.

23. Mr. Munir Hussain Lughmani, MPA, observed that although the proposed legislation adequately provided for a monitoring and compliance mechanism, it lacked any punitive provision to deal with contraventions or failure to comply with its provisions. He emphasized that, in the absence of an appropriate penalty clause, the objectives of the proposed legislation might not be effectively achieved.

24. Mr. Faseeh Ullah, Deputy Legislation Officer, Law Department, informed the Committee that the inclusion of a penal provision was entirely at the discretion of the Committee. If the Committee so desired, such a provision could be incorporated. However, the Finance Department was in a better position to explain the Provincial Government's policy. He further observed that, apparently, a penal provision had been omitted to make the legislation more citizen-friendly.

25. The Secretary Finance Department informed the Committee that it had never been the intention of the Cabinet to remove the relevant provision. Rather, the Cabinet had directed that it be clarified in the Rules. However, at some stage, this point was not incorporated into the instant legislation.

26. The Committee discussed the matter in detail and reiterated its view concerning the practicality and enforceability of the proposed legislation. However, in view of the explanations furnished by the Finance Department, further consideration of the relevant clauses of the Bill was continued accordingly and the Honorable Members expressed themselves as follows.

27. The undersigned observed that the proposed legislation had been drafted in a conventional manner and lacked practical mechanisms to ensure its effective implementation. It was also remarked that, in many instances, legislatures enact laws which remain effective only on paper and are not readily enforceable in practice. Therefore, it was inquired as to which department had initiated and proposed the Bill.

28. In response, Mr. Kamran Afridi, Secretary, Finance Department, informed the Committee that the Finance Department was the sponsoring Department of the Bill. He explained that, across the country, including at the Federal level, initiatives were underway to promote a cashless economy through digital payment systems. He apprised the Committee that the Government of Khyber Pakhtunkhwa intended to facilitate the transition from cash-based transactions to digital payments through the proposed legislation. He further informed the Committee that, under the policy of the State Bank of Pakistan, cash payments could not be completely abolished. However, a digital payment alternative was being introduced so that the public could choose whichever method was more convenient.

29. On behalf of the Committee, the undersigned clarified that the Committee's intention was not merely to introduce punitive measures against the public or business entities. Rather, the Committee also desired that the proposed legislation should establish an effective and accessible online system or digital portal for interaction and communication between all stakeholders through which business entities and members of the public could register their grievances, complaints and implementation-related issues for timely redressal. He observed that such a facilitative mechanism would promote compliance with the law.

30. The Secretary, Finance Department, informed the Committee that a centralized Management Information System (MIS) or online dashboard had already been provided in the Bill to monitor the implementation of the proposed legislation, including the issuance of QR codes, transactional activity and compliance data.

31. Mr. Muzzammil Aslam, Advisor to the Chief Minister for Finance, Khyber Pakhtunkhwa, agreed with the suggestion of the Chairperson to the extent that an express provision relating to a digital grievance redressal mechanism be incorporated in the Bill so that such a mechanism would enable complaints to be registered, tracked and disposed of in a accountable manner, ensuring that no complaint remained unattended.

32. Mr. Faseeh Ullah, Deputy Legislation Officer, Law Department suggested that the desired objective could be achieved through an amendment to the existing Clause 14 by expressly providing for the submission of complaints digitally or manually, as the case may be. The Committee agreed to the suggestion.

33. While considering Clause 12 of the Bill, relating to financial inclusion and safeguards, the undersigned observed that the business community was often apprehensive about becoming part of a new regulatory framework due to concerns that it might subsequently serve as a basis for the imposition of additional direct taxes, particularly those administered by the Khyber Pakhtunkhwa Revenue Authority (KPRA).

34. In response, Mr. Muzzammil Aslam, Advisor to the Chief Minister for Finance, clarified that the proposed legislation did not envisage the imposition of any new tax. He explained that, under the existing taxation regime, where payment was made through digital means, including cards and online transactions, the applicable sales tax rate was six percent, whereas transactions

conducted in cash were subject to the prevailing rates of ten or fifteen percent, as applicable. He further informed the Committee that the lower tax rate constituted one of several incentives aimed at promoting digital payments.

35. The Advisor further asserted that digital transactions would also reduce unnecessary interaction between business entities and tax authorities, thereby minimizing harassment arising from frequent notices requiring the production of records and supporting documents for tax purposes.

36. Ms. Amna Sardar, MPA, the mover of the amendment to Clause 12, withdrew her amendment upon the aforementioned explanation.

37. Ms. Amna Sardar, MPA, the mover of the amendment to Clause 14, observed that the existing provision did not provide for a time-bound mechanism for the redressal of grievances. She emphasized that an effective grievance redressal system should prescribe definite timelines for the disposal of complaints to ensure timely relief.

38. The Secretary Finance Department expressed his agreement, in principle, with the intent underlying the proposed amendment. They clarified that the clause (c) of sub-clause (2) of clause 15 of the Bill envisaged the formulation of a grievance redressal procedure through the Rules, wherein a time-bound mechanism for the disposal of grievances can also be prescribed. Upon the clarification furnished by the Department and its assurance that the matter would be adequately addressed in the Rules, Ms. Amna Sardar, MPA, withdrew her proposed amendment to clause 14.

39. Ms. Amna Sardar, MPA further stressed on her amendment to Clause 18, relating to the Government's power to remove difficulties in giving effect to the provisions of the proposed legislation. She explained that the purpose of the amendment was to ensure that such power was exercised only within the scope of the Act and not in a manner prejudicial to the rights or interests of any person or business entity, or inconsistent with the provisions of the proposed legislation.

40. In response, the Secretary Finance Department clarified that Clause 18 of the Bill itself expressly provided that the Government's power to remove difficulties could only be exercised in a manner not inconsistent with the provisions of the proposed legislation. He further stated that such provision was a standard legislative clause commonly incorporated in statutes to facilitate the implementation of laws. Upon the clarification furnished by the Department, Ms. Amna Sardar, MPA, withdrew her proposed amendment to Clause 18.

41. After detailed deliberations and due consideration of the observations of the Hon'ble Members, the suggestions made for possible amendments, and the explanations furnished by the Departments, the Committee proposed the following amendments to the Bill. The Committee authorized the Secretariat to use suitable wording in line with the Committee's recommendations.

i. Insertion of a new clause 11.-After clause 10, the following new clause 11 was inserted and the remaining clauses were renumbered accordingly,-

“**11. Penalty.**-Any business entity that fails to comply with any provision of this Act shall be liable to such penalty as shall be prescribed."

ii. Amendment in Clause 14.-In the existing clause 14, after the word "entities", the words and commas ", digitally or manually, as the case may be," were inserted.

iii. Insertion of new clause (a) in clause15.-In the existing clause 15, the following new clause (a) was inserted and the remaining clauses were renumbered accordingly,-

"(a) the penalties for failure to comply with any provision of this Act;"

RECOMMENDATIONS:

42. The Committee recommended that **the Khyber Pakhtunkhwa Promotion of Digital Payments Bill, 2026,** as amended and reported by the Committee at **"Annexure-B"**, may be taken into consideration by the Assembly.

(ARBAB MUHAMMAD USMAN KHAN)
CHAIRPERSON,
STANDING COMMITTEE NO. 10 ON
FINANCE DEPARTMENT