Country Guide
Pakistan

Prepared by

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Jurisdiction: Pakistan
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Guide To Doing Business Questionnaire: Member Firms Outside the USA

I. The Country At A Glance

A. What languages are spoken?

The national language of Pakistan is Urdu and the language of the courts and government communication is English and both languages are widely spoken. Pakistan is divided into four provinces. The main regional languages are Sindhi, Punjabi, Pushto and Baluchi.

B. What is the exchange rate for the U.S. dollar, the Euro?

Approximately:

Currency	Buying	Selling
U.S Dollar $	104.45	104.65
Euro €	112.53	112.75

C. Describe your country's geography, proximity to other countries and climate.

Pakistan is located in South Asia. To the south is the Arabian Sea, with (1,046 km) of Pakistani coastline. To Pakistan's east is India, which has a (2,912 km) border with Pakistan. To its west is Iran, which has a (909 km) border with Pakistan. To Pakistan's northwest lies Afghanistan, with a shared border of (2,430 km). China is towards the northeast and has a (523 km) border with Pakistan.

- Total: 796,095 sq km
- Land: 770,875 sq km
- Water: 25,220 sq km
- Coastline: 1,046 km

Elevation extremes:-

- Lowest point: Arabian Sea; 0 m
- Highest point: K2 (Mt. Godwin-Austen) 8,611 m

Pakistan's climate is divided into four seasons:-

1. The hot dry spring, from March to May.
2. Summer rainy season from June to September.
3. Retreating monsoon in October and November.
4. The cold dry winter from December to February.

The temperature in the capital city of Islamabad ranges from 2°C in the winter in January to 40°C in June.

The landscape of Pakistan ranges from lofty mountains in the north (the Karakoram and the Himalayas) through dissected plateaus to the rich alluvial plains of the Punjab, the barren but mineral-rich lands of Baluchistan and the hot dry deserts of Sindh blending into the golden beaches of the Mekran coast.

D. Are there cultural influences or prohibitions on the way business is conducted?

There are no readily identifiable cultural prohibitions in respect of the way business is conducted in Pakistan, though the way business is carried-on in some areas is naturally conditioned by cultural influences.

E. Are there religious influences or prohibitions on the way business is conducted?

Yes. Pursuant to Article 227 of the Constitution of Pakistan, all laws shall be brought in conformity with the injunctions of the Quran and Sunnah (Shariah Law), and no law shall be enacted which is repugnant to such injunctions. All business activity must not be in contravention of the provisions of Islamic law.

F. Explain your country's infrastructure. Be sure to explain which cities have airports, railroad systems, ports, and public transportation.

<u>Airports:-</u>

Airports - with paved runways:	**Airports - with unpaved runways:**
Total: 108 (2013)	Total: 43
Over 3,047 m: 15	2,438 to 3,047 m: 1
2,438 to 3,047 m: 20	1,524 to 2,437 m: 9
1,524 to 2,437 m: 43	914 to 1,523 m: 9
914 to 1,523 m: 20	Under 914 m: 24 (2013)
Under 914 m: 10 (2013)	

<u>Cities with Airports:-</u>

1. Abbottabad	2. Gujrat	3. Mianwali
4. Sahiwal	5. Zhob	6. Attock
7. Gwader	8. Mirpur Khas	9. Saidu Sharif

10.	Badin	11.	Bahawalpur	12.	Chashma
13.	Faisalabad	14.	Chitral	15.	D.G Khan
16.	D.I Khan	17.	Gilgit	18.	Islamabad
19.	Karachi	20.	Lahore	21.	Peshawar
22.	Sialkot	23.	Quetta	24.	Hyderabad
25.	Jacobabad	26.	Multan	27.	Sargodha
28.	Muzaffarabad	29.	Larkana	30.	Kohat
31.	Dalbandin	32.	Gujranwala	33.	Sibi
34.	Skardu	35.	Rahim Yar Khan	36.	Turbat
37.	Sui	38.	Rawalakot	39.	Panjgur
40.	Bannu	41.	NawabShah	42.	Parachinar

Railways:

- Total: 7,789 km
- Country comparison to the world: 27
- Broad gauge: 7,477 km 1.676-m gauge (293 km electrified)
- Narrow gauge: 312 km 1.000-m gauge (2014)

1.	Peshawar	2.	Multan	3.	Yakmach
4.	Mingaora	5.	Jhang Maghiana	6.	Sukkur
7.	Maran	8.	Sahiwal	9.	Larkana
10.	Lahore	11.	Rahimyar Khan	12.	Karachi
13.	Islamabad	14.	Dera Ghazi Khan	15.	Nawabshah
16.	Gujranwala	17.	Bahawalpur	18.	Hyderabad
19.	Faisalabad	20.	Quetta		

Roadways:-

- Total: 262,256 km
- Country comparison to the world: 20
- Paved: 189,218 km (includes 708 km of expressways)
- Unpaved: 73,038 km (2010)

Ports and terminals: -

- Karachi Port, Karachi
- Port Muhammad Bin Qasim, Karachi
- Gwadat Port, Gwadar

Explain the communication system.

Telephones - main lines in use:

4.9 million (2014)

Telephones - mobile cellular:
139.20 million (2014)

Telephone system:

General assessment: the telecommunications infrastructure is improving dramatically with foreign and domestic investments into fixed-line and mobile networks; mobile-cellular subscription has skyrocketed in recent years; fiber systems are being constructed throughout the country to aid in network growth; main line availability has risen only marginally over the same period and there are still difficulties getting main line service to rural areas.

Domestic: microwave radio relay, coaxial cable, fiber-optic cable, cellular, and satellite networks international: country code - 92; landing point for the SEA-ME-WE-3, SEA-ME-WE-4 and SEA-ME-WE-5 submarine cable systems that provide links to Asia, the Middle East, and Europe; satellite earth stations - 3 Intelsat (1 Atlantic Ocean and 2 Indian Ocean); 3 operational international gateway exchanges (1 at Karachi and 2 at Islamabad); microwave radio relay to neighboring countries (2011).

Radio broadcast stations:
AM 31, FM 73, shortwave NA

Television broadcast stations:
20 (5 state-run channels and 15 privately-owned satellite channels) (2006)

Internet users:
34,342,400 broadband users, 20th in the world; 19.0% of the population, 20th in the world (2012)

Fixed broadband:
3,100,210 subscribers, 28th in the world; 1.7% of the population, 128th in the world (2012)

Mobile broadband:
31,779,549 subscriptions as of August 27, 2016, 10th in the world; 16% of the population, 13th in the world (2012)

Internet country code:
.pk

Domains registered under the .pk domain:
~30,000 (2012).

Internet hosts:
365,813 hosts, 57th in the world (2012)

IPv4:
5.2 million addresses allocated, 0.1% of the world total, 27.2 addresses per 1000 people (2012)

International bandwidth:
~400 Gbit/s combined from PTCL and TWA (2014).

Undersea telecommunications cables:
Five, SMW3, SMW4, SMW5, and IMEWE operated by PTCL and TWA-1 operated by Transworld Associates (2016)

Operational ISPs:
~50 (2012)

ISPs providing DSL services:
Ten (2012)

ISPs providing broadband cable services:
Five (2012).

ISPs providing Fiber to the Home (FTTH) services:
One, NayaTel (2012).

Domestic fiber backbones:
Four from PTCL, Wateen, Mobilink, and Multinet (2012).

G. Describe the public services – i.e. water, electricity, gas. Are they publicly or privately owned?

The Water and Power Development Authority ("**WAPDA**") is a government-owned public utility responsible for the development of water and hydropower resources.

The National Electric Power Regulatory Authority ("**NEPRA**") is a state owned regulator responsible for the generation, transmission and distribution of electric power and its main responsibilities are to:

1. Issue licenses for the generation, transmission and distribution of electric power;
2. Establish and enforce standards to ensure quality and safety of operation and supply of electric power to consumers;
3. Approve the investment and power acquisition programs of utility companies; and
4. Determine tariffs for generation, transmission and distribution of electric power.

The Oil and Gas Regulatory Authority ("**OGRA**") is a state owned entity set up to regulate the midstream and downstream petroleum industry, and is responsible for the LPG, LNG and CNG sectors. The Sui Northern Gas Pipelines Limited ("**SNGPL**") is the largest integrated natural gas company in North & Central Pakistan with an extensive network in Punjab and NWFP. The Sui Southern Gas Pipelines Limited ("**SSGPL**") is the gas company supplying gas to the southern parts of the country.

II. General Considerations

A. Investment policies

1. Does the country generally welcome investment? Are there governmental or private agencies devoted to the promotion of investment?

Yes. Pakistan actively welcomes foreign investments and the Board of Investment ("**BOI**") is the body responsible for the promotion of investment in Pakistan. The BOI assists companies planning to invest in Pakistan or to expand their Pakistani operations. The BOI is a member of the World Association of Investment Promotion Agencies (WAIPA).

The BOI is currently working as an autonomous body under the Board of Investment Ordinance, 2001 ("**BOI Ordinance**") which was promulgated in March, 2001, with broad based responsibilities of promotion of investment in all sectors of the economy; facilitation of local and foreign investors for speedy materialization of their projects and to enhance Pakistan's international competitiveness and contribute to economic and social development. In October 2008 the BOI was made a division within the newly formed Ministry of Investment. Foreign Investment is fully protected by the Foreign Private Investment (Promotion and Protection) Act 1976 and the Protection of Economic Reforms Act 1992.

2. What is the rate of inflation?

The inflation rate is measured by the changes in Consumer Price Index (CPI). Consumer prices in Pakistan rose 3.81 percent year-on-year in November of 2016. On a monthly basis consumer prices rose 0.21 percent. Inflation Rate in Pakistan averaged 7.86 percent from 1957 until 2016, reaching an all time high of 37.81 percent in December of 1973 and a record low of -10.32 percent in February of 1959.

3. Explain any sector exceptions, incentives or restrictions on foreign investment?

Pakistan with its rich endowment of raw materials and arable land, vast mineral resources, entrepreneurial skills, abundant low-cost labour and huge domestic and foreign markets, offers competitive advantage for foreign private investment. Pakistan offers opportunities and wide scope for investments in import substitution and export oriented agro-based products, electronics and high tech industries. Its sufficiently developed technological and industrial base will be helpful in further fueling the industrial expansion of the country.

Pakistan is deficient in electricity and as such welcomes investment in the power generation sector especially in developing coal reserves for such purposes. Other attractive areas of investment include telecom, natural resources, steel, real estate, construction and electronics.

All sectors and activities are open for foreign investment unless specifically prohibited or restricted for reasons of national security and public safety. However, there are general restrictions and sector-specific restrictions which include:

- Obtaining permissions, NOCs or licenses from the relevant government body.
- Fulfilling the requirements of the relevant sector laws or investment policy.
- Obtaining government permission for investment in specified industries such as arms and ammunition, high explosives, radioactive substances, security printing, currency and mint and alcoholic beverages/liquors.
- Obtaining permission from the State Bank of Pakistan in relation to various exchange control and currency restrictions under the Foreign Exchange Regulation Act, 1947.

The following grants and incentives are available to investors:

- Tax concessions.
- Treaties for the avoidance of double taxation (exemption from various taxes and duties)
- Low interest loans.
- Research and development.

There is no minimum requirement for the amount of foreign equity investment in any sector. There is no upper limit on the share of foreign equity allowed, except in specific sectors including airlines, banking, agriculture and media.

Foreign investors in any sector shall at any time repatriate profits, dividends, or any other funds in the currency of the country from which the investment was originated as per clause 6 of the Foreign Private Investment (Promotion & Protection) Act 1976, and subject to satisfaction of procedural requirements set under the Foreign Exchange Manual 2002 of the State Bank of Pakistan.

There are specific laws to protect foreign investors, such as the Foreign Private Investment (Promotion and Protection) Act 1976 and the Protection of Economic Reforms Act 1992, Foreign Currency Accounts (Protection) Ordinance 2001.

4. Describe de facto restrictions on investment, if any, such as bureaucratic discretion.

None.

5. What are the sizes of the different markets?

Different products have different market segmentation and the size of the market will depend on the type of product.

6. What types of businesses are conducted in the country?

All types of legitimate businesses are conducted in Pakistan including corporate, banking & finance, manufacturing, services, etc.

B. Diplomatic Relations

1. Explain any established diplomatic relations your country may have.

Pakistan has established diplomatic relations with all countries except for Israel, which the Government of Pakistan does not recognize.

2. Give addresses, and contact information for the embassies or consulates in your country.

1. EMBASSY OF THE ISLAMIC REPUBLIC OF AFGHANISTAN

HOUSE NO. 8, STREET 90, G-6/3
ISLAMABAD, PAKISTAN
CITY: ISLAMABAD
PHONE: (+92-51) 282 4505/6

FAX: (+92-51) 282 4504

2. EMBASSY OF REPUBLIC OF ARGENTINA

HOUSE 60, STREET 1, SECTOR F-6/3
ISLAMABAD
TEL: (+92) 51 843 8120
FAX: (+92) 51 282 5564

3. HIGH COMMISSION FOR AUSTRALIA

CONSTITUTION AVE AND ISPAHANI RD,
DIPLOMATIC ENCLAVE, NO. 1
SECTOR G-5/4, ISLAMABAD, PAKISTAN
+92 51 8355 500
FAX:
+92 51 282 0112 (CORPORATE AND CONSULAR SECTION)
+92 51 282 0189 (EXECUTIVE AND POLITICAL SECTION)
+92 51 282 1150 (IMMIGRATION SECTION)
+92 51 282 0418 (AUSTRALIAN AID)
+92 51 283 2108 (AUSTRADE)
+92 51 282 3686 (DEFENCE)
+92 51 282 1161 (AFP)
+92 51 282 6078 (MAINTENANCE SECTION JLL)

4. EMBASSY OF THE REPUBLIC OF AUSTRIA

* HOUSE 7A, 21ST STREET, F 8/2
ISLAMABAD
* TEL:(+92) 51 2818 421
* FAX:(+92) 51 83 50 992

5. EMBASSY OF THE REPUBLIC OF AZERBAIJAN

PLOT 1 D AND 1E DIPLOMATIC ENCLAVE II
ISLAMABAD
PAKISTAN
PHONE+9251-260-0704

+9251-260-0703
FAX+9251-260-0720
+9251-260-0707
EMAILAZEREMB@ISB.PAKNET.COM.PK
ISLAMABAD@MISSION.MFA.GOV.AZ

6. CONSULATE OF THE STATE OF BAHRAIN

HOUSE NO 12, STREET NO 02
F6 / 3 ISLAMABAD
PAKISTAN
* TEL: (+92) (51) 230 7881
(+92) (51) 230 7882
* FAX: (+92) (51) 230 7885

7. HIGH COMMISSION OF THE PEOPLES REPUBLIC OF BANGLADESH

HOUSE NO.1, STREET NO.5, F-6/3
ISLAMABAD
TEL :051-2279267
FAX :051-2279266
EMAIL : BDHCISB@YAHOO.COM

8. THE ROYAL EMBASSY OF BELGIUM

HOUSE 14, STREET 17, F7/2
ISLAMABAD
* TEL: (+92) 51 265 41 01 TO 4
* FAX: (+92) 51 265 41 05

9. EMBASSY OF THE REPUBLIC OF YEMEN

90-SUMBAL ROAD
F-10/1
MAIN DOUBLE ROAD
ISLAMABAD
* TEL: (+92) 51-210 2448
(+92) 51-210 1115

* FAX: (+92) 51-210 2417

10. EMBASSY OF THE REPUBLIC OF BRAZIL

HOUSE NO. 1, STREET 72, SECTOR F-8/3
ISLAMABAD
* TEL: (+92) 51 228 7189
* FAX: (+92) 51 228 7199

11. HIGH COMMISSION OF BRUNEI DARUSSALAM IN PAKISTAN

HOUSE NO. 15, STREET 67, SECTOR F-8/3
ISLAMABAD
PAKISTAN
* TEL: (+92) (51) 848 7240 / 2 / 3
* FAX: (+92) (51) 874 0266 / 366

12. HIGH COMMISSION FOR CANADA IN PAKISTAN

DIPLOMATIC ENCLAVE, SECTOR G-5
ISLAMABAD
* TELEPHONE
* (+92) (51) 208-6000
* FAX
* (+92) (51) 208-6900

13. ROYAL EMBASSY OF DENMARK

H. 16, STREET 21, F-6/2
P.O.BOX 1118
ISLAMABAD
* TEL: (+92) (51) 209 9800
* FAX: (+92) (51) 282 3483

14. EMBASSY OF THE REPUBLIC OF FINLAND

HOUSE NO.11, STREET NO.90 G-6/3
ISLAMABAD

TEL :051-828426/822136
FAX :051-828427

15. EMBASSY OF THE REPUBLIC OF FRANCE

DIPLOMATIC ENCLAVE, G-5
ISLAMABAD
* TELEPHONE
* (+92) (51) 2011 414
* FAX
* (+92) (51) 201 14 00

16. EMBASSY OF THE REPUBLIC OF GERMANY

DIPLOMATIC ENCLAVE, RAMNA 5
ISLAMABAD
TEL :051-2279430-35
FAX :051-2279436/278917

17. HIGH COMMISSION OF INDIA

DIPLOMATIC ENCLAVE, G-5
ISLAMABAD
TEL :051-2206950-54
FAX :051-2823386
RECEPTION: +92-51-2833276
FAX NUMBER: +92-51-2833290 / 2833286

18. EMBASSY OF THE FEDERAL REPUBLIC OF INDONESIA

DIPLOMATIC ENCLAVE 1, STREET-5, RAMNA G-5/4
ISLAMABAD
PHONE: (92-51) 283-2017 TO 20, 288-0067 TO 68
FAX: (92-51) 283-1010, 283-2013

19. EMBASSY OF THE ISLAMIC REPUBLIC OF IRAN

PLOT NO. 222-238, STREET NO. 2

DIPLOMATIC ENCLAVE, G-5/1
ISLAMABAD
TEL : 8318901-4
FAX: 8318906

20. HONORARY CONSULATE OF IRELAND

HOUSE NUMBER 6B, SUNSET AVENUE
OFF SUNSET BOULEVARD, PHASE II EXT.
KARACHI
PAKISTAN
* TEL: (+92) 21 3589 1181 / 2 / 3
(+92) 21 3582 1184

21. EMBASSY OF THE REPUBLIC OF ITALY

STREET 17, DIPLOMATIC ENCLAVE
G5, ISLAMABAD
P.O. BOX N.1008, ISLAMABAD
TEL. + 92 51 2833183 - 2833184 - 2833185 /6/7
FAX + 92 51 2833179

22. CONSULATE GENERAL OF JAPAN
233,E.I.LINES
RAJA GHAZANFAR ALI ROAD
KARACHI
TEL :021-5681331-32/512152
FAX :021-5684627

JAPAN EMBASSY
53-70, RAMNA 5/4, DIPLOMATIC ENCLAVE 1
ISLAMABAD 44000, PAKISTAN
P.O. BOX 1119, ISLAMABAD, PAKISTAN
TEL : +92-51-9072500
FAX :+92-51-9072352

23. EMBASSY OF THE REPUBLIC OF KAZAKHSTAN

HOUSE 11, STREET 45, F-8/1

ISLAMABAD
TEL: (+92) 512262920
FAX: (+92) 512262806

23. HIGH COMMISSION OF REPUBLIC OF KENYA

KENYA HIGH COMMISSION
PLOT # 1-2-3, ST # 27, RAMNA 5 DIPLOMATIC ENCLAVE
ISLAMABAD, PAKISTAN
* PHONE: +92 51 2601504-6
* FAX: +92 51 2601507

24. EMBASSY OF KUWAIT

DIPLOMATIC ENCLAVE II, STREET 27, PLOT NO. 1- 2 & 24
ISLAMABAD
PAKISTAN
* TELEPHONE: (+92) (51) 227 9413 TO 5
* FAX :(+92) (51) 227 9411

25. THE TRADE OFFICE OF THE KYRGYZSTAN REPUBLIC

HOUSE. NO. 163, STREET 36, SECTOR F-10/1
ISLAMABAD
TEL: +(9251) 2212196
FAX: +(9251) 2212169

26. HONORARY CONSULATE GENERAL OF THE DEMOCRATIC REPUBLIC OF MADAGASCAR

B-307, BLOCK 6 , GULSHAN-E-IQBAL
KARACHI
TEL :021-467118/464674
PHONE: 92 498 3540
FAX: 92 481 4673
EMAIL: MADAGASCARCONSUL@AOL.COM

27. THE HIGH COMMISSION OF MALAYSIA

PLOT NO. 144-150, STREET 17,
SECTOR G-5, DIPLOMATIC ENCLAVE,
ISLAMABAD
TEL: 051- 2072900
FAX: 051- 2833210

28. EMBASSY OF UNION OF MYANMAR

PLOT NO. 99 TO 101, STREET NO.5, SECTOR G-5,
DIPLOMATIC ENCLAVE,
ISLAMABAD
PHONE: (0092) (51) 283 22 32
FAX: (0092) (51) 283 22 33

29. HONORARY CONSULATE OF THE REPUBLIC OF MALDIVES

ADAMJEECHAMBERS,1ST FLOOR
CAMPBELL STREET
KARACHI
TEL :021-2625492-6
FAX :021-2621910

EMBASSY OF THE REPUBLIC OF MALDIVES
H NO. 10, ST NO. 4, F-8/3,
ISLAMABAD, PAKISTAN
PHONE: +92-51-2286903; +92-51-2286904
FAX: +92-51-2286900

30. ROYAL EMBASSY OF NEPAL

HOUSE NO. 6, GOMAL ROAD, E-7, ISLAMABAD
TEL: (+92-51) 2610317-19
FAX: (+92-51) 2610320

31. ROYAL NETHERLANDS EMBASSY

167, STREET 15, DIPLOMATIC ENCLAVE,
SECTOR G-5,
ISLAMABAD
TEL: 051- 2004444

32. EMBASSY OF PORTUGAL

HOUSE 66, MAIN MARGALLA ROAD, F-7/2,
ISLAMABAD
TEL : 051- 8447042

33. EMBASSY OF THE STATE OF QATAR

* 20 - UNIVERSITY ROAD
DIPLOMATIC ENCLAVE, G -5/4
ISLAMABAD
* TEL: (+92) 51 227 0833
(+92) 51 227 0768

34. EMABASSY OF RUSSIAN FEDERATION

ISLAMABAD, DIPLOMATIC ENCLAVE SECTOR 4
PHONE: + 92-51-2600812
FAX: + 92-51-2600814

35. ROYAL EMBASSY OF SAUDI ARABIA

* NO. 14, NORTH SERVICE ROAD, DIPLOMATIC ENCLAVE,G-4, ISLAMABAD
* TEL:051-2600900
* 051-2600901
* FAX: 051-2278816

36. HONORARY CONSULATE OF THE REPUBLIC OF SEYCHELLES

4,JINNAH COOPERATIVE HOUSING
SOCIETY, MAIN SHARE A FAISAL
KARACHI

TEL :021-4545912-4536348
FAX :021-4545905/4548809

37. HONORARY CONSULATE GENERAL OF SINGAPORE

LAKSON BUILDING NO.2
SARWWAR SHAHEED ROAD
KARACHI

TEL:
+92 21 35688243 /
+92 21 35686419 /
+92 21 35685749 /
+92-21 35685308

FAX:
+92 21 35688067 /
+92 21 35680093

38. EMBASSY OF SPAIN

DIPLOMATIC ENCLAVE-1
STREET NO.6, G-5
ISLAMABAD
* TEL: (+92) 51 208 87 77
* FAX: (+92) 51 208 87 74

39. HIGH COMMISSION OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

* HOUSE NO. 2C, STREET NO. 55, F 6/4
ISLAMABAD
* TEL: (+92) 51 282 8723 / 35
(+92) 51 227 8175
* FAX: (+92) 51 282 8751

40. EMBASSY OF THE SULTANATE OF OMAN

HOUSE NO 11, STREET 61
SECTOR F-7/4
P. O. BOX 1194
ISLAMABAD
* TEL: (+92) 51 265 6717 / 8
* FAX: (+92) 51 265 6720

41. EMBASSY OF SWEDEN

HOUSE NO. 4, STREET NO. 5
SECTOR F-6/3
ISLAMABAD
TEL: +92 51 207 26 00
+92 51 207 26 80 (INFORMATION VISA, MIGRATION)
+92 51 207 26 90
FAX: +92 51 207 26 60
+92 51 207 26 61

42. CONSULATE & TRADE REPRESENTATION OF THE REPUBLIC OF TAJIKISTAN

HOUSE # 295, STREET # 35
F 11/3, ISLAMABAD 44000
TEL: (+92) (51) 229 34 62
(+92) (51) 210 12 54
* FAX: (+92) (51) 229 97 10

43. EMBASSY OF THAILAND

PLOTS NO.1-20 DIPLOMATIC ENCLAVE-1
SECTOR G-5/4,
ISLAMABAD
TEL: (92-51) 843-1270 - 80
FAX: (92-51) 843-1288,843-1291

44. EMBASSY OF THE REPUBLIC OF TURKEY

STREET 1,
DIPLOMATIC ENCLAVE, G-5
44000 ISLAMABAD
TEL: +92 51 227 76 71
FAX: +92 51 227 87 52

45. EMBASSY OF TURKMENISTAN

PARVEEN SHAKIR ROAD 1-A, STR. 25 F-7/2
ISLAMABAD,
TEL: +92 (51) 2609774
FAX: +92 (51) 8318416

46. EMBASSY OF UNITED ARAB EMIRATES

DIPLOMATIC ENCLAVE, PLOT # 1-22
ISLAMABAD
TEL: +92512099999
FAX: +92512206732

47. EMBASSY OF U.K. IN PAKISTAN

DIPLOMATIC ENCLAVE, G-5
ISLAMABAD,
TEL: (+92-51) 2822131/5, 2206071/5
FAX: (+92-51) 2201109, 2279356

3. Are there prohibitions or restrictions on certain business dealings with the country?

The prohibitions and restrictions vary from industry to industry and the subject matter of the business.

4. Explain any travel restrictions to or within the country?

Article 15 of Constitution of the Islamic Republic of Pakistan 1973 guarantees the fundamental right of freedom of movement, in the following terms: *''every citizen shall have the right to remain in, and, subject, to any reasonable restriction imposed by law in the public interest, enter and move freely throughout Pakistan and to reside and settle in any part thereof." This elucidates that a citizen of a state, in which that citizen is present,* *generally has the right to leave that state, travel wherever the citizen is welcome, and, with proper documentation, return to that state at any time; and also (of equal or greater importance) to travel to, reside in, and/or work in, any part of the state the citizen wishes without interference from the state."*

Visitors from foreign countries are subject to visa requirements unless the Government has entered into a visa abolition agreement or an agreement with a similar effect with a specific country.

Foreign employees require a work visa to work in Pakistan, unless there is a visa abolition agreement in place between Pakistan and the employee's home country. An application must be submitted to the Board of Investment Pakistan. The process takes four weeks.

Pakistan also issues fast-track business visas within 24 hours to businessmen of the 66 countries on the business visa list. They are valid for five years (multiple-entry) and the duration of each stay is restricted to three months. The documents required and the business visa list of countries is available at the official website of the Pakistan Board of Investment (www.pakboi.gov.pk).

C. Government

1. Explain your country's election system and schedule. Is there an anticipated change in the present government?

<u>System of Government</u>

Pakistan is a democratic parliamentary federal republic. The executive branch of Pakistan's government is headed by the Prime Minister who is the leader of the largest party in the National Assembly, and heads a cabinet of ministers. The legislative branch is bicameral, consisting of a 104-member Senate and 342-member National Assembly. The judicial branch of government is comprised of inter alia the Supreme Court and the Federal Islamic or Shariah Court.

<u>Electoral Procedure</u>

Pakistan's electoral system is single member plurality or first-past-the-post. Elections to the Provincial and National Assemblies are held every five (5) years and the next general election will be held in 2018. For the conduct of elections to the National and Provincial Assemblies, the Election Commission appoints a District Returning Officer for each District and a Returning Officer for each constituency, who are drawn from amongst the officers of the Judiciary, the Federal/Provincial Government and Local Authorities. Returning Officers are mostly Additional District & Sessions Judges.

The list of polling stations is prepared by the Returning Officers and approved by the District Returning Officer. No polling station may be located in the premises of a candidate. The list of Presiding Officers, Assistant Presiding Officers and polling staff is prepared by the Returning Officer and sent to the District Returning Officer for approval at least 15 days before the beginning of polling. The Presiding Officer is responsible for conducting polls at the Polling Station and maintaining law and order. He is assisted by the Assistant Presiding Officers and Polling Officer. Following the publication of the Election Schedule by the Election Commission, nomination papers may be submitted by interested candidates.

Scrutiny of nomination papers is carried out by the Returning Officers and nomination papers are accepted/rejected.

Appeals against rejection/acceptance of nomination papers are filed with the appellate tribunal, who decide such appeals summarily within such time as may be notified by the Commission and any order passed thereon shall be final.

Final list of contesting candidates is prepared and published in the prescribed manner by the Returning Officer after incorporation of the decisions on appeals and after withdrawal of candidature by the candidates if any.

Election Symbols are also allocated to the candidates by the Returning Officer according to their party affiliation or as an individual candidate, from the list of Election Symbols approved by the Election Commission. The Returning Officer also publishes the names of the contesting candidates arranged in the Urdu alphabetical order specifying the symbol allocated to him.

The Election Commission of Pakistan provides each Returning Officer with copies of voter's list for his constituency who distributes it amongst the Presiding Officers in accordance with the polling scheme and assignment of voters to each polling station/booth.

Voters cast their votes at specified polling stations according to their names in an electoral rolls. Since the election for both National and Provincial Assemblies constituencies are held on the same day, the voter is issued two separate ballot papers for each National Assembly and Provincial Assembly constituency.

When an elector presents himself at the polling station to vote, the Presiding Officer issues a ballot paper to the elector after satisfying himself about the identity of the elector through his identity card. Polling is held for nine hours on the polling day without any break.

Immediately after the close of the poll, votes are counted at the polling stations by the Presiding Officers in presence of the candidates, their Election Agents, and Polling Agents.

After counting the ballot papers the Presiding Officer prepares a statement of the count indicating the number of votes secured by a candidate, and send it to the Returning Officer along with the election material, un-used ballot papers, spoilt ballot papers, tendered ballot papers, challenged ballot papers, marked copies of the electoral rolls, the counter-foils of used ballot papers, the tendered votes lists, and the challenged votes lists. The Presiding Officers also announce the result of count at the polling stations and paste a copy of the result out-side the polling stations.

After the receipt of statement of counts from the Presiding Officers of the polling stations, the Returning Officer compiles the preliminary un-official result and intimates the results to the Election Commission through fax for announcement on print/electronic media.

After the announcement of un-official result, the Returning Officer serves a notice to all the contesting candidates and their election agents regarding the day, time and place fixed for consolidation of the result. In the presence of the contesting candidates and election agents, the Returning Officer consolidates the results of the count furnished by the Presiding Officers in the prescribed manner including postal ballot received by him before the polling day.

Immediately after preparing the consolidated statement the Returning Officer submits a copy to the Election Commission in the prescribed form which publishes the names of the returned candidates in the official Gazette.

2. Is the present government stable? Briefly explain your country’s political history in the last decade.

Most of the last decade has seen Pakistan under a military dictatorship. A summary of Pakistan’s political history for the last fifteen years is as follows:-

On October 12, 1999 Mr. Parvaiz Musharraf overthrew Mr. Nawaz Sharif's government in a bloodless military coup, sending him into exile to Saudi Arabia a year later. He dissolved the parliament and named himself chief executive, even as then President Rafiq Tarar remained in office.

In May 12, 2000, Mr. Musharraf was ordered by the Supreme Court of Pakistan to hold national elections by October 12, 2002. In the meantime in June 20, 2001 Mr. Musharraf appointed himself as president. On April 30, 2002, Mr. Musharraf then conducted a referendum and extended his term as President to five years.

Pursuant to the Supreme Court direction he then went on to hold General elections on October 10, 2002 bringing Pakistan Muslim League-Quaid (PML-Q) to power. In December, 2003 in trying to create a more democratic Pakistan, Musharraf made a deal with six-party religious alliance Muttahida Majlis-e-Amal (MMA) to leave the army by December 31, 2004 to cobble together two-thirds majority in parliament to retroactively legalize 1999 coup, but reneged on the deal, and remained in office.

This was the beginning of the end of Musharraf's dictatorship. On March 9, 2007 Musharraf suspended Chief Justice of Pakistan, Iftikhar Muhammad Chaudhry. This unconstitutional move proved to be a catalyst in Musharrafs downfall, as it began the most significant movement in Pakistan's history – the lawyers' movement. In this movement lawyers across Pakistan boycotted court procedures to protest Chaudhry's suspension.

His second mistake was the storming of Islamabad's Lal Masjid so as to flush out fundamentalists on July 8, 2007. A couple of days later, consequent to the lawyers' movement, Chaudhry, was reinstated, and in October 2007 Musharraf was re-elected President, for a second term.

This period was followed by Benazir Bhutto and Nawaz Sharif's return from exile. This was followed by a declaration of emergency by Musharraf, the suspension of the Parliament, and the sacking of the Supreme Court bench. Thereafter Musharraf stepped down as Chief of Army Staff, and took oath for the second time as President, but this time as a civilian. The emergency was lifted by Musharraf on 15th December, 2007.

On December 27, 2007, Benazir Bhutto the leader of the biggest political party in Pakistan was assassinated in a gun-and-bomb attack in Rawalpindi and the general elections scheduled for January, 2008 were postponed, being held on February 18 of the same year and bringing to power PPP/ PML-N coalition.

Thereafter the leading coalition asked Musharraf to either step down or face impeachment, consequential to which Musharraf resigned as President. This resignation resulted in a new President having to be elected by the electoral college, which after much controversy was chosen to be Asif Ali Zardari, husband of the late Benazir Bhutto.

Presently, Mamnoon Hussain is the President of the country. The current Prime Minister is Nawaz Sharif, who was appointed in June, 2013. In the elections held in May, 2013, the Pakistan Muslim League (Nawaz) became the largest party in the National Assembly and has formed the Federal Government.

3. Explain your country's judicial system. Be sure to answer the following questions:

- Is the judicial system generally perceived to be impartial?

  Prior to the lawyers' movement and the reinstatement of the judges, the judicial system was deemed to be partial and unjust. Since then the courts are thought to be markedly impartial.

  The legal system of Pakistan is based on the English common law system with provisions to incorporate the Islamic Shariah. Pakistan has three levels of federal courts, three divisions of lower courts, and a Supreme Judicial Council. District courts exist in every district of each province, with civil and criminal jurisdiction. There is a High Court in each province of Pakistan. The High Court of each province has appellate jurisdiction over the lower courts. The Supreme Court is the apex Court of the land, exercising original, appellate and advisory jurisdiction. It is the Court of ultimate appeal and therefore final arbiter of law and the Constitution of Pakistan. Its decisions are binding on all other courts.

  The Federal Shariat Court was established by a presidential order in 1980. This court has a remit to examine any law that may be repugnant to the injunctions of Islam, as laid down in the Holy Quran and the Sunnah. The Supreme Court also has a Shariat Appellate Bench empowered to review the decisions of the Federal Shariat Court.

  The subordinate judiciary of Pakistan may be broadly divided into two classes: (i) civil courts, established under the West Pakistan Civil Court Ordinance 1962 and (ii) criminal courts, created under the Criminal Procedure Code 1898. In addition, there also exist other courts and tribunals of civil and criminal nature, created under special laws and enactments. Their jurisdiction, powers and functions are specified in the statutes creating them. The decisions and judgments of such special courts are assailable before the superior judiciary (High Court and/or Supreme Court) through revision or appeal. Such special courts include the Special Banking Court, Special Court Customs, Taxation and Anti-corruption, Income Tax (Appellate) Tribunal and Insurance Appellate Tribunal. In addition, the Government is authorized to set up administrative courts and tribunals for exercising jurisdiction in matters, inter alia, relating to the terms and conditions of service of civil servants. Accordingly, service tribunals, both at the centre and provincial level have been established.

- Must disputes be resolved in the country?

To the extent that that the term 'resolution' is understood in the context of Pakistan's judicial system, a conclusion has to be reached as to every case that comes before the Honourable courts, no matter how long the judicial process may take. The resolution must necessarily be reached in the country unless the interested parties have agreed on an alternative dispute resolution forum or arbitration which, may or may not, be conducted within Pakistan.

- Is there a political method of resolving disputes?

The President of Pakistan has the power under section 45 of the Constitution of Pakistan to grant pardon, reprieve and respite, and to remit, suspend or commute any sentence passed by any court, tribunal or other authority. Other than that there is no political method of resolving disputes and it is resolved through the judiciary and arbitration.

Most of Pakistan being rural, such areas have culturally practiced an alternate dispute resolution method, known as the Jirga system. A Jirga is a tribal assembly of elders which takes decisions by consensus. Such method has been banned in Sindh by the Sindh High Court, but it is still regularly practiced in Khyber-Pukhtoonkhwa and Balochistan and holds the prestige of a court in these areas. Panchayat is another similar method of alternate dispute resolution practiced in Punjab, where the five most respected or elderly men form a representative body of the members of a particular village or area and dispense justice.

- Are alternative methods of dispute resolution permitted?

  Arbitration proceedings are recognized in Pakistan and local arbitrations are governed by the Arbitration Act, 1940 which provides for three classes of arbitration: 1) arbitration without court intervention (Chapter II, sections 3-19); 2) arbitration where no suit is pending, (but through court) (Chapter III, section 20); and 3) arbitration in suits (through court) (Chapter IV, sections 21-25).

  Pakistan is a signatory to the New York Convention and has promulgated the Recognition and Enforcement (Arbitration Agreements and Foreign Arbitral Awards) Act, 2011, which provides inter alia for foreign arbitral awards made in contracting states to be enforced by Pakistan courts in the same way as a judgment or order of a Pakistani court.

- How long does it take to resolve disputes?

  In a court of law, the time taken for a resolution of a dispute can take on an average anywhere between a year and ten years. However, arbitration proceedings are comparatively much quicker.

- Can foreign judicial decisions be enforced in the country?

  Pakistan enforces judicial decisions of those countries with which it has signed a treaty or agreement for reciprocal recognition of judgments and decrees. In addition, pursuant to Section 44-A of the Civil Procedure Courts, where a certified copy of a decree of any of the superior Courts of the United Kingdom or any other reciprocating territory as been filed in a District Court, the decree may be executed in Pakistan as if it had been passed by the District Court.

- Can decisions from the country be enforced outside the country?

  Please refer to the answer above.

- Are there separate tribunals depending upon the subject matter of the case?

  Yes, there are separate tribunals that exclusively deal with particular subject matters, for example an environmental protection tribunal formed under

Pakistan Environmental Protection Act, 1997, Insurance Tribunals, Income Tax, Anti-Corruption & Service Tribunals.

- Are there different legal systems within the country or its political subdivisions?

  In the four provinces, namely Punjab, Sindh, Balochistan, and Khyber-Pukhtunkhwa there exists one legal system, but in Kashmir, FATA and FANA, and now Gilgit-Baltistan, there exists a separate legal system.

- Can the investor choose to be subject to the country's jurisdiction or not?

  Contracting parties may choose for their contract to be governed by the laws of any other jurisdiction.

4. Explain your country's legislative system.

Pakistan has a bicameral national legislature, known as the Majlis-e-Shoora, consisting of the National Assembly and the Senate. The National Assembly, or the lower house, has direct elections, and members are elected simultaneously for a period of 5 years.

The Senate, on the other hand, holds indirect elections, for one third of the members of the house every 3 years, each member being elected for a term of 6 years. For a law to be valid, it has to be passed through a quorum in both houses, and then signed by the President.

D. Environmental Considerations

1. What is the public/government attitude toward environmental regulation?

Since 1997, with the passing of the Pakistan Environmental Protection Act, 1997, there has been a marked improvement in the country's environmental awareness and regulation. The promulgation of this Act, in addition to the fact that Pakistan is a party to several international environmental treaties suggest that the public and the government is becoming more environmentally conscious. However, being a developing country, as well as experiencing mass poverty and lack of education, Pakistan struggles, at times, to bring about effective environmental regulation. After the 18th Amendment in the Constitution of the Islamic Republic of Pakistan, responsibility for environmental regulation was devolved to the provinces with the federal Environmental Protection Agency retaining responsibility mainly for the federal capital territory.

2. Explain any environmental regulations.

Pakistan Environmental Protection Act, 1997 and Pakistan Environmental Protection Agency (Review of IEE and EIA) Regulations, 2000 are applicable to federal areas, as described above. Further, the provinces have promulgated environmental legislation in similar terms with each provincial Environmental Protection Agency regulating activities within its respective jurisdiction.

Further, operations of motor vehicles from which gaseous emission or noise exceeds the National Environmental Quality Standards (NEQS), have been prohibited. To ensure compliance with the NEQS, the Pakistan Environmental Protection Agency has been tasked with directing that pollution control devices be installed in motor vehicles or alternatively, specified fuels be used and or specified maintenance or testing be carried out.

E. Intellectual Property

- Describe the law for the protection of intellectual property, including trademarks, copyrights, patents and know-how.

There are four types of protection under the law relating to intellectual property that are granted in Pakistan, namely copyrights, patents, trademarks and registered design. Each of these protections is granted under separate legislations. The Intellectual Property Organization (IPO) was set up to deal exclusively with matters relating to intellectual property. The Trade Marks Registry, Copyright Office and Patent & Design Office are all presently part of the IPO. Intellectual Property tribunals along with Appellate courts are presently functioning.

Patents are protected under the Patents Ordinance, 2000. A patent is grant of exclusive rights for an invention to make, use and sell the invention for a limited period of 20 years. The patent grant excludes others from making, using, or selling the invention. An invention under this law may be patented, if it is new, involves an inventive step, and is capable of industrial application.

The law relating to trademarks is the Trade Marks Ordinance, 2001. Under this law, an application for registration of a trade mark is required to be made in the prescribed manner, and the Trade Marks Registrar may register a mark subject to the requirements under the law being fulfilled. The proprietor of a registered trademark is entitled to initiate proceedings in case of infringement.

Registered designs are protected under the Registered Designs Ordinance, 2000. The nature of the right is that the design may consist of three-dimensional features, such as the shape or surface of an article, or of two dimensional features, such as patterns, lines or colours. Such designs need to be registered with the Patent Office, and are protected for a period of ten (10) years from the date of registration – the protection being renewable for a further period of (10) ten years. Under such law, claims for infringement may be raised, and the available remedies include damages and injunctions.

Lastly, the Copyrights Ordinance, 1962 governs copyrights, i.e. a form of protection provided to the authors of original works of authorship, including literary, dramatic, musical, artistic, and other intellectual works, such as software. Though such work is copyrighted from inception, it needs to be registered with the Copyright Office, and thereafter the copyright owner may bring action for infringement, and if successful may be granted such remedies as damages and injunctions. Copyrights are protected for the length of the author's life and for a further fifty years after his death.

- Does the country subscribe to international treaties? Describe.

  Pakistan is a party to a number of treaties concerning intellectual property, for example Universal Copyright Convention, Geneva on 6th September 1952, as well as the WTO administered treaty, Agreement on Trade-Related Aspects of Intellectual Property Rights. In other sectors, Pakistan is a signatory to scores of bilateral and multilateral treaties.

- Are there substantive prior approvals by national investment boards?

  No, there are no prior approvals needed by the national investment boards.

- What are the notarization requirements?

Documents that are required to be attested and notarized under the law must be notarized by a notary public. If a document has been notarized outside Pakistan, it must be attested by a competent officer of the Pakistan mission in that country. This additional requirement is due to the fact that notarized documents of only such countries are recognized in Pakistan with whom Pakistan has a reciprocal arrangement of recognition of notarial acts.

- Are there regulatory guidelines for licenses?

  Pakistan has various laws dealing with the licensing of intellectual property. The Trade Marks Ordinance 2001 and Trade Mark Rules 2004, governs the licensing of trademarks. The Patents Ordinance 2000 and Patent Rules 2003 governs the licensing of patents, the Registered Designs Ordinance 2000 and the Patents and Design Rules 1933 governs the licensing of registered designs, and licensing of copyrights is regulated by the Copyright Ordinance 1962 and the Copyright Rules 1967.

- Are there specific exceptions or requirements relation to a particular product(s)?

  Yes, as per the laws identified above.

- When are royalties from licenses deemed to be excessive?

  Royalties under a license granted pursuant to a law are paid in accordance with the specified rates. In case of royalty under a private agreement, the rates may be agreed by the parties. However, royalties paid to a non-resident are restricted under Section 5 of the Foreign Exchange Regulation Act, 1947 except when paid with the general or special permission of the State Bank of Pakistan ("**SBP**"). The SBP has granted a general permission for remittance of royalties in the manufacturing, services and financial sectors under paragraph 10 of Chapter XIV of the Foreign Exchange Manual, subject to the satisfaction of specified requirements. Pursuant thereto, royalty payments in the Agricultural, Social, Infrastructure and Services Sectors are subject to maximum initial lump sum fee of US$ 100,000 and thereafter a maximum of 5% of net sales. Royalty in the Financial Sector is subject to a maximum of US$ 500,000 initial lump sum and a maximum of 0.25% of aggregate customer billing. The aforesaid requirements are applicable to those availing the general permission granted by the SBP for remittance of royalty and technical fees. Parties may enter into arrangements exceeding the above limits, but the prior special permission of the SBP must be obtained for such arrangements.

- Do local antitrust or competition laws apply to licenses?

  Yes.

- What typical agreements do foreign corporations enter into with their wholly owned subsidiaries?

  Foreign corporations usually enter into licensing agreements and or loan agreements, sale and supply agreements with local subsidiaries.

III. Investment Incentives

A. Explain any export incentives or guarantees. Be sure to answer the following questions:

- Are there tax incentives for exports?
- If so, are they limited to certain types of products?
- Is export financing available from government or private sources?
- If so, what forms of financing or guarantees are available?
- Is there any governmental insurance for exports?
- Must a national be a participant in the enterprise in order for the investor to benefit from these incentives?

The Export Policy Order 2016 (“**EPO**”) grants permission to export all goods except the limited number of goods specified in Schedule I to the EPO. The goods listed in Schedule II to the EPO are allowed for export subject to specified conditions mentioned therein.

The SBP has introduced the Export Finance Scheme (“**EFS**”), which is a program providing concessional short-term finance facilities to direct and indirect exporters through commercial banks in Pakistan. The first type of facility available under the EPS is a transaction based facility provided on a case-by-case basis, which may be availed either before or after shipment against firm export contracts/LCs. The exporter must show export proceeds equivalent to the loan amount. The tenor of the facility is up to 180 days, with a rollover option for a further 90 days, in case of which rollover the exporter must show export performance equivalent to 117% of the borrowed amount.

The second type of EPS facility is performance based, where exporters are allowed annual revolving export finance with a limit of 50% of the export proceeds realized in the preceding financial year. The exporter must realize export receipts from eligible commodities, and export performance is matched annually against total loan availed during the financial year on daily product basis. The maximum tenor of this loan is also 180 days, which can be rolled over for another 180 days subject to the exporter showing at least 70% shipment of loan availed in the initial 180 days.

The SBP has also introduced the Long Term Financing Facility ("**LTFF**") program for "export oriented" projects, pursuant to which financing is available for the local purchase and import of new plant and machinery including for captive power plants, in the following sectors: textile and garments, leather goods, sports goods, carpets and wools, surgical instruments, fisheries, poultry and meat, fruits/vegetables, cereals, I.T. software and services, marble and granite, gems and jewellery, engineering goods, ethanol, furniture, pharmaceutical, glass and dairy sectors. The maximum limit until the LTFF is PKR1.5 billion and the maximum period of the facility shall be ten years, with a grace period of two years. Projects must meet the thresholds of exports of USD 5 million or 50% of annual sales, whichever is lower. Mark up shall be charged at 6% per annum.

For more information on the above-mentioned programs, please refer to the State Bank of Pakistan website for further details at www.sbp.org.pk.

The Government of Pakistan has established Export Processing Zones Authority (EPZA) in 1980 and in relation to this the Export Processing Zones Authority Rules, 1981 with the mandate to plan, develop, manage and operate EPZs in Pakistan. EPZA undertook an extensive industrial program for setting up a chain of Export Processing Zones (EPZs) in Pakistan. These EPZs are set up in close cooperation or under joint venture arrangements with the Private Sector or Provincial Governments. Karachi Export Processing Zones (KEPZ) and Al-Tuwairqi Steel at Karachi, Sialkot EPZ, Gujranwala EPZ in Punjab, Risalpur EPZ at NWFP, Saindak, Reko Dek, Duddar and Gwadar Export Processing Zones in Balochistan have been established.

The salient features of EPZ Scheme in Pakistan are:

- One window service and simplified procedure;
- All infrastructural facilities like water, electricity, gas, and telephone are made available by the EPZA;
- Skilled & unskilled labour available in abundance;
- Sub-contracting without limit on variety and quantity is allowed outside the zone as well as within the zone;
- Peaceful, secure and environmentally protected/pollution free area; and
- Inter-unit transfer of finished goods among exporting units allowed.

INCENTIVES

- Full Repatriation of capital & profits;
- No minimum or maximum limit for investment;
- Duty free imports of machinery, equipment and material;
- Obsolete/old machinery can be sold in domestic market of Pakistan after payment of applicable duties & taxes;
- Freedom from national import restrictions;
- Foreign Exchange control regulations of Pakistan not applicable;
- Defective goods/waste can be sold in the domestic market after payment of applicable duties, maximum upto 3% of total value of export;
- Duty free vehicles allowed under certain conditions. After 5years of use, vehicles can be disposed off in domestic market on payment of duty;
- Domestic market of Pakistan available on same conditions as for imports from other countries;
- Units operating in EPZs can undertake sub-contracting for units of tariff area subject to payment of duty and taxes on value addition only;
- Only EPZA is authorized to collect Presumptive Tax at the time of export of goods which would be final tax liability;
- EPZ units allowed to supply goods to custom manufacturing bonds;
- Production oriented labour laws to be solely regulated by the Authority;
- EPZ manufacturers will be treated at par with bonded manufacturers in tariff area for any future incentives to be announced for exporters;
- Relief from double taxations subject to bilateral agreement.

ELIGIBILTY

- Foreign investor;
- Non resident Pakistani;
- Resident Pakistani;
- Joint Venture between the above, in any proportion of investment.

MODE OF INVESTMENT

All investments in the Zone are made in convertible foreign currencies.

B. Explain any grants, subsidies or funds your country offers foreign investors. Be sure to answer the following questions:

- Are grants and subsidies restricted by the type of activity?
- What is the process for obtaining approval for these grants or subsidies?
- How long does it take to receive approval?
- Can the investor receive loans from the government or governmental agencies?
- Must a national be a participant in the enterprise in order for the investor to receive these grants or subsidies?

The BOI has published the Investment Policy 2013, with the aims of reducing the cost of doing business in Pakistan, facilitating the entry of Small and Medium Sized Enterprises (SME), and the creation of industrial clusters and special economic zones ("**SEZ**") created pursuant to the Special Economic Zones Act, 2012. The said law overrides anything to the contrary contained in any other Pakistani law, and allows the government to designate an area of land to be a SEZ. Enterprises operating within the zone are able to take advantage of a host of exemptions and incentives which, *inter alia*, include duty free import of capital goods, income tax exemptions, dry ports facilities, security arrangements, allowance of captive power generation with permission to sell excess power generated, and one-window facilitation by the BOI.

Following is the foreign investment incentives package under the prevalent Investment Policy of Pakistan:

Policy Parameters	**Manufacturing Sector**	**Non-Manufacturing Sectors**		
		Agriculture	**Infrastructure & Social**	**Services including IT & Telecom Services**
Govt. Permission	Not required except for specified industries *	Not required except specific licenses from concerned agencies.		
Remittance of capital, profits, dividends, etc.	Allowed	Allowed		

Upper Limit of foreign equity allowed	100%	100%**	100%	100%
Customs duty on import of PME	5%	0%	5%	0-5%
Tax relief (IDA, % of PME cost)	25%	25%		
Royalty & Technical Fee	No restriction for payment of royalty & technical fee.	Allowed as per guidelines - Initial lump-sum upto $100,000 - Max Rate 5% of net sales - Initial period 5 years		

* Specified Industries:

- Arms and ammunitions
- High Explosives.
- Radioactive substances
- Security Printing, Currency and Mint.

No new unit for the manufacturing of alcohol, except, industrial alcohol
PME= Plant, Machinery and Equipment
IDA= Initial Depreciation Allowance

A national is not required to be a partner in an enterprise of a foreign investor in order to avail the above stated incentives. Time and procedure for specific approval or licenses are in accordance with the relevant law. Loans are not generally granted by the government to foreign investors, except as may be otherwise specified, as the purpose of bringing in foreign investment for the benefit of the local economy is then lost.

C. Explain any national tax incentives for foreign investors. Be sure to answer the following questions:

- Are the incentives restricted by the type of activity?
- Are the incentives restricted by the duration of the activity?
- What is the process of application?

Pakistan has entered into comprehensive double taxation treaties with 63 countries. The Income Tax Ordinance 2001 (“**ITO**”) provides that in relation to a person to whom any tax treaty applies, the provisions of the ITO will apply only to the extent that they are more beneficial than the provisions contained in the applicable tax treaty. A foreign investor may avail tax benefits under a relevant double taxation treaty.

D. Explain any regional tax incentives open to foreign investors. Be sure to answer the following questions:

- Are there tax incentives for the investor that exists only in certain regions of the country?

In the Special Economic Zones Act 2012 (“**SEZ Act**”), SEZ are defined as geographically defined and delimited areas which have been notified and appointed as such by the Board of Approvals. In relation to that, ‘Regional Development Zones’ as defined in the SEZ Act are economic zones wherein economic activities are promoted so as to develop particular regions and industries.

Benefits for all developers of zone enterprises are listed in s.36 of the SEZ Act and include:

(a) One time exemption from all custom duties and taxes for all capital goods imported into Pakistan for the development, operation and maintenance of a SEZ, entity, subject to verification and approval from the Board of Investment Pakistan;
(b) Exemption from all taxes on income accruable in relation to the development and operation of the SEZ for a period of ten years, starting from the date of signing of the development agreement.

Benefits for all zone enterprises are listed in Section 37 of the SEZ Act and are:

(a) Exemption from custom duties and taxes on imports of capital goods into the SEZ for installation therein;
(b) Exemption from all taxes on income for a period of 10 years starting from the date the developer certifies that the zone enterprise has commenced commercial operations within the relevant SEZ.

- Does the investor need to receive approval to be eligible for these incentives?

Yes, the investor will need to receive approval, because eligibility is determined according to a certain criterion e.g. the firm must be new, i.e., it should not be formed through the division or re-constitution of an existing business.

- Are the incentives restricted by the type of activity?

The only criteria is that the investment should be made for projects in special economic zones, and as such it is a blanket incentive for all types of investment in such areas.

- Are the incentives restricted by the duration of the activity?

No, there is no specification as to the duration of the activity.

- What does the process of application involved?

Please refer to the Special Economic Zones Act 2012, and in particular, Section 12, which states that every zone application is to be submitted to the Board of Approvals by the SEZ Authority of the province in which the proposed SEZ is located. Section 11 of the same act sets out the requirements for all zone applications, which are that every zone application submitted to the BOA for approval shall identify the type of SEZ proposed and include a basic business concept or model for the proposed SEZ and parameters for zone admission criteria as further detailed in the above act.

In order to avail a lower rate of tax as may be prescribed in a treaty for the avoidance of double taxation, foreign investors must obtain a lower rate certificate from the Commission of Income Tax confirming that they are in fact eligible to be taxed at a lower rate in Pakistan.

IV. Financial Facilities

A. Banking/Financial Facilities

- What kind of financial institutions exist?
- Must the investor maintain a bank account in the country?
- What are the requirements for opening a bank account?
- What are the restrictions, if any, on the investor's use of the account?
- What is the type of financial system in the country?
- How is the banking system structured?

The State Bank of Pakistan ("**SBP**"), which is the central bank of the country, bears the responsibility of systematically monitoring the performance of every banking company so as to ensure compliance with the applicable statutory criteria and banking rules and regulations. The banking sector is regulated inter alia by the following legislation: (i) the State Bank of Pakistan Act, 1956, (ii) the Bank's Nationalization Act, 1974, (iii) the Financial Institutions (Recovery of finances) Ordinance, 2001, (iv) the Companies Ordinance, 1984 and (v) Statutory Regulatory Orders ("**SROs**").

There is no requirement for an investor to maintain a bank account in order to invest in the country, however as per the Foreign Exchange Manual, non-residents accounts of individuals, firms or companies resident in countries outside Pakistan, are permitted to be opened. Remittance can also be made to the account of the intended recipient of the investment. The requirements to open a bank account are not complicated. The identity of the intending account holder is required to be proved with supporting evidence. In case of companies, the constitutional documents and particulars of directors as reported to the Securities and Exchange Commission of Pakistan are required. There are no restrictions on the use of a bank account by a holder of local currency.

- Is there a stock market?

Yes, the Pakistan Stock Exchange for the trading of listed securities.

- Can the investor receive bank loans?

Yes.

V. Exchange Controls

A. Business Transactions with Nationals, Residents or Non-Residents:

- How are nationals, residents and non-residents defined?

The exact definitions of the above terms will vary for the purposes of Pakistan law depending on the type of legislation.

<u>Citizenship</u>

The term “national” is not defined. However, under the Citizenship Act, 1951 a “citizen” means a person born in Pakistan after the commencement of the Act. Under the Act, citizenship may be by descent or migration as well.

Income Tax

Under the Income Tax Ordinance, 2001, “resident” is defined to include a resident individual, resident company or resident association of persons for the year. For the purpose of clarity, please find below the following terms as defined under the Income Tax Ordinance 2001:

A “resident individual” means an individual who is — (a) present in Pakistan for a period of, or periods amounting in aggregate to, one hundred and eighty-three days or more in the tax year; or (b) an employee or official of the Federal Government or a Provincial Government posted abroad in the tax year.

A company is a “resident company” for a tax year if — (a) it is incorporated or formed by or under any law in force in Pakistan; (b) the control and management of the affairs of the company is situated wholly in Pakistan at any time in the year; or (c) it is a Provincial Government or Local Government in Pakistan.

An association of persons is a “resident association of persons” for a tax year if the control and management of the affairs of the association is situated wholly or partly in Pakistan at any time in the year

Under the Income Tax Ordinance, 2001, “non-resident” is defined as a person who is not a resident person within the meaning of the provisions set out above.

Foreign Exchange Regulation

For the purposes of Section 13 of the Foreign Exchange Regulation Act, 1947 (“**FERA**”) (which prohibits persons resident outside Pakistan from legally or beneficially owning Pakistani securities without the general or special permission of the SBP), the term "persons resident outside Pakistan" covers foreign nationals (including foreign nationals of Indo-Pak origin) as well as Pakistanis holding dual nationality for the time being resident in Pakistan.

A company registered in Pakistan which is controlled directly or indirectly by "persons resident outside Pakistan" is treated as a "person resident outside Pakistan for the purposes of Sections 13 and 18 (which prohibits control of companies by non-resident persons and lending to companies controlled by non resident persons without the general or special permission of the SBP) of the FERA.

For the purposes of Section 5 of the FERA, which prohibits payments to persons resident outside Pakistan without the general or special permission of the SBP, the term "persons resident outside Pakistan" also includes nationals of Pakistan and persons domiciled in Pakistan, except persons holding office in the service of Pakistan, who go out of Pakistan for any purpose.

In respect of purposes other than the above, for the purposes of FERA a resident person, bank or firm is a person who resides in Pakistan. A non-resident is a person, bank or firm, who resides outside Pakistan. No definite rules can be laid down for determining whether a person is ordinarily resident in Pakistan but there is a presumption that a person is resident if he maintains a home in Pakistan, or resides in the country for a substantial part of each year, or pays income tax as a resident of Pakistan. On the other hand, the fact that a person gives an address in Pakistan does not necessarily mean that he should be regarded as a resident if he is in fact only a temporary visitor and is ordinarily resident outside Pakistan.

- Are there restrictions on conducting business with nationals, residents or non-residents?

No, there are no restrictions on conducting business with nationals or residents. With regard to conducting business with non-residents, the provisions of the Foreign Exchange Regulation Act, 1947 ("**FERA**") apply. Pursuant to Section 4 of FERA, the general or special permission of the SBP is required for any dealing in foreign exchange. Section 5 of FERA further provides that no person or resident in Pakistan shall make any payment to or for the credit of any person resident outside Pakistan without the general or special exemption granted conditionally or unconditionally by the SBP.

- Are there reporting requirements?

Yes, transactions are required to be reported to SBP and/or to the Authorised Dealers (scheduled banks in Pakistan authorized by the SBP to deal in foreign exchange).

Authorized Dealers must, before undertaking any transaction in foreign exchange on behalf of any person, require that person to make such declarations as may be reasonably required to determine that the transaction will not contravene any of the provisions of the FERA. Authorized Dealers must report any actual or contemplated contravention of the FERA to the SBP.

- Can the investor receive loans from nationals, residents or non-residents?

Yes, but the general or special permission of the SBP is required for any resident person lending any foreign exchange to any person, or lending to any foreign company (defined as one controlled directly or indirectly by non-residents).

B. Investment Controls

- Are there restrictions on direct investment in the country?

There are no restrictions on direct investment in the country, however government approval is required for foreign investment in respect of high explosives, radioactive substances, arms and ammunitions, securities, currency and mint, and consumable alcohol.[1] There is no minimum requirement for the amount of foreign equity investment in any sector.

- Are there restrictions on indirect investments in the country?

No, there are no restrictions on indirect investments.

- Must the investor make declarations regarding the nature of his/her investment?

Yes.

Pursuant to Section 222 of the Companies Ordinance, 1984; every director, chief executive, managing agent, chief accountant, secretary or auditor of a listed company who is or has been the beneficial owner of any of its equity securities, and every person who is directly or indirectly the beneficial owner of more than ten per cent of such securities, shall submit to the registrar and the SECP a return in the prescribed form containing the prescribed particulars pertaining to the beneficial ownership of such

[1] http://boi.gov.pk/UploadedDocs/Downloads/InvestmentGuide.pdf

securities and notify in the prescribed form the particulars of any change in the interest aforesaid.

Pursuant to Section 110 of Chapter IX of the Securities Act, 2015 (the "**Securities Act**") in the event that any acquirer acquires voting shares, which taken together with voting shares if any, held by the acquirer, would entitle the acquirer to more than ten percent voting shares in a listed company, the acquirer is required to disclose the aggregate of his shareholding in the respective company to the said company, the securities exchange on which the voting shares of the said company are listed and the SECP.

Pursuant to Section 101 of Chapter IX of the Securities Act, every person who becomes a director, chief executive officer or substantial shareholder of a listed company is required to give a notice in writing in the prescribed form to the company (a) of his beneficial ownership in the listed equity securities of the company or any other nature of securities as may be prescribed by the SECP; (b) of the amount and description of the securities of the company and date of acquisition of beneficial ownership; and (c) any change in (a) and (b) or any gain under Section 104 of the Securities Act, within seven (7) days beginning the day on which the requirement first arises.

Section 103 of Chapter IX of the Securities Act provides that every director, executive officer or substantial shareholder of a listed company is required to submit to the SECP in the prescribed form (a) a statement of beneficial ownership in the listed equity securities of the company or any other nature of securities as may be prescribed by the SECP; (b) the particulars of any change in the interest mentioned in (a); and (c) any change in his position, within seven (7) days beginning the day on which the requirement arises.

Section 104 of Chapter IX of the Securities Act provides that where any director, executive officer or substantial shareholder of a listed company irrespective of any intention makes any gain computed in the prescribed manner, by the purchase and sale, or the sale and purchase, of any beneficially owned listed equity securities of same class, or any other nature of securities as may be prescribed by the SECP, within a period of less than six months, such director, executive officer or substantial shareholder shall make a report to the SECP in the prescribed form within seven days beginning with the day on which the gain accrues. For the purpose of clarity, "substantial shareholder" is a person who has an interest in the shares of a listed company (a) the nominal value of which is equal to or more than 10% of the issued share capital of the listed company; or (b) which enables the person to exercise or control the exercise of 10% or more of the voting power at a general meeting of the listed company).

C. Money Transfer

- Is there free determination of exchange rates?
- Are there restrictions on the transfer of money into or out of the country?
- Are there restrictions on the remittance of profits abroad?
- Are there reporting requirements?
- Can hard currency be taken out of the country?

The State Bank of Pakistan determines the exchange rates for USD in Pakistan. The exchange rates for other currencies may be determined by Authorized Dealers and authorized money exchange companies. Section 5 of FERA states that, save as may be provided in and in accordance with any general or special exemption which may be granted conditionally or unconditionally by SBP, no person in, or resident in, Pakistan shall; (a) make any payment to or for the credit of any person resident outside Pakistan, or (b) acknowledge any debt so that a right (whether actual or contingent) to receive a payment is created or transferred in favour of any person resident outside Pakistan.

In light of Section 5, the making of any payment to a non-resident, whether pursuant to an agreement or otherwise would be subject to the restrictions created by FERA and any general exceptions as may be contained in the Foreign Exchange Manual (the "Manual"). Such exceptions are notified by the SBP through circulars and notifications that form the Manual. Any remittances not covered by the general exemptions forming the Manual are required to be approved in advance by the SBP on a case-by-case basis.

The general exemptions forming the Manual cover various types of remittances otherwise prohibited under the FERA. For example, pursuant to paragraph 10 of Chapter XIV of the Manual, remittances of Royalty / Franchise and Technical Fee may be allowed by the Authorized Dealer designated for the purpose without the prior approval of the SBP subject to the specified requirements being met. Further, disinvestment proceeds and profits in the form of dividends may be remitted without approval to non- residents, subject to the shares issued to them falling under the exemption provided by paragraph 6 of Chapter XX of the Manual and having been intimated to the SBP in the prescribed manner.

Furthermore, profits by branch offices of foreign companies to its head offices may be remitted in accordance with the prescribed procedure.

All outward remittances are reported by the concerned bank to the SBP. There is a restriction on the amounts of hard currency that may be taken abroad.

As per the Pakistan Custom Baggage Rules, 2016, a passenger can bring any amount of any foreign currency to Pakistan. However, taking out foreign currencies is permitted up to $10,000 un-conditionally.

VI. Import/Export Regulations

A. Customs Regulations

- Is the country a member of GATT?

Yes. Pakistan has been a member of GATT since 30 July 1948[2].

- Is the country a member of the EEC?

Pakistan is not a member of EEC.

- Is the country a party to a regional free trade agreement?

Yes, Pakistan is a member of:

1) Agreement on South Asian Free Trade Area, 2004;
2) Pak- Malaysia Free Trade Agreement, 2007;
3) Pak- China Free Trade Agreement, 2006;
4) Pak Sri-Lanka Free Trade Agreement, 2005;
5) Pak-Afghanistan Transit Trade Agreement, 2010[3];
6) Pak-Iran Preferential Trade Agreement, 2004;
7) Pak-Mauritius Preferential Trade Agreement, 2007; and
8) Pak-Indonesia Preferential Trade Agreement, 2005.

- Does the Customs Department value the goods?

The Customs Department values the goods in accordance with Section 25 of the Customs Act, 1969.

[2] https://www.wto.org/english/thewto_e/countries_e/pakistan_e.htm
[3] http://www.commerce.gov.pk/?page_id=9

- How are goods cleared through customs?

Goods are cleared through customs for import as under Section 83 of the Customs Act, 1969, which provides that "*when the appropriate officer (as is assigned by the Central Board of Revenue) is satisfied that the import of the goods is not prohibited or in breach of any restrictions or conditions applying to the import of such goods, he may make an order for the clearance*" of the same.

Goods are cleared through customs for export, as under Section 131 of the Customs Act, 1969, when *"(1) (a) the owner of any goods to be exported has made a declaration in such form and manner as prescribed by the Board, by signing a goods declaration to customs containing correct and complete particulars if his goods, and assessed and paid his liability of duty, taxes and other charges, if any; (b) the claim of duty drawback, if any, has been calculated and reflected in the declaration filed for export through Customs Computerized System; (c) Customs has, on the receipt of goods declaration under clause (a), satisfied itself regarding the correctness of the particulars of export, including declaration, assessment, and payment of duty, taxes and other charges and verified the admissibility of the duty drawback claimed as specified in clause (b); and (d) the appropriate officer has permitted passenger's baggage or mail bags, to be exported notwithstanding clauses (a), (b) and (c).*" In addition to this as per sub- clause 2 of Section 131, "*the collector may allow the export of any goods subject to the conditions as the Board may, from time to time, notify. Provided that the Board may in the case of any customs station or wharf, by notification in the official Gazette, and subject to such restrictions and conditions, if any, as it thinks fit, exempt any specified goods or class of goods or any specified person or class of persons, from all or any of the provisions of this section. Provided further that the Collector, where Customs Computerized System has not been introduced for reasons to be recorded in writing, may cause the examination of goods or any class of goods or goods belonging to a particular exporter or class of exporters at a designated place as he deems fit and proper.*"

- Are there applicable tariffs?

Yes, applicable tariffs are mentioned in the First and Second Schedules to the Customs Act, 1969.[4]

B. Exports

[4] http://download1.fbr.gov.pk/Docs/20147211075037333PakistanCustomTarrifComplete.pdf

- Are there restrictions on exports?

Restrictions on exports in Pakistan include the following:

1. Export of all goods shall be allowed except those specified in Schedule I to the Export Policy Order, 2016. Export of goods specified in Schedule II to the Export Policy Order, 2016 to this Order shall be subject to the conditions given therein;

2. Goods listed under Section 15 of the Customs Act, 1969; and

3. No article or process shall be exported from Pakistan with the description or representation of being a Halal article or process unless it bears the Halal logo of the Pakistan Halal Authority established under the Pakistan Halal Authority Act 2016, and such logo has been affixed after the requisite certification by a duly accredited Halal certification body.

- Are export licenses required?

Licenses are required for the export of *inter alia* goods, technologies, material and equipment which is related to nuclear and biological weapons and their means of delivery[5].

- Are there applicable export duties?

There are applicable export duties such as customs duties under the Customs Act, 1969, on good specified therein, as well as excise duty.

C. Foreign Trade Regulations

- Are there foreign trade regulations on the import or export of goods involved in the business?

No.

D. Imports

[5] http://www.na.gov.pk/uploads/documents/1321333389_458.pdf

- Are import licenses required?
- Are there applicable import duties?
- Are there applicable import quotas?
- Are there applicable import barriers?

Import of goods into Pakistan is regulated by the Ministry of Commerce, Government of Pakistan, under the Imports and Exports (Control) Act, 1950 (the "Import and Export Act") and the notifications issued thereunder. No import is permissible from Israel or from any other country, which may be notified by the Ministry of Commerce. Import of goods originating from any of these countries/ sources is also prohibited.

Imports from India are regulated as notified by the Ministry of Commerce from time to time.

The issues with respect to the imports into Pakistan are regulated under the Imports and Exports Act. Under section 3(1) of the Import and Export Act, the Ministry of Commerce may, by Order published in the Official Gazette (as per the Import Policy Order discussed below) prohibit, restrict or otherwise control the import of goods of any specified description, or regulate generally all practices (including trade practices) and procedure connected with the import such goods.

Furthermore, even though there is no general requirement to obtain a license to import goods, such Order may provide for applications for licenses under the Import and Export Act and the Import Policy Order 2016[6] ("**Order**") for certain goods specified in therein. No goods that may be specified in the Order can be imported or exported except in accordance with the conditions of a license to be issued by the Chief Controller under the Import and Export Act or any other officer authorized in this behalf by the Federal Government[7].

As per section 3(3) of the Import and Export Act, all goods to which any order under sub-section (1) above applies will be deemed to be goods of which the import or export has been prohibited or restricted under section 16 of the Customs Act, 1969 and all the provisions of the Customs Act will have effect accordingly.

Further to the above, no article or process shall be imported into Pakistan with the description of being a Halal article or process unless it has been certified as such by an

[6] http://commerce.gov.pk/Downloads/IPO_193_2012-15.pdf
[7] http://www.fia.gov.pk/ur/law/Offences/7.pdf

accredited Halal certification body in Pakistan or the exporting country, recognized by the National Accreditation Body of Pakistan.

With respect to import barriers, the goods specified in Appendix A to the Order, goods of Israeli origin, live animals/meat/poulty from specified countries, counterfeit products, rough diamonds from Cote'd Ivoire, and goods specified in Appendix C to the Order in secondhand or used condition except those specifically exempted therein, are all banned for import into Pakistan.

With respect to import quotas, the federal government may from time to time impose restrictions and specify products on which quotas are applicable.

E. Manufacturing Requirements

- Must the product contain ingredients or components, which are found or produced only in the country?
- Will the importation of certain component parts be permitted only if they are to be ultimately incorporated in a final product?

If an item is a prohibited item under the Customs Act, 1969 or there is a restriction on import of such product inter alia as mentioned above, it will have to be sourced locally. Additionally, the government encourages use of local raw materials and/or imposes conditions on import of certain items in order to promote growth in certain industries.

F. Product Labelling

- Are there applicable labelling or packaging requirements (e.g. multi-lingual notices, safety warnings, listing of ingredients, etc.)?

The product labelling requirements vary depending upon the nature of the product.

- The Pakistan Standard and Quality Control Authority Act, 1996 ("**PSQCA Act**") states that the Federal Government may, by notification in the official Gazette, require any article which conforms to a particular Pakistan standard to be marked with such distinctive mark as may be specified in the notification.

- Drugs must be labelled in accordance with the Drugs (Labelling and Packing) Rules, 1978.

- Seeds must be labelled in accordance with the Seeds (Truth in Labelling) Rules, 1991.

- Food products must be labelled in accordance with the requirements specified by such relevant law enacted by each of the provinces of Pakistan.

- Manufacturers must label packets or containers with the requisite information which may be provided for by consumer protection laws enacted by each of the provinces of Pakistan.

- Pursuant to the Pakistan Halal Authority Act 2016, no food or non-food product shall be marketed or offered for sale with the description or representation of being a Halal article or product within the Islamabad Capital Territory unless it bears the Halal logo of the Pakistan Halal Authority as may be established under the Pakistan Halal Authority Act 2016, or is certified to be Halal by a duly accredited Halal certification body.

VII. Structures For Doing Business

A. Governmental Participation

- Will the government seek to participate in the ownership or operation of the entity (e.g. depending on the type of activity involved)?
- If so, to what extent?
- What is the investor's potential liability to partners, investors or others?
- Are there restrictions on capitalization?
- What are the investor's tax consequences?

The Government does not generally seek to participate in the ownership or operation of an entity. However, with respect to the petroleum sector of Pakistan, there is a need to develop a strong indigenous base in exploration and production sector and to minimize foreign exchange outlays. Therefore, by way of the prevalent petroleum policy of the Government of Pakistan, the following incentives will continue to be offered to qualified E&P Companies incorporated in Pakistan, which pay dividends and receive payments for petroleum sold in Pakistani currency. Such E&P companies will be encouraged to operate exploration blocks with 100% ownership. In case of joint ventures with foreign E&P

companies, local E&P companies shall have working interest of 15% in Zone-I, 20% in Zone-II and 25% in Zone-III on full participation basis (hereinafter referred to as "required minimum Pakistani working interest"). The local E&P companies shall contribute their share of exploration expenditure in Pakistani currency upto required minimum Pakistani working interest. In the event any local E&P company subsequently intends to reduce its working interest in a joint venture whereby the collective working interest(s) of local E&P companies becomes lower than the above threshold specified for required minimum Pakistani Working Interest, GHPL/Provincial Government Holding Company shall have the first right to make up the balance required minimum Pakistani working interest on point forward basis without reimbursement or payment of any past cost. Additionally, as per the prevalent policy, there shall be a working interest of 5% on full participation basis i.e., 2-1/2% each of GHPL and Provincial Government Holding Company where the block will be located. GHPL/Provincial Government Holding Company shall have option to accept the participating working interest

Further, please note that pursuant to the Sindh Public Private Partnership Act, 2010, Punjab Public Private Partnership Act, 2014 and Khyber Pakhtunkhwa Public Private Partnership Act, 2014 the relevant provincial governments under the said acts and any private entities, if they so desire, may engage in the provision of infrastructure services to improve the reliability and quality of projects and achieving the social objectives of the Government; to mobilize private sector resources for financing, construction, maintenance and operation of infrastructure projects; to improve efficiency of management, operation and maintenance of infrastructure and development facilities by introduction of modern technologies and management techniques; to incorporate principles of fairness, competition and transparency in public-private partnership. Such partnerships function as any privately owned business.

The Investors potential liability and tax concerns will be subject to the terms and conditions which the government and the Investor have agreed upon.

There are no restrictions on capitalization.

With regard to tax consequences, please refer to the tax sections of this guide.

B. Joint Ventures

- Are joint ventures permitted?
- If so, what is the registration or incorporation procedure?

- How long do these procedures take?
- What costs and fees are involved?
- Must a national of the country or a related state, (e.g. the EEC) be a participant, manager or director?
- What is the investor's potential liability?
- Are there restrictions on capitalization?
- What are the investor's tax consequences?

Yes, joint ventures are permitted.

Under Pakistan law, joint venture agreements do not have to be registered, however the entities which form a joint venture may themselves be required to be registered under the relevant law (please refer to section on incorporation of companies).

However, please note that as per section 4 of the Competition Act, 2010 (the "**Competition Act**") "*no undertaking or associations of undertakings shall enter into any agreement or, in the case of an association of undertakings, shall make a decision in respect of the production, supply, distribution, acquisition or control of goods or the provision of services which have the object of preventing, restricting or reducing competition unless exempted under section 5.*"

As per section 5 of the Competition Act, the Competition Commission of Pakistan may grant an exemption from section 4 with respect to certain agreements or practices if a request of exemption has been made to it by a party to such agreement or practice and the agreement is one which substantially contributes to improving production and economic growth and where the benefit of such an agreement is greater than the effect of the reduction in competition. There is no prescribed time frame for such applications but generally take up to two months to be decided.

There is no requirement for a Pakistani national to be a participant, manager or director in any joint venture and there are no restrictions on capitalization. The investor's potential liability will be governed by the terms of the agreement and the laws of Pakistan.

With regard to tax consequences, please refer to the tax sections of this guide.

C. Limited Liability Companies

- Are limited liability companies permitted?

Yes, limited liability companies are permitted in Pakistan.

- If so, how are they registered or incorporated?

The Companies Ordinance 1984 (the "**Companies Ordinance**"), *inter alia*, regulates the incorporation, management and operation of companies and branch offices in Pakistan. Pursuant to the Companies Ordinance, the requirements that need to be complied with and the information that is required for the purposes of incorporating a private/public limited company in Pakistan are as follows:

<u>Availability of Name:</u>

An application either in printed form or online for confirmation of availability of the proposed name of the company must be made to the Securities and Exchange Commission of Pakistan ("**SECP**"). In the event that the proposed name is found to be available, a certificate of "Confirmation of Availability of Name" is issued by the SECP within a period of 2-3 days from the date of the application.

<u>Submission of Documents with the SECP:</u>

Upon issuance of the "Confirmation of Availability of Name" certificate, the following documents and prescribed forms are required to be submitted with the SECP for the purposes of incorporation of a private/public limited company.

i. Memorandum and Articles of the company:

The Memorandum contains the fundamental provisions of a company's constitution and provides for the following:

A. In case of a private limited company, the parenthesis and the words "(Private) Limited" must appear in the company name or in the case of a public limited company the parenthesis and the words "(Public)" Limited are required to appear in the company's name";
B. Every company must have a registered office where communications and notices can be addressed and served. A company is required to notify the Companies Registration Office, SECP (the "**CRO**") the address of such office at the time of incorporation;
C. The objects clause enumerates the purposes for which the company is established. A company may have a multiple objects clause or an exclusive object clause. These objects limit the extent to which a company can acquire rights and incur obligations.

D. The Memorandum clarifies that the liability of the members of the company is limited to the extent of the amount payable on the shares of the company; and
E. In case of a company with a share capital, the Memorandum must also state the amount of share capital with which the company proposes to be registered and the division of the share capital into shares of a fixed amount. The cost of incorporating a Pakistani company depends on its authorized capital as the registration fee is pegged into this amount.

ii. The Articles of a Company contain provisions concerning the internal management of the Company. The Articles deal with basic issues, such as issue and transfer of shares, alteration in capital, general meetings, voting rights, appointment of directors, management by the board of directors, dividends, company seal, accounts, audit, winding up and other matters ancillary to the company.

iii. The following particulars in respect of each of the subscribers to the Articles and Memorandum of the company are required pursuant to section 27 of the Companies Ordinance to be stated thereon:

- full name and father's name;
- nationality;
- occupation; and
- full residential address.

Please note that, under Pakistan law,

- the minimum number of subscribers to the Memorandum and Articles of a private limited company is one (in the case of a single member company) and otherwise two;
- the minimum number of subscribers to the Memorandum and Articles of a public limited company must be at-least three;
- directors are elected on the basis of proportional representation at a general meeting of the shareholders for three (3) years;
- unless otherwise decided, the subscribers to the Memorandum and Articles are deemed to be the first directors of the company; and
- Section 187 of the Companies Ordinance provides, inter alia, that a director must be a member of the company. However, some exceptions to this requirement have also been provided therein.

- Prescribed Forms

iv. Form 1- Pursuant to section 30(2) of the Companies Ordinance: Declaration of compliance with the requirements for registration:

This Form is required to be completed by an advocate entitled to appear before the High Court/ Supreme Court of Pakistan or a chartered accountant/ cost & management accountant practicing in Pakistan engaged in the formation of this company or a person named in the articles as director/ officer of the proposed company.

v. Form 21 – Pursuant to section 142 of the Companies Ordinance: Notice of Situation of Registered Office (to be submitted within 28 days of incorporation): The address where the registered office of the company is to be situated is required to be notified to the SECP.

vi. Form 29 – pursuant to section 205 of the Companies Ordinance, particulars of directors and others officers of a company (to be submitted within 14 days of incorporation): For the purposes of this Form, the following details in respect of each of the subscribers will be required:

- former names (if any);
- father’s names;
- usual residential addresses;
- designations;
- nationalities; and
- other occupations/directorships (if any).

vii. Form 27 - pursuant to section 184 of the Companies Ordinance: List of consenting to act as directors (to be submitted within 14 days of nomination)

viii. Form 28- Consent to act as CEO and directors (to be submitted within 14 days of nomination)
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ix. Additional Documents

In addition to the above, the following documents will need to be submitted to the SECP for the purposes of the incorporation of the company:

A. copies of the National Identity Cards, in case of resident subscribers and copies of the passport, in case of non-resident subscribers; and
B. a special power of attorney, duly notarized by the Notary Public and signed by all the subscribers to the Memorandum and Articles of the company, authorizing an attorney to procure incorporation on behalf of the company.

Upon satisfaction of the SECP with regards to the aforementioned documents submitted for the purposes of the incorporation of the company and payment of the applicable registration and filing fees, a certificate of incorporation, containing the registration number allotted to the company, along with an acknowledgement of filing of the prescribed documents, will be issued by the SECP to the company.

x. Ministry of Interior ("**MOI**") Approval

In the case of incorporation of a company in the name of foreign shareholders, additional steps are required. The MOI is primarily concerned with homeland security. It requires that before the incorporation or registration of shares with the SECP involving non-residents, details relating to the companies and connected individuals be processed by the MOI to receive a mandatory No Objection Certificate.

However, this requirement has been revised by the SECP, the MOI, and Board of Investment and Overseas Chambers of Commerce and Industry. The SECP's Instruction No. 3 on 18 March 2013, provides that the policy for obtaining prior security clearance has been relaxed by the MOI to the effect that obtaining a security clearance is no longer a prerequisite for the registration of:

a) Companies seeking incorporation with foreign investment in Pakistan; or
b) Foreign nationals, including companies intending to invest in local companies.

The delay in obtaining security clearance was considered a major deterrent for foreign investment and also led to many complaints.

The MOI, SECP, Board of Investment and Overseas Chambers of Commerce and Industry have determined that the SECP will proceed with the:

a) Incorporation of companies with foreign investment/directors.
b) Registration of statutory returns of companies with foreign investment/directors.
c) Appointment of foreign directors.

It will be mandatory to file all relevant documents for security clearance with an undertaking that if there is a refusal of security clearance, the relevant returns will become unregistered and the directorship will be terminated. In addition, all foreign shareholders are required to undertake that in the event they do not receive the necessary security clearance from the MOI, they will immediately transfer their shares.

- How long do these procedures take?

Please note that the process of incorporation of a private limited company generally takes a period of 7-10 working days and for a public limited company may take up-to 15 working days from the day the requisite documentation for the incorporation of the company is submitted to the CRO and fees paid. However, please note that the said time periods are not fixed and may vary at the discretion of the SECP.

- What costs and fees are involved?

Pursuant to section 470 of the Companies Ordinance, a registration fee is payable to the SECP in accordance with the Sixth Schedule to the Companies Ordinance. Such fee is calculated on the basis of the authorized share capital amount of the proposed company. In addition a filing fee is payable for each form required to be filed with the SECP. Furthermore, to make filings with the SECP, the directors and promoters of the proposed company are required to obtain digital signature certificates by payment of a fee. Lastly, costs in relation with the fees of a legal counsel if any engaged for this purpose should be accounted for.

- Must a national of the country or a related state be a participant, manager or director?

No

- Are there restrictions on capitalization?

No

- What are the investor's tax consequences?

(Please refer to sections XII and XIII)

Section 139 of the Income Tax Ordinance 2001 provides that where any tax payable by a private company (including a private company that has been wound up or gone into liquidation) in respect of any tax year cannot be recovered from the company, every person who was, at any time in that tax year:

(a) a director of the company, other than an employed director; or

(b) a shareholder in the company owning not less than ten per cent of the paid-up capital of the company,

shall be jointly and severally liable for payment of the tax due by the company.

Any director who pays tax, as above, shall be entitled to recover the tax paid from the company or a share of the tax from any other director. A shareholder who pays tax, as above, shall be entitled to recover the tax paid from the company or from any other shareholder owning not less than ten per cent of the paid-up capital of the company, in proportion to the shares owned by that other shareholder. Notwithstanding anything in any law, where any tax payable by a member of an association of persons in respect of the member‘s share of the income of the association in respect of any tax year cannot be recovered from the member, the association shall be liable for the tax due by the member. These provisions of the Tax Ordinance 2001 shall apply to any amount due under these provisions as if it were tax due under an assessment order.

D. Liability Companies, Unlimited

- What are the forms of liability companies?

The laws of Pakistan recognize companies limited by shares, companies limited by guarantee and unlimited companies.

- How are these companies registered or incorporated?

Please refer to section C above.

- How long do these procedures take?

Please refer to section C above.

- What costs and fees involved?

Please refer to section C above.

- Must a national of the country be a participant, manager or director?

There is no such requirement.

- Are there restrictions on capitalization?

No

- What are the investor's tax consequences?

Please refer to Section C above.

E. Partnerships, General or Limited

- Are partnerships recognized or permitted?

Yes, under the Partnership Act, 1932 (the "**1932 Act**").

- Must a national of the country or related state be a partner?

No. There is no such requirement.

- If so, to what extent?

N/A

- What costs and fees are involved?

If the partnership is formed by way of a written instrument such instrument will be chargeable to stamp duty at the rate applicable in the relevant province. The stamp duty will differ provincially (depending on which province the Instrument is executed in).

- What is the investor's potential liability?

Please note that liabilities of partners are governed by the 1932 Act. Section 25 of the 1932 Act provides that "*Every partner is liable jointly with all the other partners and also* *severally, for all acts of the firm done while he is a partner*." Further, section 26 of the 1932 Act provides that *"where, by the wrongful act or omission of a partner acting in the ordinary course of the business of a firm or with the authority of his partners, loss or injury is caused to any third party, or any penalty is incurred, the firm is liable therefor to the same extent as the partner."* For liability upon dissolution of a partnership, please see section X below.

- What are the investor's tax consequences?

(Please refer to sections XII and XIII)

F. Partnerships, Undisclosed

- Do undisclosed partnerships exist?

Yes, they do, since there is no compulsory requirement to register a partnership in Pakistan, the only benefits accruing from registration being some litigation and tax related consequences and advantages. In this regard, please note that section 69(1) of the 1932 Act states that "*no suit to enforce a right arising from a contract or conferred by this Act shall be instituted in any Court by or on behalf of any person suing as a partner in a firm against the firm or any person alleged to be or to have been a partner in the firm unless the firm is registered and the person suing is or has been shown in the Register of Firms as a partner in the firm."* Further, section 69(2) states that *"no suit to enforce a right arising from a contract shall be instituted in any Court by or on behalf of a firm against any third party unless the firm is registered and the persons suing are or have been shown in the Register of Firms as partners in the firm."*

- If so, how are they formed?

They are formed in a similar manner to a disclosed partnership.

- What costs and fees are involved?

Please refer to response given above for costs and fees applicable to disclosed partnerships.

- Must a national of the country or a related state be a participant, manager or director?

No. There are no such requirements.

- What is the investor's potential liability?

Liabilities of partners are governed by the , 1932 Act . Section 25 of the 1932 Act provides that "*Every partner is liable jointly with all the other partners and also severally, for all acts of the firm done while he is a partner*." Further, section 26 provides that *"where, by the wrongful act or omission of a partner acting in the ordinary course of the business of a firm or with the authority of his partners, loss or injury is caused to any third party, or any penalty is incurred, the firm is liable therefor to the same extent as the partner."* For liability upon dissolution of a partnership, please see section X below.

- What are the investor's tax consequences?

(Please refer to sections XII and XIII)

G. Sole Proprietorships

- Can the investor be a sole proprietor?

Yes, an investor can be a sole proprietor.

- How is the sole proprietorship registered or established?

No formal procedure or formality is required for setting up a sole proprietary concern in Pakistan nor is there a requirement for prior registration from any government authority or department.

However, there may be certain permissions that might be required to be satisfied, imposed by the Local/provincial government to operate a business.

- How long does this process take?

N/A

- What costs and fees are involved?

N/A

- What is the investor's potential liability?

The sole proprietor is personally liable for all debts.

- Are there restrictions on capitalization?

No.

- What are the investor's tax consequences?

Tax will be paid on the income of the sole proprietorship and shall be computed under the head of ‘income from business’ under the Income Tax Ordinance, 2001.

H. Subsidiaries/Branches/Representative Offices

- Can the investor establish a branch, subsidiary or representative office?
- If so, how long does registration or incorporation take?
- What costs and fees are involved?
- What is the investor's potential liability?
- Must a national of the country be a participant, manager or director?
- Are there restrictions on capitalization?
- What are the investor's tax consequences?
- Are these tax consequences different than those of a local company?

Yes, the investor may establish a branch office or a representative office of its foreign company in Pakistan. In respect of branch offices of foreign companies in Pakistan, sections 451-445 of the Companies Ordinance are applicable.

In order for a foreign company to establish a branch office in Pakistan, it shall be required to first obtain the permission of the BOI. The foreign company will be required to make an application to the BOI and submit 6 sets of the following documents along with a prescribed fee of $3000/- (US Dollars Three Thousand only):

(i) The prescribed application form, duly filled, signed and attested;
(ii) A copy of the registration of the foreign company duly attested by the Pakistan Embassy;

(iii) Copy of the Articles and Memorandum of Association duly attested by the Pakistan Embassy;

(iv) Copy of the Resolution/Authority letter of the foreign company to establish a branch office in Pakistan;

(v) Company profile;

(vi) Copy of Agreement pursuant to which services shall be provided in Pakistan; and

(vii) Designated person authorized to act on behalf of the foreign company.

The BOI generally takes approximately 7 weeks to grant permission for the establishment of a branch office. However, please note that grant of such permission may also take longer as the BOI examines the said documents and circulates them to its concerned departments for review and necessary approvals.

Every foreign company which establishes a place of business in Pakistan is required pursuant to section 451 of the Companies Ordinance to deliver to the registrar at the SECP, within thirty days of the establishment of the place of business, the following documents:

(a) a certified copy of the charter, statute or memorandum and articles of the company, or other instrument constituting or defining the constitution of the company, and if the instrument is not written in the English or Urdu language, a certified translation thereof in the English or Urdu language, duly attested by the Pakistan embassy;

(b) the full address of the registered or principal office of the company;

(c) a list of the directors, chief executive and secretary (if any) of the company;

(d) a return showing the full present and former names and surnames, father's name or, in the case of a married woman or widow, the name of her husband or deceased husband, present and former nationality, designation and full address in Pakistan of the principal officer of the company in Pakistan by whatever name called;

(e) the full present and former names and surnames, father's name, or, in case of a married woman or widow, the name of her husband or deceased husband, present and former nationality, occupation and full addresses of some one or more persons resident in Pakistan authorized to accept on behalf of the company service of process and any notice or other document required to be served on the company together with his consent to do so; and (f) the full address of that office of the company in Pakistan which is to be deemed its principal place of business in Pakistan of the company.

(2) The list referred to in clause (c) of sub-section (1) shall contain the following particulars, that is to say—

(a) with respect to each director—

(i) in the case of an individual, his present and former name and surname in full, his usual residential address, his nationality, and if that nationality is not the nationality of origin, his nationality of origin, and his business occupation, if any, and any other directorship which he holds; (ii) in the case of a body corporate, its corporate name and registered or principal office; and the full name, address, nationality and nationality of origin, if different from that nationality, of each of its director;

(b) With respect to the secretary, or where there are joint secretaries, with respect to each of them—

(i) in the case of an individual, his present and former name and surname, and his usual residential address;

(ii) in the case of a body corporate, its corporate name and registered are principal office: Provided that, where all the partner in a firm are joint secretaries of the company, the name and principal office of the firm may be stated instead of the particulars mentioned in clause (b).

In addition to the above the SECP also requires the following documents to be submitted:

(i) Letter from the principal officer of the foreign company in Pakistan confirming that he/she consents to act as the principal officer of the foreign company with respect to its branch office in Pakistan;

(ii) Board resolution of the foreign company wherein it resolves that a branch office be set up in Pakistan and appoints a principal officer of the company in Pakistan who is authorized to accept service on behalf of the same, duly attested by the Pakistan Embassy;

(iii) Special power of attorney if the forms are being signed by a person other than the principal officer mentioned above, duly attested by the Pakistan Embassy;
(iv) Copies of passports of all principal officers of the company; and
(v) Permission from the BOI to set up a branch office.

Other Important Legal Provisions

Please note that Section 5 of the Foreign Exchange Regulation Act, 1947 prohibits any person in, or resident in, Pakistan from making any payment to a non-resident without the general or special permission of the State Bank of Pakistan ("**SBP**"), which may be granted conditionally or unconditionally.

A branch office of a foreign company other than a bank, insurance company, airline and shipping company may approach the Joint Director (Investment Division), SBP for availing the facility of making remittance of profit without approval of the SBP. The branch office is required pursuant to paragraph 13 (iii), Chapter XIV of the Foreign Exchange Manual to disclose the name of its banker through whom it intends to make such remittance to the SBP. The SBP may authorise the bank concerned to effect remittance of profit to the head office of the applicant branch office subject to verification of the remittable amount in the manner prescribed by it. Pursuant to paragraph 13(ii), Chapter XIV of the Foreign Exchange Manual, applications for remittance of net remittable profits by the branch office of a foreign company are required to be made vide the prescribed Form M along-with the prescribed supporting documents.

There is no requirement for a citizen of the country to be a director/officer at the branch office.

A subsidiary is a locally incorporated Pakistani company for all purposes.

I. Trusts and other Fiduciary Entities

- Are trusts or other fiduciary entities recognized?

Yes, they are.

- If so, how are each defined?

Subject to Section 3 of the Trust Act, 1882 (the “**Trust Act**”), A "**trust**" is an obligation annexed to the ownership of property, and arising out of a confidence reposed in and accepted by the owner, or declared and accepted by him, for the benefit of another, or of another and the owner.

- What are the legal consequences of a transfer of assets to a trust or fiduciary?

The legal consequences of a transfer of assets to a trust is firstly that the property seizes to be the property of the author and instead vests in the trustee, to deal with it in whatever way he pleases as long as such acts are not in contravention to, or do not adversely affect the purpose of the creation of the trust, the directions of the author of the trust when creating the trust, unless with the consent of all the beneficiaries. No tax needs to be paid on trusts.

- Can the investor be the grantor, trustee or beneficiary?

Yes, under the Trusts Act 1882, the investor may be a grantor, trustee and a beneficiary.

VIII. Requirements For The Establishment Of A Business

A. Alien Business Law

- Is the business subject to any alien business law?
- Are there registrations or reporting requirements?

There is no such law in Pakistan.

B. Antitrust Laws

- Do the entity's operations comply with anti-trust laws?

  The Competition Act, 2010 is applicable to all undertakings and matters or actions that take place in Pakistan or outside Pakistan and prevent, restrict, distort or reduce competition in Pakistan.

- Are there filing requirements?

Yes there are requirements to obtain approvals/exemptions in respect of intended mergers/acquisitions and certain prohibited agreements under the Competition Act, 2010.

C. Environmental Regulations

- Is the business of the investor subject to environmental regulation?
- If so, are there added costs involved (e.g. audit requirements)?

Yes. Pursuant to environmental laws as applicable in each province, no person is allowed to discharge or emit or allow the discharge or emission of any effluent or waste or air pollutant or noise in an amount, concentration or level which is in excess of the National Environmental Quality Standards or, where applicable, the standards established under the relevant law. The Provincial Government may levy a pollution charge on any person who contravenes or fails to comply with the afore-said provisions to be calculated at such rate, and collected in accordance with such procedure as may be prescribed.

Furthermore, no proponent of a project shall commence construction or operation unless it has filed with the government agency designated by the relevant Provincial Environmental Protection Agency, as the case may be, or, where the project is likely to cause an adverse environmental effect an environmental impact assessment, and has obtained from the Government Agency approval in respect thereof.

Subject to Section 6 of the Pakistan Environmental Protection Act, the Federal Agency or a Provincial Agency may establish systems and procedures for surveys, surveillance, monitoring, measurement, examination, investigation, research, inspection and audit to prevent and control pollution, and to estimate the costs of cleaning up pollution and rehabilitating the environment in various sectors;

Subject to Section 16 of the Pakistan Environmental Protection Act, where the Federal Agency or a Provincial Agency is satisfied that the discharge or emission of any effluent, waste, air pollutant or noise, or the disposal of waste, or the handling of hazardous substances, or any other act or omission is likely to occur, or is occurring, or has occurred, in violation of the provisions of this Act, rules or regulations or of the conditions of a license, and is likely to cause, or is causing or has caused an adverse environmental effect, the Federal Agency or, as the case may be, the Provincial Agency may, after giving the person responsible for such discharge, emission, disposal, handling, act or omission an opportunity of being heard, by order direct such person to take such measures that the Federal Agency or Provincial Agency may consider necessary within such period as may be specified in the order.

D. Government Approvals

- Are government approvals required for the anticipated business?
- If so, how long does this process take?
- What fees are involved?

Yes. The length of the process and costs will vary with the type of approval and the kind of business it is required for.

E. Insurance

- Must the enterprise carry insurance?
- If so, what kind of risks must be insured?
- Is there a state monopoly on insurance?

Companies incorporated in Pakistan are not required under the law to carry insurance generally. However, under the Employees' Old-Age Benefits Act, 1976 and the Sindh Employees' Old Age Benefits Act, 2014, if a company falls under the kind of industry or establishment to which the Act applies, then contributions are payable every month by such employer to the Employees' Old-Age Benefits Institution in respect of every person in his insurable employment at the rate of 5% of his wages.

The West Pakistan (Standing Orders) Ordinance, 1968 provide that an employer will have all the permanent workmen employed by him insured against natural death and disability and death and injury arising out of contingencies not covered by the Workmen's Compensation Act 1923 or the Provincial Employees Social Security Ordinance 1965.

There is no state monopoly on insurance generally. The National Insurance Company Limited, a state owned company, has a monopoly relating to insurance of any public property.

F. Licenses/Permits

- Are licenses or permits required for the anticipated activity?
- If so, how does the investor apply for and receive the necessary license or permit?
- How long does it take to receive the license or permit?

There may be licenses or permits required depending on the exact nature of the anticipated activity.

IX. Operation Of The Business

A. Advertising

- Are there restrictions on advertising?

  Yes. Pursuant to the Indecent Advertisements Prohibition Act, 1963 no person is allowed to take any part in the publication of any advertisement which is indecent; and no person having the ownership, possession or control of any property or public place is allowed to knowingly allow any advertisement which is indecent to be displayed on such property or place, or to be announced there-from.

  Furthermore, the content aired on electronic media including radio is regulated by the Pakistan Electronic Media Regulatory Authority under the PEMRA Ordinance, 2002. The Government of Pakistan has established the Pakistan Internet Exchange (PIE), as a means to monitor all incoming and outgoing internet traffic from Pakistan. The primary purpose of PIE is to filter content that may be deemed to be anti-state, anti-religion or immoral. The Pakistan Telecommunication Company Ltd (PTCL) announced in April, 2003 that it would be stepping up monitoring of pornographic websites. "Anti-Islamic" and "blasphemous" sites are also monitored.

B. Attorneys

- Is it necessary to have local counsel?
- How can local counsel be found?
- How much are attorney’s fees?

Pursuant to the Companies (Appointment of Legal Advisors) Act, 1974 every company shall appoint at least one legal adviser on retainership to advise such company in the performance of its functions and the discharge of its duties in accordance with law. In this regard, no person other than an advocate or a registered firm is eligible be appointed to be a legal adviser.

Counsel may be found by recommendation or through local and international directories etc.

Fees depend upon the reputation and experience of an attorney.

C. Bookkeeping Requirements

- Must the investor keep local books of accounts?
- In what form must the investor keep accounts (e.g. GAP, in what language, etc.)?

There are no requirements on a foreign investor to maintain books of accounts however such a requirement will apply to any company incorporated by such investor in Pakistan. Pursuant to the Companies Ordinance, every company shall prepare and keep at its registered office books of account and other relevant books and papers and financial statements for every financial year which give a true and fair view of the state of the affairs of the company, including that of its branch office or offices, if any, in respect of:

i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure took place;

ii) all sales and purchases of goods by the company; and

iii) all assets and liabilities of the company. And annual accounts are required to be filed with the SECP by all companies.

Branch offices of foreign companies are required under the Companies Ordinance to file copies of audited annual accounts with the SECP. In the case where under the law of the country of incorporation of a foreign company it is required to file annual accounts, then copies of such accounts are required to be filed with the SECP. In case, the foreign company is not required to file annual accounts in its country of incorporation, then it shall prepare accounts as if it were a public company under the Companies Ordinance and file the prescribed number of copies with the SECP.

D. Business Ethics/Codes

- Are there certain business ethics or codes, which the investor must follow (e.g. GAAP for accountants, etc.)?

There is no code for foreign investors.

E. Consumer Protection Laws

- Are there consumer protection laws, which apply to the investor's operations?

There are consumer protection laws in the country. Liability under such laws arises out of defective products & defective services, marketing of products which are hazardous to life and property and implementation of fair & honest trade practices to be adopted by the manufacturers. Furthermore, false, misleading and deceptive representations and bait advertisement are prohibited.

F. Construction

- What are the costs of construction?
- Are permits required for construction?
- How are authorizations for construction obtained?
- How long does it take to receive authorization?
- What fees are involved?

Costs of construction depend upon the size of construction, the quality of materials used and costs of labour and design.

Permits are required for construction under the relevant law, regulations or bye-laws of the concerned authority.

Authorization procedure, time and fees vary from location to location and the authority concerned and the type of construction, i.e. residential, commercial or industrial.

G. Contracts

- Can the investor freely enter into local contracts?
- Can the law of another country govern the contracts?

Yes. However, pursuant to section 10 of the Contract Act, 1872 an agreement between parties will be a contract if it is made with the free consent of the parties who are competent to contract in exchange for lawful consideration and for a lawful object. For an agreement to be a contract, it should not have been expressly declared as void under the Act.

Yes, parties may choose any governing law.

H. Price Controls

- Are there applicable price controls?

  Yes pursuant to the Price Controls and Prevention of Profiteering and Hoarding Act, 1977.

I. Product Registration

- Must the entity register its product?
- If so, how is registration obtained?
- How long does the process take?
- Are there fees involved?

Products are not required to be registered generally however certain laws require companies to register their products, e.g. Drugs (pharmaceuticals) are required to be registered under the Drugs Act, 1976 with the Ministry of Health, Federal Government of Pakistan.

Pursuant to the Drugs (Licensing, Registering, Advertising) Rules, 1976, an application for registration of a drug for the local manufacture of a drug substance may be made in the prescribed Form 5 and 5A for imported drugs. A Fee is required to be paid on the rates under Schedule F to the afore-said Rules. A certificate of registration is valid for five years and may be renewed for periods not exceeding 5 years at a time.

Additionally, certain products may require type approvals before they can be used in Pakistan, for example, under Section 29 of the Pakistan Telecommunication (Re-Organization) Act, 1996, no terminal equipment can be directly or indirectly connected with PSTN unless it has been type approved by the Pakistan Telecommunication Authority (PTA). Type approval granted by PTA signifies that particular telecommunication equipment is approved for general sale and is suitable to connect with a specific public telecommunication network.

J. Reductions or Return on Capital

- Can capital be repatriated while the corporation is still ongoing?

Disinvestment proceeds may be repatriated abroad by a non-resident if the shares in respect thereof were intimated to the SBP in the prescribed manner and if such shares fall within the scope of the exemption under para 6 Chapter XX of the SBP Manual. Otherwise a special permission will be required from the SBP.

K. Sale of Goods

- Are there restrictions on the manner, time or place of sale of goods?

A contract of sale under the Sale of Goods Act 1930 by an offer to sell or buy and acceptance of such offer for a price. The contract must provide for immediate delivery of goods or immediate payment or both or for the immediate delivery and payment by installments or that the delivery or payment or both shall be postponed. The goods which are the subject matter of the contract must be existing goods owned or possessed by the seller or future goods. Where under the contract of sale the seller is bound to send the goods to the buyer but no time is fixed, the seller is bound to send them within a reasonable time.

L. Trade Associations

- Are there trade associations the investor can or must join?
- If so, are there fees involved?
- Are there mandatory trade practices?

There are numerous trade associations in Pakistan however the membership of such association is not required under the law. The fee involved would depend on the rules of the trade association. There may be mandatory trade practices depending on the exact nature of the trade.

Cessation or Termination of Business

A. Termination

- What are the tax consequences of terminating the business?

Pursuant to Section 72 of the ITO, tax shall be payable on any income derived by a person prior to cessation of the business which would have been chargeable to tax under the ITO.

The word “person” for the purpose of the ITO includes the following

(i) An individual;

(ii) A company or association of persons incorporated formed, organized or established in Pakistan or elsewhere;

(iii) The Federal Government, a foreign government, a political subdivision of a foreign government, or public international organization.

- What costs are involved in termination?

Costs involved in termination will vary depending on the type and size of a business. In general, such costs may include legal costs, court costs, liquidator’s fee, payment to employees on the closure of the business, taxes, costs incurred for selling assets owned by a business or for transferring the same to the creditors of the business and any such relevant costs.

- How long does it take to terminate the business?

The time period involved depends entirely on the size and nature of the business

- How is the investor's particular form of business treated in termination?

Depends on what the particular form of business is.

- Can the business be terminated without government approval or intervention?

Yes.

- What are the obligations toward creditors, employees and others upon termination?

Depending on the debts of the company that are required to be satisfied, the entity must pay off all debts owed to its employees, creditors and other persons upon termination.

Partnerships

Dissolution of partnerships are governed by the Partnership Act (the "**1932 Act**").

Section 46 of the 1932 Act provides that upon dissolution of a partnership, every partner or his representative shall be entitled as against all other partners and their representatives to have the property of the firm applied in the repayment of the debts and liabilities of the firm, and to have the surplus distributed amongst the partners or their representatives according to their rights.

Section 48 of the 1932 Act lays down the mode of settlement of accounts between the parties and provides that in the event of dissolution of a firm, rules provided therein shall apply subject to agreement by the partners. These rules are as follows:

(a) Losses, including deficiencies of capital, shall be paid first out of profits, next out of capital, and, lastly, if necessary, by the partners individually in the proportions in which they were entitled to share profits.

(b) The assets of the firm, including any sums contributed by the partners to make up deficiencies of capital, shall be applied in the following manner and order-

(i) in paying the debts of the firm to third parties;

(ii) in paying to each partner ratably what is due to him from the firm for advances as distinguished from capital;

(iii) in paying to each partner ratably what is due to him on account of capital; and (iv) the residue, if any, shall be divided among the partners in the proportions in which they were entitled to share profits."

Companies incorporated under the Companies Ordinance.

A company may be wound up either by the Court, voluntarily or subject to supervision of the Court.

In the event of a company being wound-up, Section 298(1) of the Companies Ordinance, provides that every present and past member, subject to the provisions of section 299 of the Companies Ordinance, be liable to contribute to the assets of the company to an amount sufficient for the payment of its debts and liabilities and the costs, chargers and expenses of the winding up and for the adjustment of rights of the contributories among themselves.

In the case of a company limited by shares, no contribution will be required from any past or present member exceeding the amount, if any, unpaid on the shares in respect of which he is liable as such member.

In the case of a company limited by guarantee, no contribution shall, subject to the provisions of the Companies Ordinance be required from any past or present member exceeding the amount undertaken to be contributed by him to the assets of the company in the event of its being wound-up. Further, every member of a company limited by guarantee shall also be liable to contribute to the extent of any sum unpaid on any shares held by him as if the company were a company limited by shares.

Section 299 of the Companies Ordinance, provides for liability of directors whose liability is unlimited and states that in the event of winding up of a limited company any director, whether past or present, whose liability is, in pursuance of the Companies Ordinance, unlimited, shall in addition to his liability if any to contribute as an ordinary member, be liable to make a further contribution as if he were, at the commencement of the winding up, a member of an unlimited company.

In the event of winding up of a company by Court, the official liquidator, in the administration of the assets of the company and in the distribution thereof amongst its creditors, shall have regard to any directions given by the resolution of the creditors in a general meeting. Further, subject to the provisions of the Companies Ordinance, shall use his own discretion in the administration of the assets of the company and their distribution,

Please note that in the event of a voluntary winding up of a company, section 385 of the Companies Ordinance, provides that subject to the provisions of the Companies Ordinance with respect to preferential payments, the property of the company shall be applied in satisfaction of its liabilities *parri pasu* and subject to such application shall unless the articles otherwise provide be distributed amongst the members according to their rights and interests in the company. Further, all costs, charges and expenses properly incurred in the winding up, including the remuneration of the liquidator, shall subject to the rights of secured creditors, if any, be payable out of the assets of the company in priority to all other claims.

Section 405 of the Companies Ordinance, states that in the event, a company is winding up, debts of the company shall be paid in the following order:

i. all revenues, taxes, cesses and rates due from the company to the Federal Government or a Provincial Government or to a local authority at the relevant date and having become due and payable within the twelve months next before that date;

ii. all wages or salary (including wages payable for time or piece work and salary earned wholly or in part by way of commission) of any employee in respect of services rendered to the company and due for a period not exceeding four months within the twelve months next before the relevant date and any compensation payable to any workman under any law for the time being in force, subject to the limit specified;

iii. all accrued holiday remuneration becoming payable to any employee or in the case of his death to any other person in his right, on the termination of his employment before, or by the effect of, the winding up order or resolution;

iv. unless the company is being wound up voluntarily merely for the purposes of reconstruction or of amalgamation with another company, all amounts due, in respect of contributions towards insurance payable during the twelve months next before the relevant date, by the company as employer of any persons, under any other law for the time being in force;

v. Unless the company is being wound up voluntarily merely for the purposes of reconstruction or of amalgamation with another company, or unless the company has, at the commencement of the winding up, under such a contract with insurers as is mentioned in Section 14 of the Workmen's Compensation Act, 1923, rights capable of being transferred to and vested in the workman, all amounts due in respect of any compensation or liability for compensation under the said Act in respect of the death or disablement of any employee of the company;

vi. all sums due to any employee from a provident fund, a pension fund, a gratuity fund or any other fund for the welfare of the employees maintained by the company; and

vii. the expenses of any investigation held in pursuance of Section 263 or Section 265 in so far as they are payable by the company.

It is pertinent to mention here that Section 405(5)(a) of the Companies Ordinance, provides that the foregoing debts shall rank equally among themselves and be paid in full. In the event, the assets are insufficient to meet them, they shall abate in equal proportion. With respect to creditors, Section 405(5)(b) of the Companies Ordinance, provides the following:

"(b) so far as the assets of the company available for payment of general creditors are insufficient to meet them, have priority over the claims of holders of debentures under any floating charge created by the company, and be paid accordingly out of any property comprised in or subject to that charge."

- What are the tax consequences of termination?

Please refer to the answer to this question provided above

B. Insolvency/Bankruptcy

- What is the extent of the investor's liability in the event of insolvency or bankruptcy?
- What choices, if any, are available to the investor with regard to the restructuring of the business?

In case of insolvency of a company limited by shares or guarantee the liability of an investor as a member of the company is limited to their shares in or guarantee to the company. Liabilities of a sole proprietor or partnership are however not limited to any extent.

In the case of insolvency of a company, the Companies Ordinance, allows the company to enter into a compromise or arrangement with its creditors or members for its restructuring which may then be sanctioned by the High Courts in Pakistan.

XI. Labor Legislation, Relation, and Supply

A. Employer/Employee Relations

- What laws govern employer/employee relations?

There are several laws that govern employer-employee relations in Pakistan. Majority of these laws is enumerated below:

1. Contract Act, 1872;
2. The Workmen's Compensation Act, 1923;
3. The Payment of Wages Act, 1936 (the "**1936 Act**");
4. Factories Act, 1934 (the "**Factories Act**");
5. Industrial and Commercial Employment (Standing Orders) Ordinance of 1968 (the "**Standing Orders**");
6. West Pakistan Shops and Establishments Ordinance 1969 (the "**Ordinance of 1969**");
7. Minimum Wage Ordinance, 1961 (the "**1961 Ordinance**");
8. The West Pakistan Maternity Benefit Ordinance 1958 (the "**1958 Ordinance**");
9. The Apprenticeship Ordinance, 1962
10. Workers Welfare Fund Ordinance 1971
11. Kyber Pakhtunkhwa Industrial and Commercial Employment (Standing Orders) Act, 2012 (the "**KPK Standing Orders**");
12. Khyber Pakhtunkhwa Factories Act, 2013 (the "**KPK Factories Act**");
13. Khyber Pakhtunkhwa Payment of Wages Act, 2013 (the "**KPK Payment of Wages Act**")
14. Sindh Industrial Relations Act, 2013;
15. Khyber Pakhtunkhwa Industrial Relations Act, 2010;
16. Industrial Relations Act, 2012 (deals with trans-provincial labour matters and the Islamabad Capital Territory);
17. Punjab Industrial Relations Act, 2010;
18. Balochistan Industrial Relations Act, 2010;
19. The Sindh Employees' Old Age Benefit Act, 2014;
20. The Sindh Workers Welfare Fund Act, 2014;
21. Sindh Shops and Commercial Establishment Act, 2015 (the "**Shops and Commercial Establishment Act"**)
22. Sindh Companies Profits (Workers' Participation Act), 2015;
23. The Sindh Minimum Wages Act, 2015 (the "**Minimum Wages Act**");
24. The Sindh Factories Act, 2015 (the "**Sindh Factories Act**");
25. The Sindh Workers' Compensation Act, 2015;
26. Sindh Terms of Employment (Standing Orders Act), 2015; (the "**Sindh Standing Orders**");
27. The Employers' Liability Act 1938;
28. Employees' Old-Age Benefits Act, 1976;
29. The Disabled Persons (Employment and Rehabilitation) Ordinance 1981;
30. The Employment of Children Act 1991;
31. The Essential Personnel (Registration) Ordinance 1948;

32. The Companies Profits (Workers Participation) Act 1968;
33. The Provincial Employees Social Security Ordinance 1965;
34. The Employees Cost of Living (Relief) Act 1973;
35. The Workers Children (Education) Ordinance 1972; and
36. The Sindh Employees' Social Security Act, 2016.

It is pertinent to note that many of the above mentioned laws has its own definition of employee/worker and does not necessarily apply to all types of business and entities.

- Are there obligations to train employees?

Generally the labor laws of Pakistan do not obligate the employer to train employees however there are some specific obligations such as employers employing apprentices as defined in the Apprenticeship Ordinance, 1962 are required to train apprentices.

B. Employment Regulations

- Must the investor hire nationals of the country?

No.

- Is there a minimum wage?

The 1961 Ordinance applies to all of Pakistan except Sindh and provides for the regulation of minimum rates of wages for workers employed in certain industrial undertakings. The 1961 Ordinance provides for the establishment of a Minimum Wages Board by the Provincial Government. The Board shall, upon reference made to it by the Provincial Government, recommend the minimum rates of wages for adult unskilled and juvenile workers employed in industrial undertakings in the Province. The Board may recommend minimum rates of wages for all classes of workers in any grade and, in such recommendation, may specify the minimum rates of wages for time-work, piece work, overtime work and work on the weekly day of rest and for paid holidays and the minimum time rates for workers employed on piece work so as to guarantee minimum wages on a time basis for such workers.

The Minimum Wages Act applies to the province of Sindh and has repealed the applicability of the 1961 Ordinance with respect to the said province. The Minimum Wages Act provides for the constitution of a Minimum Wages Board by the Government of Sindh. The Board shall, upon reference made to it by the Government of Sindh recommend the minimum rates of wages for adult unskilled and juvenile workers employed in industrial undertakings in the Province. The Board may recommend minimum rates of wages for all classes of workers in any grade and, in such recommendation, may specify the minimum rates of wages for time-work, piece work, overtime work and work on the weekly day of rest and for paid holidays and the minimum time rates for workers employed on piece work so as to guarantee minimum wages on a time basis for such workers.

The rate of minimum wage is only applicable to workers as defined under the 1961 Ordinance and the Minimum Wages Act (mentioned above). Furthermore, minimum wage is a provincial subject in Pakistan, such that the Provincial Government is responsible for prescribing the minimum wage for each respective province.

As an example, the current minimum rate of wages for unskilled workers in Sindh, is Rs. 14,000/- per month with effect from July, 2016. Please note that this rate of wage is subject to change from time to time.

- Is there a maximum number of hours an employee can work each week?

Yes. The Ordinance of 1969 regulates the work hours and other conditions of work and employment of persons employed in shops and commercial, industrial and other establishments in Pakistan except in the province of Sindh, while the Factories Act regulates the working hours of persons employed in factories in Pakistan except in the province of Sindh and Khyber Pakhtunkhwa.

The Ordinance of 1969 provides that no adult employee will be required or permitted to work in any establishment in excess of nine hours a day or forty eight hours a week and no young person (a person who has not completed his seventeenth year of age) will be required or permitted to work in any establishment in excess of seven hours a day or forty two hours a week. When an employee is required to work overtime, in any establishment, the wages payable to such an employee in respect of the overtime work will be calculated at double the ordinary rate of wages payable to him.

The Factories Act provides that no adult worker will be allowed or required to work in a factory for more than nine hours in any day or forty-eight hours in a week, except for adult workers in seasonal factories, wherein such worker may work ten hours per day or fifty hours in a week.

The Shops and Commercial Establishment Act applies to the province of Sindh and repeals the applicability of the Ordinance of 1969 to the said province. The Shops and Commercial Establishment Act provides that no adult employee will be required or permitted to work in any establishment in excess of nine hours a day or forty eight hours a week and no adolescent (a person who has completed fourteen years of age but has not completed his eighteenth year of age) will be required or permitted to work in any establishment in excess of seven hours a day or forty two hours a week. When an employee is required to work overtime, in any establishment, the wages payable to such an employee in respect of the overtime work will be calculated at double the ordinary rate of wages payable to him.

The Sindh Factories Act applies to the province of Sindh and repeals the applicability of the Factories Act to the said province. The Sindh Factories Act provides that no adult worker will be allowed or required to work in a factory for more than nine hours in any day or forty-eight hours in a week, except for adult workers in seasonal factories, wherein such worker may work ten hours per day or fifty hours in a week.

The KPK Factories Act applies to the province of Khyber Pakhtunkhwa and repeals the applicability of the Factories Act to the said province. The KPK Factories Act provides that no adult worker will be allowed or required to work in a factory for more than nine hours in any day or forty-eight hours in a week, except for adult workers in seasonal factories, wherein such worker may work ten hours per day or fifty hours in a week.

- Is there a minimum number of vacation and sick days to be given?

Under the Standing Orders, the Ordinance of 1969, the Factories Act , the Sindh Factories Act, the Shops and Commercial Establishment Act, the Sindh Standing Orders (as applicable in the province of Sindh) and the KPK Standing Orders (as applicable in the province of Khyber Pakhtunkhwa) every worker or employee in an establishment who has completed a period of twelve months continuous service in a factory or establishment is allowed 14 (fourteen) days' annual holiday with pay during the subsequent period of twelve months. If a worker fails to take off for the entire fourteen day period he is entitled to, any holidays not taken by him shall be added to the holidays to be allowed to him in the succeeding year. However, the total number of holidays carried forward shall not exceed fourteen. Further, the worker shall be paid at the rate equivalent to the daily average of his wages as defined under the 1936 Act and the KPK Payment of Wages Act (as applicable in the province of Khyber Pakhtunkhwa) for the days on which he actually worked during the preceding three months, exclusive of any overtime earnings.

Furthermore, every worker is entitled to

- ten days' casual leave with pay;
- sixteen days' sick leave on half pay under the Factories Act and the Standing Orders, and eight days' sick leave under the Ordinance of 1969;
- all the festival holidays with pay as declared by the Federal and Provincial Government; and
- all other holidays as per the law, contract, custom and usage.

Maternity Leave in Pakistan

The eligibility condition: A woman must be employed for a period of not less than four months (at least four months) preceding the day she delivers a child.

Under the 1958 Ordinance, every employed woman is entitled to a maximum of 12 weeks (3 months) of fully paid maternity leave. She can take this leave six weeks before the delivery and six weeks after the delivery. A woman on maternity leave will be paid at the rate equal to her last paid wages.

A woman worker who is entitled to maternity benefit may give notice orally or in writing to the management that she expects to deliver a child within one and a half months and after receiving such notice, the management is supposed to provide her leave of absence from the following day. She can also have her 12-week leave started from just prior to the delivery of her child.

A woman who has delivered a child has to give notice of delivery to her organization within seven days of her delivery. She will also need to provide a proof of her delivery to the management within six months of delivery. This proof can either be a certified copy of birth register of a hospital, certificate issued by a medical practitioner or any proof acceptable to her employer.

C. Hiring and Firing Requirements

- Must the investor employ a minimum number of people?

While the law does not prescribe a limit on the minimum number of people to be employed by an employer, the law does define different establishments on the basis on the number of employees. For example, under the Factories Act, the KPK Factories Act and the Sindh Factories Act, a factory is defined as "*any premises, including the precincts thereof, whereon ten or more workers are working, or were working on any day of the preceding twelve months, and in any part of which a manufacturing process is being carried on or is ordinarily carried on with or without the aid of power...*

Similarly, the Standing Orders will apply to establishments with twenty or more employees."

- Must the investor employ a minimum number of nationals?

The law does not prescribe any such restrictions.

- Must nationals hold certain positions in the company?

The law does not prescribe any such restrictions.

- Are there rules to follow in hiring/dismissing personnel (e.g. notice)?

Yes. This section outlines the various rules prescribed under the labor laws of Pakistan in relation to hiring or dismissing personnel:

Hiring

Under the Standing Orders, every workman is required to be provided with an order in writing, showing the terms and conditions of his service at the time of his appointment, transfer or promotion.

Under the Sindh Standing Orders and the KPK Standing Orders, every worker, at the time of his appointment will be given an appointment letter which expressly shows the terms and conditions of his employment including wages and every worker, at the time of his transfer or promotion shall be provided with an order in writing showing the terms and conditions of his service including wages.

Dismissal

Permitted Reasons for Termination

The Standing Orders provide that no employer is allowed to terminate the employment of more than fifty percent of the workmen or close down the whole of the establishment without prior permission of the Labour Court in this behalf, except in the event of fire, catastrophe, break-down of machinery or stoppage of power supply, epidemics or civil commotion.

The Sindh Standing Orders provide that no employer is allowed to terminate the employment of more than fifty percent of the workmen or close down the whole of the establishment without prior permission of the Government of Sindh in this behalf, except in the event of fire, catastrophe, break-down of machinery or stoppage of power supply, epidemics or civil commotion.

The KPK Standing Orders provide that no employer is allowed to terminate the employment of more than fifty percent of the workmen or close down the whole of the establishment without prior permission of the Government of Khyber Pakhtunkhwa in this behalf, except in the event of fire, catastrophe, break-down of machinery or stoppage of power supply, epidemics or civil commotion.

Notice or Pay in Lieu of Notice

In cases where the workmen are laid off on account of, inter alia, any stoppage of work by the employer, they will be paid by the employer an amount equal to one-half of their daily wages during the first fourteen days of lay-off as compensation. When, however, the workmen have to be laid off for an indefinite period beyond fourteen days, their services will be terminated after giving them due notice or pay in lieu thereof.

For terminating the employment of a permanent workman, for any reason other than misconduct, one month's notice or one month's wages calculated on the basis of average wages earned by the workman during the three months in lieu of notice will be given by the employer to the workman.

However, please note that as per Standing Order 12(2) of the Standing Orders, Standing Order 16(2) of the Sindh Standing Orders and Standing Orders 17(2) of the KPK Standing Orders no temporary workman, whether monthly rated, weekly rated, daily rated or piece-rate, and no probationer or badli, shall be entitled to any notice if his services are terminated by the employer, nor shall any such workman be required to give any notice or pay wages in lieu thereof to the employer if he leaves employment of his own accord.

The Ordinance of 1969 and the Shops and Commercial Establishment Act provides that for terminating the employment of a permanent employee one month's notice in writing will be given either by the employer or the employee and in lieu of notice, one month's wages calculated on the basis of average of wages earned during the preceding 3 months will be paid.

No Notice Required

Under Standing Order 15(2)(iv) of the Standing Orders, Standing Order 21(2)(iv) of the KPK Standing Orders and Standing Order 21(2)(iv) of the Sindh Standing Orders , a workman who is found guilty of misconduct (habitual late attendance, habitual breach of any law applicable to the establishment, habitual negligence or neglect of work, habitual absence without leave, taking or giving bribes or any illegal gratification, willful damage to employer's property or goods, theft, fraud, dishonesty in connection with the employer's property, disobedience towards any lawful and reasonable order of a superior, riotous or disorderly behavior, go-slow, striking work or inciting others to strike and frequent repetition of any of the foregoing) shall be liable to dismissal without payment of any compensation in lieu of notice.

Payment of Dues and/or Other Benefits

As per Standing Order 12 of the Standing Orders, Standing Order 16 of the Sindh Standing Orders and Standing Orders 17 of the KPK Standing Orders, where the services of a workman are terminated, the wages earned by him and any other dues including payment with respect to unutilized leaves shall be paid before the expiry of the second working day from the day on which his services are terminated.

Further, the workman, in addition to any other benefit to which he may be entitled to, be paid gratuity equivalent to thirty days wages, which shall be calculated on the basis of the wages admissible to him in the last month of service if he is a fixed-rated workman or on the highest pay drawn by him during the last twelve months if he is a piece-rated workman, for every completed year of service or any part thereof in excess of six months.

However, if the employer has established a Provident Fund to which the workman is a contributor and the contribution of the employer to which is not less than the contribution made by the workman, no gratuity shall be payable for the period during which such Provident Fund is in existence. Further, as per the Standing Orders, if through collective bargaining the employer offers and contributes to an Approved Pension Fund,

as defined under the ITO and where the contribution of the employer is not less than 50% of the limit prescribed in the ITO and to which the workman is also a contributor for the remaining 50% or less, no gratuity shall be payable for the period during which such contribution has been made.
A workman shall be entitled to receive the amount standing to his credit in the Provident Fund, including the contributions of the employer to such Fund, even if he resigns or is dismissed from service.

- Does the investor have a continuing obligation towards dismissed employees?

No, provided the employee has been terminated in accordance with the law and has been paid all outstanding dues.

D. Labor Availability

- Is adequate skilled or unskilled labor available for the anticipated business?

Depends on the type of work for which labour is required.

E. Labor Permits

- Are labor permits required?

No.

- If so, how are they obtained?

N/A.

- How long does the process take?

N/A.

- What fees are involved?

N/A.

F. Safety Standards

- Are there safety codes that must be followed?

Yes. The Factories Act, the KPK Factories Act and the Sindh Factories Act provides for the regulation of labour in factories and contains provisions for the health and safety of workers, restrictions on the working hours of adults and special provisions for adolescents and children working in factories.

The Factories Act, the Sindh Factories Act and the KPK Factories Act specifies that:

(a) there should be effective arrangements in every factory for the disposal of waste and effluents due to the manufacturing process;

(b) Effective measures should be taken in every factory to prevent the accumulation of dust and fume given off as a result of the manufacturing process;

(c) There should be regulation of the methods used for artificially increasing humidity;

(d) No work room in any factory shall be overcrowded to the extent that it may be injurious to the health of the workers employed;

(e) There should be sufficient and suitable lighting; and

(f) Each worker in a factory shall be vaccinated against any diseases and at such intervals as prescribed.

G. Unions

- Are unions recognized?

The right to association is guaranteed by Article 17 of the Constitution of Pakistan, imparting on every citizen the right to form associations or unions, subject to any reasonable restrictions imposed by law in the interest of sovereignty or integrity of Pakistan, public order or morality. Under Industrial Relations Acts, workers as well as employers in any establishment or industry have the right to establish and to join associations of their own choosing, subject to respect of the law.

- What are the unions in the investor's business?

N/A

- What are these unions' political affiliations, if any?

N/A

- Is there an obligation on the part of the employer to organize unions?

No. While the Industrial Relations Acts give employers and employees the right to organize their respective unions, the Act does not obligate the employers to organize unions either for the employers or the employees

- Are there mandatory collective bargaining agreements for the business involved?

With respect to collective bargaining agents, the Industrial Relations Acts provide for the establishment and regulation of collective bargaining agents. That Act states that where there is only one registered trade union in an establishment or a group of establishments or industry, that trade union shall, if it has as its members not less than one-third of the total number of workmen employed in such establishment or group of establishments, or industry upon an application made in this behalf, be certified by the Registrar in the prescribed manner to be the collective bargaining agent for such establishment or group of establishments or industry.

XII. Tax on Corporations

A. Allowances

- What are the major allowances (e.g. capital cost depreciation)? and
- What are the major deductible items?

Pursuant to the Income Tax Ordinance, 2001 (ITO) following deductions and allowances in respect of the following may be allowed:

i. Depreciation
ii. Initial allowance
iii. First Year allowance
iv. Accelerated depreciation to alternate energy projects.

v. Intangibles.
vi. Pre-commencement expenditure
vii. Scientific research expenditure.
viii. Employee training and facilities.
ix. Profit on debt, financial costs and lease payments.
x. Bad debts.
xi. Profit on non-performing debts of a banking company or development finance institution.
xii. Transfer to participatory reserve.

- What are the major expenses that are excluded from deductibility?

The following major items are excluded from deductibility under the ITO:

i. Any cess, rate or tax paid or payable by a person in Pakistan or a foreign country that is levied on the profits or gains of the business or assessed as a percentage or otherwise on the basis of such profit or gains;

ii. Any amount of tax deducted under Division III of Part V of Chapter X from an amount derived by the person;

iii. Any expenditure from which the person is required to deduct or collect tax under Part V of Chapter X or Chapter XII, unless the person has paid or deducted and paid the tax as required by Division IV of Part V of Chapter X:

Provided that disallowance in respect of purchases of raw materials and finished goods under this clause shall not exceed twenty percent (20%) of purchases of raw materials and finished goods

Provided further that recover of any amount of tax under sections 161 or 162 shall be considered as tax paid

iv. Any entertainment expenditure in excess of such limits or in violation of such conditions as may be prescribed;

v. Any contribution made by the person to a fund that is not a recognized provident fund, an approved pension fund, approved superannuation fund or approved gratuity fund

vi. Any contribution made by the person to any provident or other fund established for the benefit of employees of the person, unless the person has made effective arrangements to secure that tax is deducted under section 149 from any payments made by the fund in respect of which the recipient is chargeable to tax under the head "Salary";

vii. Any fine or penalty paid or payable by the person for the violation of any law, rule or regulation;

viii. Any personal expenditures incurred by the person;

ix. Any amount carried to a reserve fund or capitalized in any way;

x. Any profit on debt, brokerage, commission, salary or other remuneration paid by an association of persons to a member of the association;

xi. Any salary paid or payable exceeding fifteen thousand rupees per month (PKR 15,000) other than by a crossed cheque or direct transfer of funds to the employee's bank account;

xii. Except as provided in Division III of Part IV, any expenditure paid or payable of a capital nature; and

xiii. Any expenditure in respect of sales promotion, advertisement and publicity in excess of five percent (5%) of turnover incurred by pharmaceutical manufacturers;

xiv. Any expenditure for a transaction, paid or payable under a single account head which, in aggregate, exceeds Pak Rupees fifty thousand (PKR 50,000), made other than by a crossed cheque drawn on a bank or by crossed bank draft or cross pay order or any other crossed banking instrument showing transfer of amount from the business bank account of the taxpayer:

Provided that online transfer of payment from the business account of the payer to the business account of payee as well as payments through credit card shall be treated as transactions through the banking channel, subject to the condition that such transactions are verifiable from the bank statements of the respective payer and the payee:
Provided further that the foregoing shall not apply in the case of-

(a) expenditures not exceeding Pak Rupees ten thousand (PKR 10,000); and

(b) expenditures on account of the following:

i. utility bills;
ii. freight charges;
iii. travel fare;
iv. postage;
v. payment of taxes, duties, fee, fines or any other statutory obligation; and
vi. any salary paid or payable exceeding Pak Rupees fifteen thousand (PKR 15,000) per month other than by a crossed cheque or direct transfer of funds to the employee's bank account.

C. Calculation of Taxes

- How is the taxable base determined?

Pursuant to Section 4 of the ITO, income tax is liable to be paid at the rates prescribed there under, by every person who has taxable income for the year. The income tax payable by a taxpayer for a tax year shall be computed by applying the rate or rates of tax applicable to the taxpayer under this Ordinance to the taxable income of the taxpayer for the year, and from the resulting amount shall be subtracted any tax credits allowed to the taxpayer for the year. Pursuant to Section 9 of the ITO, the taxable income of a person for a tax year is the total income after reduction by the total of any deductible allowances under the ITO. The total income of a person for a tax year is the sum of the person's income under each head of income pursuant to the ITO. Such heads of income include salary, income from business, income from property, capital gains and income from other sources

C. Capital Gains

- What are the federal or national tax rates on capital gains?
- What are the regional or state taxes on capital gains?
- What are the municipal or local taxes on capital gains?

<u>CAPITAL GAIN ON DISPOSAL OF IMMOVABLE PROPERTY</u>

A gain arising on the disposable of immovable property shall be chargeable to tax at the following rates, vis-à-vis property acquired after 1 July 2016:

Period	Rate of tax
Where holding period of Immovable property is up to one (1) year	10%
where holding period of immovable property is more than or equal to one (1) year, but less than two (2) years	7.5%
where holding period of immovable property is more than or equal to two (2) year, but less than three (3) years	5%
where holding period of immovable property is more than three (3) years	0%

CAPITAL GAIN ON DISPOSAL OF SECURITIES

Under Section 37A of the ITO, 2001, any capital gain arising on or after the first day of July, 2010, from disposal of securities other than a gain exempt from tax. Any such capital gain is chargeable to tax at the rates specified in Division VII of Part I of the First Schedule to ITO, 2001 which are as follows:

Period	Tax Year 2015	Tax Year 2016	Tax Year 2017	
			Filer	Non-Filer
Where holding period of a security is less than twelve (12) months.	12.5%	15%	15%	18%
Where holding period of a security is twelve (12) months or more but less than twenty-four (24) months	10%	12.5%	12.5%	16%

Where holding period of a security is twenty-four (24) months or more but the security was acquired on or after 1st July, 2012	0%	7.5%	7.5%	11%
Where the security was acquired before 1st July, 2012	0%	0%	0%	0%
Future commodity contracts entered into by the members of Pakistan Mercantile Exchange	0%	0%	5%	5%

The term “securities” has been defined in Section 37A(3) as shares of a public company, voucher of Pakistan Telecommunication Corporation, Modaraba Certificate, an instrument of redeemable capital, debt securities and derivative products.
For the purposes of the ITO, “debt securities” means

(a) Corporate Debt Securities such as Term Finance Certificates (TFCs), Sukuk Certificates (Sharia Compliant Bonds), Registered Bonds, Commercial Papers, Participation Term Certificates (PTCs) and all kinds of debt instruments issued by any Pakistani or foreign company or corporation registered in Pakistan; and

(b) Government Debt Securities such as Treasury Bills, Federal Investment Bonds, Pakistan Investment Bonds, Foreign Currency Bonds, Government Papers, Municipal Bonds, Infrastructure Bonds and all kinds of debt instruments issued by Federal Government, Provincial Governments, Local Authorities and other statutory bodies.

Explanation: For removal of doubt, it is clarified that derivative products include future commodity contracts entered into by the members of Pakistan Mercantile Exchange whether or not settled by physical delivery.

For the purposes of the ITO a "public company" means —

(a) a company in which not less than fifty (50) per cent of the shares are held by the Federal Government or Provincial Government;

(ab) a company in which not less than fifty (50) per cent of the shares are held by a foreign Government, or a foreign company owned by a foreign Government

(b) a company whose shares were traded on a registered stock exchange in Pakistan at any time in the tax year and which remained listed on that exchange at the end of that year; or

(c) a unit trust whose units are widely available to the public and any other trust as defined in the Trusts Act, 1882

CAPITAL GAIN ON DISPOSAL OF OTHER CAPITAL ASSET

The gain arising on the disposal of any other capital asset (calculation whereof is prescribed in the ITO) will be included in the general pool of income generation by such person and will be charged to tax based on whether such person is an individual, a company or otherwise.
There is no regional, state, municipal or local tax payable on a capital gain.

D. Filing and Payment Requirements

- When must the corporation file its tax return, if any?

With regard to the filing of return of income under Section 114 or Section 115 of the ITO, it is provided that a company shall furnish a return or a statement under the said sections;

(a) in the case of a company with a tax year ending any time between the first day of January and the thirtieth (30^{th}) day of June, before the end of the tax year to which the return relates; or

(b) in any other case, on or before the thirtieth (30^{th}) day of September next following the end of the tax year to which the return relates.

- When must the corporation pay its taxes?

All taxes payable by a taxpayer (including a corporation) for a tax year shall be due on the due date for furnishing the taxpayer's return of income for that year.

- Are taxes paid in installments or annually?

Annually. In addition, where the taxpayer is a company, it is required to make payments of advance tax of quarterly installment if its income was charged to tax for the latest tax year under ITO.

E. Miscellaneous Taxes Due

- Is there a tax on capital?

  No.

- Is there a business license tax?

  No.

- Is there an apprenticeship tax?

  No.

- Is there a training tax?

  No.

- Are there other taxes?

  Other than tax on income in accordance with the ITO, sales tax is payable on taxable supplies pursuant to the Sales Tax Act, 1990 and sales tax on services is payable in accordance with the laws promulgated by each of the provinces.

- What are the filing and payment requirements?

N/A.

F. Registration Duties

- Are there registration duties due upon the incorporation of a company?
- Are there registration duties due upon an increase in capital?
- Are there registration duties due upon the transfer of the company's shares?
- Are there registration duties due upon a transfer of corporate assets?
- Are there any other registration duties due?

For the registration duty payable on incorporation of a company please refer to the discussion on incorporation of a company above.

Upon increase in authorized capital, a fee is levied on the differential amount calculated on the basis of the differential in the previous amount of authorized capital and the increased amount and the same is payable to the Securities and Exchange Commission of Pakistan ("**SECP**"). Upon increase of the paid up capital of a company, a nominal registration fee for filing of returns is payable to the SECP.

There is no registration duty payable on transfer of shares or assets of a company. However, stamp duty under the Stamp Act 1899, shall be payable on transactions on transfer of shares or assets. Furthermore, a registration fee shall be applicable under the Registration Act, 1908 for any instrument of transfer which requires to be registered under the said Act.

G. Sales Tax or other Turnover Tax

- What is the system of sales tax (e.g. V.A.T., cumulative)?

In the late eighties, the government decided to replace Sales Tax with the Value Added Tax in the country as a part of its structural adjustment program which was undertaken to correct anomalies & distortions both in our tax & non-tax regimes. Accordingly, new enactment titled "Sales Tax Act, 1990" replaced Sales Tax Act, 1951 with effect from 1st November, 1990. Furthermore, after the 18th Amendment in the Constitution of the Islamic Republic of Pakistan, the responsibility to collect Sales Tax on Services was devolved. Accordingly, Sales Tax on Services Act, 2011 was promulgated by provincial governments of each province in order to take on the responsibility.

Sales Tax on goods is chargeable on the items provided in Schedule 1 of the Sales Tax Act, 1990 whereas Sales Tax on services is chargeable on the services provided in the relevant schedule annexed to the sales tax on services act for each province.

- Is input tax creditable against output tax?

  Yes, subject to applicable restrictions.

- What are the tax rates?

  The rate of tax payable under the Sales Tax Act, 1990 is 17%. The sales tax payable on any taxable service varies for each province of Pakistan and according to the nature of service provided.

- What are the filing and payment requirements?

  Sales Tax Act, 1990

  A person registered under the Sales Tax Act, 1990 is required to file sales tax returns electronically.

  Filing of Monthly Returns

  Each registered person is required to file his sales tax returns by the 15th of each month regarding the sales made in the last month. All registered persons are required to file returns electronically on the Federal Board of Revenue (FBR)'s e-portal and in such cases where the payment is to be made by the 15th, the return can be submitted on FBR's e-portal by the 18th.

  Filing of Annual Returns

  Under the Sales Tax Rules of 2006, every registered person, being a private or public limited company, is required to file annual sales tax returns for a financial year by the 30th of September of the following financial year with the Commissioner Inland Revenue having jurisdiction, in the form prescribed in STR-10 annexed to the Rules.

  Payment

In addition to filing, a registered person is also required to make payment of the amount of sales tax due, if any, in any of the designated branches of the National Bank of Pakistan on the prescribed payment challan as specified in the STR-11 (annexed to the Sales Tax Rules, 2006) or through the electronic payment system devised for this purpose.

Punjab Sales Tax on Services Act, 2012

Filing of Returns

Every registered person shall furnish, not later than the due date, a true, correct and properly filled-up return in the prescribed form to a designated bank or any other office specified by Punjab Revenue Authority (the **"Authority"**), indicating the tax due and paid during a tax period and such other information or particulars as may be prescribed by the Authority.

Please note that the term "due date" has been defined as *"in relation to the furnishing of a return under Chapter VI means the 15th day of the month following the end of the tax period, or such other date as the Authority may, by notification in the official Gazette, specify".*

Payment

The tax in respect of a taxable service provided during a tax period shall be paid by a person at the time of filing the return in respect of that period.

Sindh Sales Tax on Services Act, 2011

Filing Returns

Every registered person shall furnish, not later than the due date, a true, correct and properly filled-up return in the prescribed form to a designated bank or any other office specified by Sindh Revenue Board (the **"Board"**), indicating the tax due and paid during a tax period and such other information or particulars as may be prescribed by the Board.

Please note that the term "due date" has been defined as "in relation to the furnishing of a return or a statement or for payment of tax under the Sindh Sales Tax on Services Act 2011, means the fifteenth day of the month following the end of the tax period to which it relates, or such other date as the Board may, by notification in the official Gazette, specify".

Payment

The tax in respect of a taxable service provided during a tax period shall be paid by a person at the time of filing the return in respect of that period.

Baluchistan Sales Tax on Services Act, 2015

Filing Returns

Every registered person shall furnish, not later than the due date, a true, correct and properly filled up return in the prescribed form to a designated bank or any other office specified by the Baluchistan Revenue Authority (the **"Authority"**), indicating the tax due and paid during a tax period and such other information or particulars as may be prescribed by the Authority.

Please note that the term "due date" has been defined "*in relation to the furnishing of a return means the 15th day of the month following the end of the tax period, or such other date as the Authority may, by notification in the official Gazette, specify*".

Payment

The tax in respect of a taxable service provided during a tax period shall be paid by a person at the time of filing the return in respect of that period.
KPK Finance Act, 2013

Filing Returns

Every registered person shall furnish, not later than the due date, a true, correct and properly filled-up return in the prescribed form to a designated bank or any other office specified by the Khyber Pakhtunkhwa Revenue (the **"Authority"**), indicating the tax due and paid during a tax period and such other information or particulars as may be specified.

It must be noted that the term "due date" has been defined as *"in relation to the furnishing of a return under KPK Finance Act, 2013 means the 15th day of the month* *following the end of the tax period, or such other date as the Authority may, by notification in the official Gazette, specify"*

Payment

The tax in respect of a taxable service provided during a tax period shall be paid by a person at the time of filing the return in respect of that period under Chapter VI.
ICT (Tax on Services) Ordinance 2001

All the provisions of the Sales tax Act, 1990, and rules made and notifications, orders and instructions issued thereunder shall, mutatis mutandis, apply to the collection and payment of tax under the ICT (Tax on Services) Ordinance, 2001 in so far as they relate to manner, time and mode of payment.

H. Social Security and Welfare System Contributions

- Are social security contributions due?
- Are retirement or pension contributions due?
- Are unemployment insurance contributions due?
- What are the filing and payment requirements for any such contribution?

Certain welfare contributions are required to be made under the Employees' Old-Age Benefits Act, 1976. The said Act provides for old age benefits to persons employed in industrial, commercial and other organizations. Furthermore, workers are further entitled to benefits under the following acts:

i) West Pakistan Industrial and Commercial (Standing Orders) Ordinance, 1968
ii) The Provincial Employees Social Security Ordinance, 1965
iii) The West Pakistan Maternity Benefits Ordinance, 1958
iv) The Employees' Cost of Living (Relief) Act, 1973
v) The Workers' Children (Education) Ordinance, 1972
vi) The Companies Profits (Workers' Participation) Act, 1968; and
vii) The Workers' Welfare Fund Ordinance, 1971.
viii) The Sindh Workers' Welfare Act, 2014.
ix) The Sindh Companies Profits (Workers Participation) Act, 2015
x) The Sindh Minimum Wages Act, 2015
xi) The Sindh Factories Act, 2015
xii) The Sindh Terms of Employment (Standing Orders) Act, 2015

xiii) The Sindh Shops and Commercial Establishment Act, 2015
xiv) The Sindh Employees Old-Age Benefits Act, 2014
xv) The Sindh Workers' Compensation Act, 2015
xvi) The Punjab Shops and Establishment Ordinance, 1969

Any requirements for filing and payment will be subject to application of any of the above acts and will vary on a case to case basis.

I. Special Tax Schemes

- Are there particular tax consequences of doing business in the country?

The tax regime takes the geographical location of the income into consideration. In other words, any income arising out of Pakistan is taxable in Pakistan.

J. Tax on Profits

- What are the federal or national income tax rates on profits?
- What are the regional or state tax rates on profits?
- What are the municipal or local tax rates on profits?

RATES OF TAX FOR COMPANIES

The rate of tax imposed on the taxable income of a company, other than a banking company is as follows:

Tax year	Rate of tax
2015	33%
2016	32%
2017	31%
2018 and onwards	30%

In the event, the taxpayer is a small company, tax shall be payable at the rate of twenty-five percent (25%). Please note that the term “small company” under Section 2(59A) of the Income Tax Ordinance, 2001 as:

“a company registered on or after the first day of July, 2005, under the Companies Ordinance, 1984 which:-

(a) Has paid up capital plus undistributed reserves not exceeding fifty million rupees (PKR 50 Million);

(b) Has employees not exceeding two hundred and fifty (250) any time during the year;

(c) Has annual turnover not exceeding two hundred and fifty million rupees (PKR 250 Million); and

(d) Is not formed by the splitting up or the reconstitution of the company already in existence;”

In addition the above, the Federal Board of Revenue administers any tax applicable on profits/income. Therefore, there are no regional, state, municipal or local tax rates apart from the ones mentioned above.

K. Tax Treaties

- Are there any applicable tax treaties?

  Yes. Pakistan has entered into multiple double taxation treaties.

- Are there any rules against treaty-shopping?

  No.

L. Territoriality Rules

- Where is the corporation subject to tax?

Business income of a resident person is subject to tax to the extent it is derived from business in Pakistan. Furthermore, business income of a non-resident person is subject to tax to the extent it is derived directly or indirectly attributable to a permanent establishment in Pakistan, sales of goods, business activities, business connection in Pakistan, any remuneration paid by a Pakistan resident person for rendering of services, gain from disposal of assets or property in deriving any business income as mentioned above, dividend paid by a resident company, profit on debt paid by a resident person, royalty paid by a resident person, rental income from a property in Pakistan, technical fee paid by a resident person or any gain arising out of shares in Pakistan.

- Is the corporation subject to tax on its worldwide income?

A non-resident is only liable to tax in Pakistan for its income derived from income in Pakistan. A resident company is liable to tax on all its worldwide income.

M. Treatment of Tax Losses

- How are corporate tax losses treated?

Pursuant to Section 56 of the ITO, 2001, where a person sustains a loss for any tax year under the heads of income (i) Salary, (ii) Income from Property, (iii) Income from Business, (iv) Capital Gains, and (iv) Income from Other Sources, such person shall be entitled to have the amount of the loss set off against the person's income, if any, chargeable to tax under any other head of income [except income under the head salary or income from property] for the tax year. Provided, further, that where a person sustains a loss under the head "Income from Business" and a loss under another head of income, the loss under the head "Income from Business" shall be set off last.

N. Wealth Tax

- Is there an applicable wealth tax?

No.

O. Withholding Taxes

- What are the rates of withholding tax on dividends?

The following are the rates of withholding tax on dividends:

i) 7.5% in the case of dividends declared or distributed by purchaser of a power project privatized by WAPDA or on shares of a company set up for power generation or on shares of a company, supplying coal exclusively to power generation projects;

ii) 12.5% in cases other than mentioned in clauses (i) and (iii);

iii) 10% in cases of dividend received by a person from a mutual fund.

It is further provided that any dividend received by a person from a stock fund shall be taxed at the rate of 12.5% of tax year 2015 and onwards, if dividend receipts are less than capital gains. In addition to the above, dividend received by a company from a collective investment scheme, REIT Scheme or a mutual fund, other than a stock fund, shall be taxed at the rate of 25% for tax year 2015 and onwards.

- What are the rates of withholding tax on royalties?

  15%

- What are the rates of withholding tax on interest?

  10% for filers. 17.5% for non-filers.

- What are the rates of withholding tax on profits realized by a foreign corporation?

Withholding tax is defined as any amount of tax deducted at the time of making the payment from the gross amount payable. Therefore, the withholding tax is only charged on income and not profits.

XIII. Tax On Individuals

A. Allowances

- What are the major allowances?

Under the ITO, 2001, there are three types of deductible allowances available to a person. These allowances are as follows:

i. Zakat (Section 60)
ii. Workers' Welfare Fund (Section 60A)
iii. Workers' Participation Fund (Section 60B)

B. Calculation of Taxes

- How is the taxable base determined?

Under Section 9 of the ITO, 2001, the taxable income of a person for a tax year is the total income of the person reduced by the total of any deductible allowances.

C. Capital Gains Tax

- Are capital gains taxable?

CAPITAL GAIN ON DISPOSAL OF IMMOVABLE PROPERTY

A gain arising on the disposable of immovable property shall be chargeable to tax at the following rates:

Period	Rate of tax
Where holding period of Immovable property is up to one (1) year	10%
where holding period of immovable property is more than or equal to one (1) year, but less than two (2) years	7.5%
where holding period of immovable property is more than or equal to two (2) year, but less than three (3) years	5%
where holding period of immovable property is more than three (3) years	0%

CAPITAL GAIN ON DISPOSAL OF SECURITIES

Under Section 37A of the ITO, 2001, any capital gain arising on or after the first day of July, 2010, from disposal of securities other than a gain exempt from tax. Any such capital gain is chargeable to tax at the rates specified in Division VII of Part I of the First Schedule to ITO, 2001 which are as follows:

Period	Tax Year 2015	Tax Year 2016	Tax Year 2017	
			Filer	Non-Filer
Where holding period of a security is less than twelve (12) months.	12.5%	15%	15%	18%
Where holding period of a security is twelve (12) months or more but less than twenty-four (24) months	10%	12.5%	12.5%	16%
Where holding period of a security is twenty-four	0%	7.5%	7.5%	11%

(24) months or more but the security was acquired on or after 1st July, 2012				
Where the security was acquired before 1st July, 2012	0%	0%	0%	0%
Future commodity contracts entered into by the members of Pakistan Mercantile Exchange	0%	0%	5%	5%

The term “securities” has been defined in Section 37A (3) as shares of a public company, voucher of Pakistan Telecommunication Corporation, Modaraba Certificate, an instrument of redeemable capital, debt securities and derivative products.

For the purposes of the ITO, “debt securities” means

(c) Corporate Debt Securities such as Term Finance Certificates (TFCs), Sukuk Certificates (Sharia Compliant Bonds), Registered Bonds, Commercial Papers, Participation Term Certificates (PTCs) and all kinds of debt instruments issued by any Pakistani or foreign company or corporation registered in Pakistan; and

(d) Government Debt Securities such as Treasury Bills, Federal Investment Bonds, Pakistan Investment Bonds, Foreign Currency Bonds, Government Papers, Municipal Bonds, Infrastructure Bonds and all kinds of debt instruments issued by Federal Government, Provincial Governments, Local Authorities and other statutory bodies.

Explanation: For removal of doubt, it is clarified that derivative products include future commodity contracts entered into by the members of Pakistan Mercantile Exchange whether or not settled by physical delivery.

CAPITAL GAIN ON DISPOSAL OF OTHER CAPITAL ASSET

The gain arising on the disposal of any other capital asset (calculation whereof is prescribed in the ITO) will be included in the general pool of income generation by such person and will be charged to tax based on whether such person is an individual, a company or otherwise.

D. Filing and Payment Requirements

- When must the individual file a tax return, if any?

Tax return is filed by an individual at the end of each tax year, for a period of 12 months ending on 30th June.

- When must the individual pay his/her taxes?

Tax shall be paid at the time of or before the filing of returns.

E. Inheritance and Gift Tax

- Does the individuals' presence in the country subject him/her to inheritance or gift tax?
- What kinds of assets are subject to tax?
- What are the tax rates?
- Are allowances available?
- What are the payment and filing requirements?

There is no inheritance or gift tax in Pakistan. However, it must be noted that any amount received by a person as a gift by a person in a tax year from another person (not being a banking company or financial institution) otherwise than by a crossed cheque drawn on a bank or through a banking channel from a person holding a National Tax Number shall be treated as income chargeable to tax under the head "Income from Other Sources" for the tax year in which it was received.

F. Miscellaneous Taxes Due

- What are the miscellaneous taxes to which the individual may be subject?

Capital Value Tax is payable on the capital value of immovable property by *inter alia* every individual.

- What are the filing and payment requirements?

Capital Value Tax is required to be paid to and collected by the person responsible for registering or attesting the transfer of immovable property under law in respect of which tax is payable at the time of registering or attesting the transfer.

G. Real Estate/Habitation Tax

- Is the individual subject to real estate or habitation tax?

Pursuant to Section 155 of the ITO, 2001, every prescribed person making a payment in full or part (including a payment by way of advance) to any person on account of rent of immovable property (including rent of furniture and fixtures, and amounts for services relating to such property) shall deduct tax from the gross amount of rent paid specified in Division V of Part III of the First Schedule of the ITO.

If the immovable property is being used for personal purposes, the individual will not be subject to the above. However, in Pakistan, individuals are required to pay property tax on properties used for personal purposes under the municipal or local authorities including but not limited to Defence Housing Authority, Clifton Cantonment Board, Malir Development Authority, Port Qasim Authority and many such authorities operating in Pakistan.

H. Sales Tax

- Does the individual pay sales tax?

Yes, Sales Tax is an indirect form of tax and must be paid by every registered person making a taxable supply or by any individual importing goods in to Pakistan.

I. Social Security and Welfare System Contributions

- Are contributions to social security due?
- Are contributions to the welfare system due?
- If so, what are the payment and filing requirements?

Please refer to discussion on social security and welfare system contributions above.

J. Stock Option, Profit Sharing and Savings Plans

- Is there taxation of stock option plans?

No.

- Is there taxation of profit sharing plans?

No.

- Is there taxation of savings plans?

No.

K. Taxation of Benefits in Kind

- What is the rate of taxation on benefits in kind (e.g. automobile, housing and utilities, education, etc.)?

Tax benefits are allowed to individuals or corporations as per Section 61 – 65 of the Income Tax Ordinance 2001. The tax credits may vary on the type of tax paid for instance the taxable credit on charitable donations is calculated through the following formula;

A/B x C

where —

A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part;

B is the person‘s taxable income for the tax year; and

C is the lesser of —

(a) the total amount of the person‘s donations referred to in subsection (1) in the year, including the fair market value of any property given; or

(b) where the person is —

(i) an individual or association of persons, thirty per cent of the taxable income of the person for the year; or

(ii) a company, twenty per cent (20%) of the taxable income of the person for the year.

L. Taxes on Dividends

- Are dividends taxable regardless of their form?

Yes, every person paying a dividend shall deduct tax from the gross amount of dividend paid at the rate specified in Division I of Part III of the First Schedule of the ITO. This is subject exceptions that are listed as exemptions in the Second Schedule and reproduced hereunder for ease of reference:

(a) Any distribution received by a taxpayer from a collective investment scheme registered by the Securities and Exchange Commission of Pakistan under the Non-Banking Finance Companies and Notified Entities Regulations, 2007, including National Investment (Unit) Trust or REIT Scheme or a Private Equity and Venture Capital Fund out of the capital gains of the said Schemes or Trust or Fund; Any income derived from inter-corporate dividend within the group companies entitled to group taxation under section 59AA subject to the condition that return to of the group has been filed for the tax year.

(b) Any income derived by the Libyan Arab Foreign Investment Company being dividend of the Pak-Libya Holding Company.

(c) Any income derived by the Government of Kingdom of Saudi Arabia being dividend of the Saudi-Pak Industrial and Agricultural Investment Company Limited.

(d) Any income derived by Kuwait Foreign Trading Contracting and Investment Company or Kuwait Investment Authority being dividend of the Pak-Kuwait Investment Company in Pakistan from the year of incorporation of Pak-Kuwait Investment Company.

(e) Any income received by a taxpayer from a corporate agricultural enterprise, distributed as dividend out of its income from agriculture.

(f) In the case of a non-resident company, rate of deduction of tax under section 150 on dividends received from a company engaged exclusively in mining operations, other than petroleum, shall be 7.5 per cent of the gross amount of dividend.

(g) The rates of tax as specified in Division III of Part-I of First Schedule shall be reduced to 7.5% in case of dividends declared or distributed by purchaser of a power project privatized by WAPDA.

(h) The rates of tax as specified in clause (b) of Division-III of Part-I of First Schedule shall be reduced to 7.5% in case of dividend declared or distributed on shares of a company set up for power generation.

M. Tax on Income

- What are the federal or national tax rates on income for residents?
- What are the federal or national tax rates on income for non-residents?
- What are the regional or state tax rates on income for residents?
- What are the regional or state tax rates on income for non-residents?
- What are the municipal or local tax rates on income for residents?
- What are the municipal or local tax rates on income for non-residents?

The rates of tax imposed on the taxable income of every individual and association of person (except a salaried taxpayer) are as follows:

Taxable Income	Rate of tax
Where the taxable income does not exceed PKR 400,000	0%
Where the taxable income exceeds PKR 400,000 but does not exceed PKR 500,000	7% of the amount exceeding PKR 400,000
Where the taxable income exceeds PKR 500,000 but does not exceed PKR 750,000	PKR 7,000 plus 10% of the amount exceeding PKR 500,000
Where the taxable income exceeds PKR 750,000 but does not exceed PKR 1,500,000	PKR 32,000 plus 15% of the amount exceeding PKR 750,000
Where the taxable income exceeds PKR 1,500,000 but does not exceed PKR 2,500,000	PKR 144,000 plus 20% of the amount exceeding PKR 1,500,000
Where the taxable income exceeds PKR 2,500,000 but does not exceed PKR 4,000,000	PKR 344,500 plus 25% of the amount exceeding PKR 2,500,000
Where the taxable income exceeds PKR 4,000,000 but does not exceed PKR 6,000,000	PKR 719,500 plus 30% of the amount exceeding PKR 4,000,000
Where the taxable income exceeds PKR 6,000,000	PKR 1,319,500 plus 35% of the amount exceeding PKR 6,000,000

Where the income of an individual chargeable under the head salary exceeds fifty percent of his taxable income, the rates of tax to be applied shall be set out as following;

Taxable Income	Rate of Tax
Where the taxable income does not exceed Rs. 400,000.	0%

Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 500,000.	2% of the amount exceeding Rs. 400,000
Where the taxable income exceeds Rs. 500,000 but does not exceed Rs. 750,000.	Rs. 2000 + 5% of the amount exceeding Rs. 500,000
Where the taxable income exceeds Rs. 750,000 but does not exceed Rs. 1,400,000.	Rs. 14,500 + 10% of the amount exceeding Rs. 750,000.
Where the taxable income exceeds Rs. 1,400,000 but does not exceed Rs. 1,500,000.	Rs. 79,500 +12.5% of the amount exceeding Rs. 1,400,000.
Where the taxable income exceeds Rs. 1,500,000 but does not exceed Rs. 1,800,000	Rs. 92,000 +15% of the amount exceeding Rs. 1,500,000.
Where the taxable income exceeds Rs. 1,800,000 but does not exceed 2,500,000	Rs. 137,000 + 17.5% of the amount exceeding Rs. 1,800,000
Where the taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 3,000,000	Rs. 259,500 + 20% of the amount exceeding Rs. 2,500,000.
Where the taxable income exceeds Rs. 3,000,000 but does not exceed 3,500,000	Rs. 359,500 +22.5% of the amount exceeding Rs. 3,000,000.
Where the taxable income exceeds Rs. 3,500,000 but does not exceed Rs. 4,000,000.	Rs. 472,000 +25% of the amount exceeding Rs. 3,500,000.
Where the taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 7,000,000.	Rs. 597,000 + 27.5% of the amount exceeding Rs. 4,000,000.
Where the taxable income exceeds Rs. 7,000,000	Rs. 1,422,000 + 30% of the amount exceeding Rs. 7,000,000

N. Tax Treaties

- Are there any applicable tax treaties?

Yes, Pakistan has entered into multiple double taxation treaties.

- Are there any rules against treaty-shopping?

No.

O. Territoriality Rules

- Where is the individual subject to tax?
- Is the individual subject to tax on his/her worldwide income?

A resident of Pakistan is liable to tax in Pakistan for his/her/ worldwide income unless they have paid taxes elsewhere in which case tax credit for such taxes paid may be availed by the resident under the ITO.

P. Wealth Tax

- Is the individual subject to tax based upon his/her wealth?
- If so, what are the rates?
- Are there any allowances available?
- What are the payment and filing requirements?

There is no wealth tax payable under the laws of Pakistan.

Q. Withholding Tax

- Is salary subject to a withholding tax at the source?

Yes. Every person paying salary to an employee shall, at the time of payment, deduct tax from the amount paid at the employees average rate of tax computed at the rates specified in Division I of Part I of the First Schedule ITO 2001 on the estimated income of the employee chargeable under the head Salary for the tax year in which the payment is made.

- What is the treatment of residents as compared to non-residents?

The global income of every resident person is subject to tax in Pakistan. Only Pakistan-source income of non-residents is subject to tax in Pakistan.

XIV. Tax On Other Legal Bodies

A. Allowances

- What are the major allowances (e.g. capital cost depreciation)?
- What are the major deductible items?
- What are the major expenses that are excluded from deductibility?

Please refer to our responses to Part XII above.

XVI. Immigration Requirements

A. Immigration Controls

- Are there immigration quotas?
- Are vaccinations required?
- Are medical certificates required?
- Are entry permits required?
- If so, must you apply for an entry permit before entering the country?
- Are exit permits required?
- Are re-entry permits required?

Generally there are no barriers to enter Pakistan other than the requirement to have a valid visa as discussed below. However the Federal Government does at times and based on the circumstances impose restrictions on certain travelers e.g. travelers from several African countries are required to present medical certificates or proof of vaccination.

B. Immigration Requirements/Formalities

- Is a residence permit required?
- If so, does the investor have to apply for one before entering the country?
- What information must be supplied to the immigration authorities?
- How long does it take to receive authorization?

Other than as discussed below there are no residence permits in Pakistan.

C. Visas

- Is a visa required for travel or stay in the country?
- If so, for how long is the visa valid?
- How does the investor apply for a visa?
- What documents are required?
- How long does it take to receive a visa?
- What fees are involved?

A. Visa Requirements

A visa is required for individuals who are not citizens of Pakistan and wish to travel to Pakistan.

The general visa policy issued by the Ministry of Interior applies to granting visas to foreigners (other than Indian nationals, whose cases are dealt with by the Immigration Passport and Nationality (**IP&N**) wing of the Ministry of Interior).

Foreign nationals can only apply for Pakistan visas from their country of origin or from their place of legal permanent residence. The relevant Pakistani Ambassador/High Commissioner/Head of Mission/Consulate will determine these requests.

The period of stay indicated in a visa should not exceed three months in any case unless specified otherwise. A foreigner can enter Pakistan at any time within the period of validity of the visa. The period of his stay will begin from the date of his arrival and is governed by a residential permit issued by the Immigration Police at the time of his registration, and not by his visa.

1. Types and categories of visa

Generally there are three categories of visas, namely;

(a) single journey visa;
(b) transit visa; and
(c) multiple journey visa.

A transit visa may be a single journey or a multiple journey visa. A single journey transit visa may be granted without obtaining clearance from the Directorate General of Immigration and Passport provided that:

- the onward journey of the applicant is reasonably assured. If it is not reasonably possible to arrange for such a journey in advance, the applicant must genuinely intend to proceed to another destination; or
- the applicant's documents for the country of destination and countries *en route* are in order.

A transit visa for multiple journeys is granted with prior reference to the Directorate General of Immigration & Passport.

A multiple journey visa may be granted in the following categories:

- *bona fide* businessmen belonging to one of the 66 countries business visa list, with the approval of Director General Immigration & Passport of the Ministry of Interior, Islamabad, may be granted a multiple entry visa with five years validity, with the duration of each stay being restricted for three months, on production of any of the following documents:

    - Recommendation letter from the Chamber of Commerce & Industry of the respective country of the applicant;
    - Invitation letter from a business organization duly recommended by the concerned Trade Organization/Association, in Pakistan;
    - Recommendatory letter by Honorary Investment Counsellors of BOI; or
    - Recommendatory letter from Pakistani Commercial Attaché posted in Pakistan High Commissions/Embassies/Consulates General/Missions abroad.

- British Nationals with deserving cases, with unlimited entries, with the prior approval of the Ministry of Interior; and

- all foreign nationals of Pakistan origin up to one year, which may be extended by a Regional Passport Office in Pakistan for one year with multiple entries and upto 5 years without entries, subject to the validity of their passport.

With a view to encourage investment and promote trade, Pakistan's visa policy has been liberalized for the 66 countries on the business visa list. The salient features of the new policy are:

- businessmen and investors from the listed countries with substantial investment in Pakistan can be granted a five-year multiple entry visa;
- businessmen from the listed countries who want to establish business offices in Pakistan can be issued a multiple entry visa for one year, on the recommendation of the embassies/missions of their countries in Pakistan;
- businessmen/investors from any of the listed countries, where there is no Pakistan embassy, will also be allowed 30 days landing permission on arrival at Pakistan airport, upon production of any of the documents listed above; and
- Pakistani industrialists/businessmen interested in inviting foreign entrepreneurs for the promotion of trade and industrial cooperation would be allowed to issue visa facilities through the Chambers of Commerce and Industry in Lahore, Karachi,

Peshawar, Quetta, Islamabad and the Federation of Pakistan Chamber of Commerce and Industry. This applies to foreign entrepreneurs from countries other than the ones listed below.

a. Student visa

A study visa may be issued by a Pakistan Mission abroad to foreign students seeking admission in institutions in Pakistan, after clearance from the Economic Affairs Division/Ministry of Interior, the Ministry of Education, the Ministry of Health and the foreign mission in Pakistan of the respective country and the required security clearance.

b. Work visa

Work visas will be issued to foreign technical and managerial personnel for the purpose of imparting technical know-how and skills to the local population, within a maximum time of four weeks after the receipt of a request along with the requisite documentation by their employer company, for a validity of one year, extendable on a yearly basis.

A multiple entry visa valid for five years will be issued to foreign investors and expatriate employees, on submission of the requisite documentation. Businessmen belonging to any of the 66 countries on the business visa list, on the production of requisite documents, will be granted a visa on arrival having a validity period of 30 days. Where a multiple entry visa is granted, the number of entries will not be restricted to any specified limit.

In relation to projects on power, petroleum exploration, communications, *etc.*, the relevant agency, or the management of such projects, will identify the requirement of expatriate personnel. Accordingly, the Ministry of Industry would issue visas subject to supporting documents of the expatriate personnel being furnished to the Ministry.

For the purposes of changing the category of the visa of foreign national employees/investors from a business visa, the exit requirement is withdrawn. Ministry of Interior will now process such requests on receiving verification from BOI.

2. Visa applications

Applications for visas for Pakistan must be made on a prescribed form and must be completed in full.

The following documents should be submitted to obtain visas:

a. a valid passport;
b. certificate of immunization;
c. health declaration;
d. proof of financial sources; and
e. proof that the foreigner has no past criminal record.

Depending on the type of the visa, additional documents are required, such as:

a. a valid return ticket in the case of an application for a tourist visa;
b. for an application for a business visa, proof of the foreigner's business contract, such as a letter from the sponsor;
c. for an employment/work visa, proof that the foreigner is employed based on a work contract which has already been approved by the relevant regulatory authorities if required; and
d. In some cases copies of the academic or professional status of the foreigner.

4. Exemption from visa

In the case of a foreign national of Pakistan origin who has dual nationality and who desires to travel to Pakistan on the passport of the foreign country, provided that that country has a dual nationality agreement with Pakistan, a stamp would be affixed on his foreign passport. This stamp would enable the holder to enter and stay in Pakistan for the duration of the period of validity of that passport.

Pakistan has dual nationality agreements with the following countries: Australia, Belgium, Canada, Egypt, France, Iceland, Italy, Jordan, Netherlands, New Zealand, Switzerland, Syria, and the United Kingdom.

In order to extend travel to the children of British nationals of Pakistan origin, a stamp would be affixed on the passport of such British nationals of Pakistan-origin who are born in the United Kingdom. The father of the holder of this passport must be registered with the British Home Office as a citizen of the United Kingdom and hold a British passport.

Commonwealth naval, military and air force personnel (excluding those of India) holding documents of identity and movement orders do not require a visa.

Foreign seamen travelling on the ships in which they work and who hold seamen's identity papers do not require a visa, including those travelling by air to join their ships at a

Pakistan port. The shipping companies concerned must guarantee to transport the seamen at their own cost, should they fail to leave by the ship they intended to join. They must, however, obtain landing permits from the Immigration Police at the sea/air ports.

5. Entry into Pakistan

Without a visa Pakistan has visa abolition agreements with 38 countries. The foreigners holding diplomatic, official and ordinary passport holders of the following countries can enter Pakistan without a visa for the period mentioned against each country. After period has expired, an extension visa would be required through the Ministry of Interior.

Brazil	Diplomatic Passport Holders
Germany	Diplomatic Passport Holders
Hellenic	Diplomatic Passport Holders
Republic Mexico	Diplomatic Passport Holders
Philippines	Diplomatic Passport Holders
Tajikistan	Diplomatic Passport Holders
Belgium	Diplomatic Passport Holders
Luxemburg	Diplomatic Passport Holders
Netherlands	Diplomatic Passport Holders
Algeria	Diplomatic Passport Holders
Argentina	Diplomatic Passport Holders
Austria	Diplomatic Passport Holders
Azerbaijan	Diplomatic Passport Holders
China (and Hong Kong)	Diplomatic Passport Holders
Czech	Diplomatic Passport Holders
Denmark	Diplomatic Passport Holders
Finland	Diplomatic Passport Holders
Iran	Diplomatic Passport Holders
Kazakhstan	Diplomatic Passport Holders
Kyrgyz	Diplomatic Passport Holders
Morocco	Diplomatic Passport Holders
Norway	Diplomatic Passport Holders
Romania	Diplomatic Passport Holders
Russian	Diplomatic Passport Holders
Federation	Diplomatic Passport Holders
South Korea	Diplomatic Passport Holders
Tunisia	Diplomatic Passport Holders

Turkey	Diplomatic Passport Holders
Yugoslavia	Diplomatic Passport Holders
Iceland	All nationals of the country
Maldives	All nationals of the country
Nepal	All nationals of the country
Tobago	All nationals of the country
Tonga	All nationals of the country
Trinidad	All nationals of the country
Western	All nationals of the country
Samoa	All nationals of the country
Zambia	All nationals of the country

XVII. Expatriate Employees

A. Cost of Living and Immigration

- How does the cost of living compare to that in the investor's home country?
- What is the rate of inflation?

Depends upon the economic conditions of the country of residence.

Core Inflation Rate in Pakistan increased 5.30 percent in November of 2016 over the same month in the previous year. Core Inflation Rate in Pakistan averaged 7.85 percent from 2010 until 2016, reaching an all time high of 11.40 percent in June of 2012 and a record low of 3.40 percent in September of 2015.

B. Drivers' Licenses

- Must the investor obtain a driver's license for that country?
- How does the investor obtain a driver's license?
- What fees are involved?
- Is an examination, either practical or written, required?

It is mandatory to obtain a driver’s license in order to drive on the roads of Pakistan. To obtain a Pakistani driving license, the applicant needs to submit an application in the prescribed form along with photocopies of the applicant’s home country driver’s license. The applicant needs to submit the application in person and needs to take his/her passport with him/her when submitting the application.

Candidates have to pass through a series of tests. Phase 1 requires the candidate to pass a computerized written test, followed by road signs test. If the candidate fails in any of the phase 1 tests, the candidate may retake the phase 1 tests after a period of 42 days. At least 80% of the answers have to be correct in order to pass the tests in phase 1. Upon successful completion of the tests in Phase 1, the candidate has to undertake a practical test in which the candidate's driving abilities are put to the test (by requiring the candidate to drive and park in narrow spaces for instance). If the candidate fails the practical test, he/she may retake the test after 42 days. The Fees will vary the type of license the person wants to obtain.

C. Education

- What types of schools are available for the investor's family?
- What fees are involved?
- What is required for enrollment?
- Can the investor or company receive a tax benefit?

There are both private and public schools in which the investor's children can enroll in.

The fee will depend on the institution that the child seeks to enroll in. Most schools have a security deposit, taken at time of admission, in addition to the quarterly or monthly fee.

Depending on the grade, in which the child seeks enrollment, the former school's report card is required. In addition to this, there is normally an entrance test that is taken to determine which grade is most suited to the child's abilities.

D. Housing

- What type of housing is available for the investor?
- Can the investor own property?
- Must the investor have housing before entering the country?
- Can the investor subsidize housing and receive a tax benefit?

The are no housing restrictions on investors. The investor can get in touch with a real estate agent and specify the locality and the type of house (bungalow or apartment) in which he desires to live in.

E. Importing Personal Possessions

- How can the investor import personal belongings?
- Are import duties payable?
- Are there requirements for clearing the belongings through customs?

The investor may import personal belongings through a courier service, postal service, or pay extra for excess luggage on the plane.

F. Medical Care

- What level of medical care is available?
- Is there national health care?

Adequate basic non-emergency medical care is available in major Pakistani cities, but is limited in rural areas. Facilities in the cities vary in level and range of services, resources, and cleanliness. Private hospitals are generally superior to government hospitals however they are also a lot more expensive.

National health care is available in the country, but is limited to certain programmes, such as neo-natal, child health, HIV, polio, and tuberculosis.

G. Moving Costs

- What costs are involved in moving?
- Can the investor receive any tax allowances?

The costs of moving vary from investor to investor, depending on where the investor moves to and from.

H. Tax Liability

- What is the expatriate's tax liability? (See also Section XIII)
- What are the allowances?

- Are there any applicable tax treaties?

  Yes, there are treaties such as Double Taxation Treaties, entered into with some countries, which allow for a tax credit to be obtained as a balance of the total tax to be paid by the individual whose income is being generated in a country other than his country of nationality.

I. Work Contracts

- Does the investor need a work contract to work in the country?
- If so, does the contract have to be for a certain duration, for the performance of a specific job or for a specific position?
- Does the contract have to be with a national or resident of the country or related state?

  The investor does not need a written contract.

J. Work Permits

- Does the investor need a work permit to work in the country?
- How and where does the investor apply for the permit?
- What documents are required?
- What fees are involved?
- How long does it take to receive the permit?
- For how long is the permit valid?

  Yes, the work visa, which doubles as a permit may be needed, if one desires to work in the country.

  A committee under the chairmanship of Secretary, Ministry of Investment / Board of Investment, periodically considers and decides the cases of grant or extension of Work Visas and the conversion of Business Visas to Work Visas.

  The following documents are required to apply for work visa:

  1. Company's covering letter stating the period of visa required and other necessary details.
  2. Visa Application form (along-with latest color picture).

3. Passport consisting of three pages i.e. information, entry and last visa page.
4. Employment terms.
5. Company's registration certificate.
6. Confirmation / guarantee of the credentials of the expatriate by the company on their letter head.
7. Company profile.
8. Original / proof of work visa processing fee. The amount shall be deposited in the Board of Investment Account being maintained with National Bank of Pakistan, Main Branch, Civic Centre, Islamabad.

There is no prescribed time within which such applications are processed.