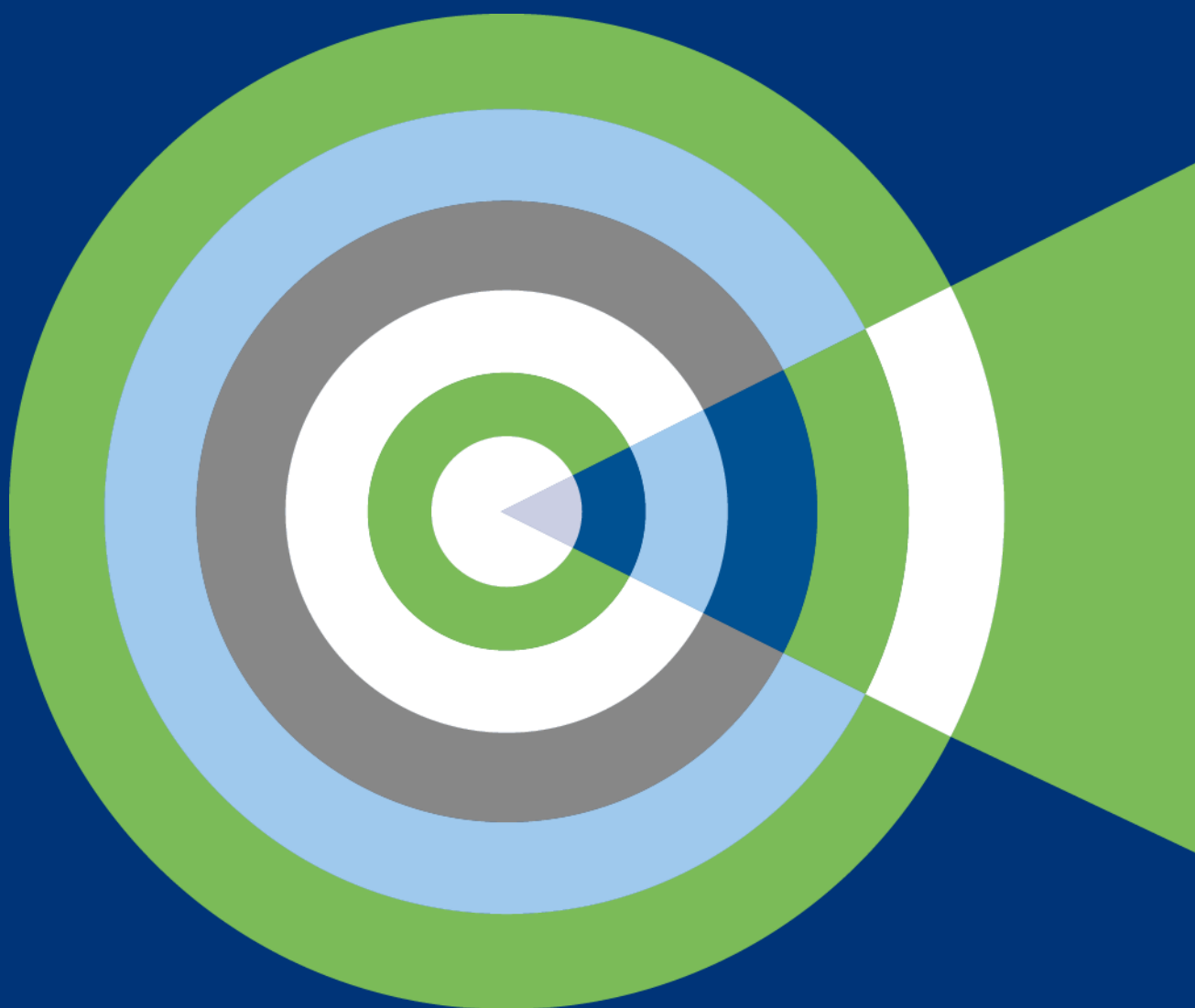


DOING BUSINESS

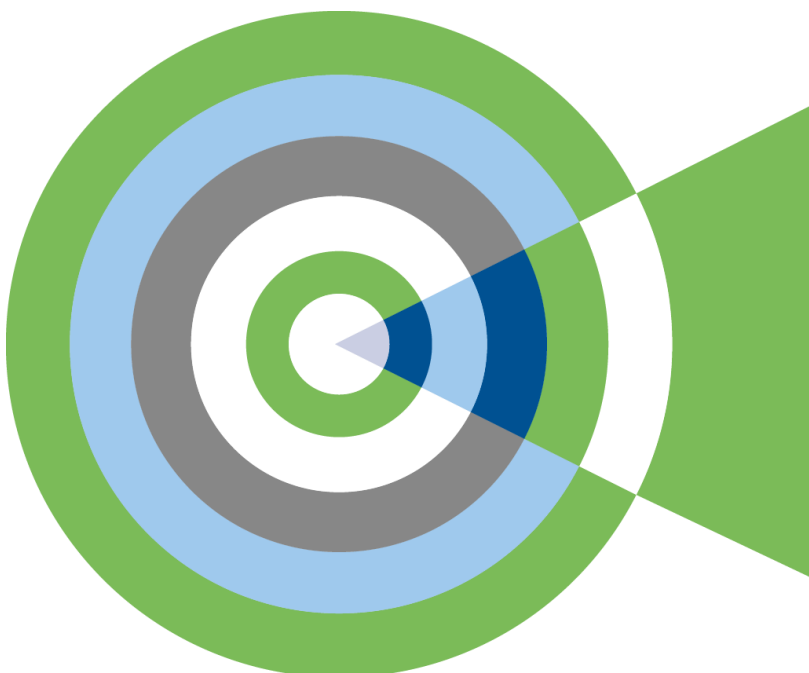
IN PAKISTAN



The network
for doing
business

CONTENTS

1 – Introduction	....	3
2 – Business environment	....	4
3 – Foreign Investment	....	10
4 – Setting up a Business	....	13
5 – Labour	....	18
6 – Taxation	....	22
7 – Accounting & reporting	....	36
8 – UHY Representation in Pakistan	....	37



1 – INTRODUCTION

UHY is an international organisation providing audit, accountancy, business management and consultancy services through financial business centres in over 100 countries worldwide.

Business partners work together throughout the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering a business operation in Pakistan has been provided by the office of UHY's representative there:

NAEEM AKHTAR SHEIKH, FCA

UHY HASSAN NAEEM & CO.

Chartered Accountants

Lahore Office

193 (A)-Shah Jamal

Lahore - 54660

Pakistan

Phone +92 (42) 35403550, 51,88

Website www.uhy-hnco.com

Email info@uhy-hnco.com

You are welcome to contact Naeem Akhtar Sheikh (sheikhnaeem@uhy-hnco.com) for any queries you may have.

Information in the following pages has been updated so that it is effective at the date shown, but inevitably it is both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at June 2021.

We look forward to helping you do business in Pakistan.

UHY Hassan Naeem & Co. (the 'Firm') is a member of Urbach Hacker Young International Limited, a UK company, and forms part of the international UHY network of legally independent accounting and consulting firms. UHY is the brand name for the UHY international network. The services described herein are provided by the Firm and not by UHY or any other member firm of UHY. Neither UHY nor any member of UHY has any liability for services provided by other members.

2 – BUSINESS ENVIRONMENT

CONSTITUTION AND LEGAL SYSTEM

Pakistan is a federal republic with four provinces, a capital territory (Islamabad) and territory consisting of tribal areas. Pakistan also administers Azad Kashmir and the Northern Areas.

The constitution of the Islamic Republic of Pakistan of 1973 provides for a parliamentary form of government. The prime minister is the 'head of government and is elected by the National Assembly. The president is the head of the federation and is collectively elected by the National Assembly, the Senate and the Provincial Assemblies. The National Assembly and Senate are the legislator institutions.

Pakistan's legal system is based on English common law as adapted to the needs of an Islamic state with a few modifications. The High Court and Supreme Court of Pakistan are the highest forums of judiciary at provincial and national level, respectively. Additionally, the Shariah court is responsible for ensuring that the country's laws are as per Islamic injunctions.

GEOGRAPHICAL LOCATION

Pakistan covers an area approximately 796,095 kilometres square, equal to the land areas of France and the United Kingdom combined.

Pakistan has a 1,046 km coastline along the Arabian Sea and the Gulf of Oman in the south and land borders of 6,774 km in total (2,430 km with Afghanistan, 523 km with China, and 2,912 km with India and 909 km with Iran). The country shares a marine border with Oman, and is separated from Tajikistan by the cold, narrow Wakhan Corridor.

Pakistan occupies a geopolitically important location at the crossroads of South Asia, the Middle East and Central Asia.

THE DOMESTIC MARKET

POPULATION

Pakistan has a multicultural and multi-ethnic society. Pakistan is the fifth most populous country in the world, behind Indonesia and ahead of Brazil. Pakistan has a current population of approximately 225.19 million in 2021, with a growth rate of 2.03%.

The majority of southern Pakistan's population lives along the Indus River; in the north, most of the people are concentrated in the cities of Faisalabad, Lahore, Rawalpindi, Islamabad and Peshawar.

Karachi is the capital of the Sindh province and the largest city in Pakistan. By virtue of being a sea-port, it is the financial and commercial centre of Pakistan. With an estimated population of over 16 million, Karachi is also the eleventh most populous city in the world.

96% of the country's population is Muslim, making Pakistan the second largest Muslim country in the world and an important member of the Organisation of the Islamic Conference (OIC). Hinduism and Christianity form the leading minority religions; other religious groups include Sikhs, Parsees and a small number of Buddhists. The constitution defines Pakistan as an Islamic republic and the freedom of other religions is guaranteed by the constitution.

INTERNATIONAL TIME

The international time of Pakistan is Greenwich Mean Time + 5.

LANGUAGE

English is the official language of Pakistan and is extensively used by educated people. The national language of Pakistan is Urdu. Punjabi is the most widely spoken language, followed by Sindhi, Pashto, Saraiki and Baluchi respectively.

CURRENCY

The currency of Pakistan is the rupee and the acronym used for the currency is PKR.

THE ECONOMY

Pakistan has a semi-industrialized economy, which mainly encompasses textiles, chemicals, food processing, agriculture and other industries.

The World Bank Group flagship report 'Doing Business 2020' ranked Pakistan 108 among 190 countries around the globe. The top five countries are New Zealand, Singapore, Hong Kong, Denmark, and Korea. In South Asia, Pakistan rank is 5th after Sri Lanka in ease of doing business.

Pakistan's economy had volatile growth pattern over the years, with regular boom and bust cycles facing challenges in achieving long-term and inclusive growth. Unsustainable economic growth was caused by unaddressed long-standing structural issues for example, loss-making State-Owned Enterprises (SOEs), weak external position due to insufficient export capacity and low FDI, under-reformed energy sector, low savings and investment. In the backdrop of these challenges, the present government focused on an economic vision of getting sustainable economic growth through improving efficiency, reducing cost of doing business, improving regulatory environment, enhancing productivity and increasing investment.

Even before the COVID-19 pandemic hit Pakistan's economy, the government started implementing decisive and far-reaching reforms in every sector of the economy. The reforms started to address the economic imbalances and laid the foundation for improved economic performance in terms of strengthened fiscal and external accounts, exchange rate stability and improved investor's confidence. The impact of the government's timely and appropriate measures is visible in the form of a V-shaped economic recovery on the back of broad-based growth across all sectors.

The provisional GDP growth rate for FY2021 is estimated at 3.94 percent, higher than the targeted growth of 2.1 percent, for the outgoing fiscal year.

In the year 2020-21, the agriculture sector grew by 2.8 percent. The industrial sector accelerated by 3.6 percent compared to 3.8 percent decline in last year. Large scale manufacturing registered a growth of 8.99 percent during the first nine month of the Year 2021 compared to 5.1 percent decline during the same period last year. The services sector grew by 4.4 percent compared to 0.6 percent decline last year. The commodity producing sector on the whole grew by 4.84 percent as compared to 3.79 percent last year. Fig-1 and Fig 2 provides an overview of GDP growth over the previous years.

FIGURE 1

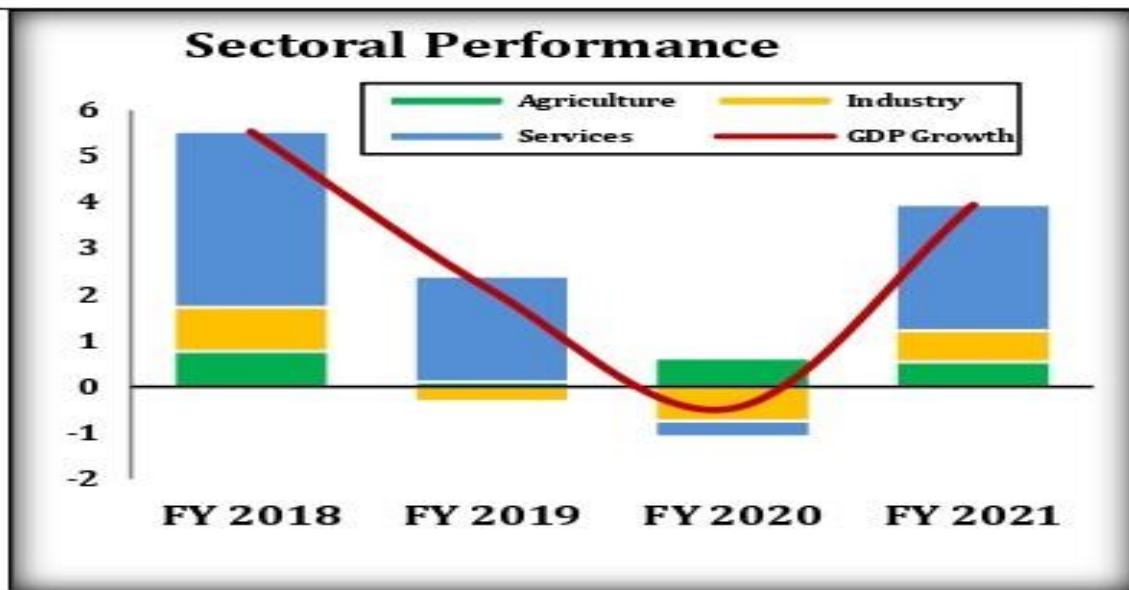


FIGURE 2



The growth performance of all specified components of GDP over the last six years is presented in table 1. This data indicates the relative importance of various sectors and sub-sectors and their relationship.

TABLE 1

S.	Sector/Industry	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
No					(F)	(R)	(P)
A.	Agricultural Sector (1 to 4)	0.15	2.18	4.00	0.56	3.31	2.77
	<u>1. Crops (i+ii+iii)</u>	- 5.27	1.22	4.69	-4.96	5.54	2.47
	i) Important Crops	- 5.86	2.60	3.56	-7.69	5.24	4.65
	ii) Other Crops	0.40	-2.51	6.26	2.60	8.08	1.41
	iii) Cotton Ginning	- 22.1 2	5.58	8.80	-12.74	-4.82	-15.58
	2. Livestock	3.36	2.99	3.70	3.82	2.10	3.06
	3. Forestry	14.3 1	-2.33	2.58	7.28	3.60	1.42
	4. Fishing	3.25	1.23	1.62	0.80	0.60	0.73
B.	Industrial Sector (1 to 4)	5.69	4.55	4.61	-1.56	-3.77	3.57
	1. Mining and Quarrying	6.19	-0.60	7.80	1.20	-8.28	-6.49
	<u>2. Manufacturing (i+ii+iii)</u>	3.69	5.83	5.43	-0.69	-7.39	8.71
	i) Large Scale	2.98	5.64	5.12	-2.60	-10.12	9.29
	ii) Small Scale	8.19	8.15	8.17	8.24	1.50	8.31
	iii) Slaughtering	3.61	3.55	3.50	3.54	4.05	3.89
	3 Electricity generation & distribution and Gas distribution	9.39	-2.69	- 17.21	13.57	22.40	-22.96
	4. Construction	13.6 8	8.95	10.83	-15.50	5.46	8.34
	Commodity Producing Sectors(A+B)	2.92	3.40	4.31	-0.54	-0.33	3.17
C.	Services Sectors (1 to 6)	5.72	6.47	6.35	3.79	-0.55	4.43
	1. Wholesale & Retail trade	4.73	7.48	6.57	1.08	-3.94	8.37
	2. Transport, Storage & Communication	4.89	4.27	1.90	4.64	-3.80	-0.61
	3. Finance & Insurance	6.42	11.1 2	7.40	4.51	1.13	7.84

	4. Housing Services (OD)	3.99	3.99	3.99	4.00	4.01	4.01
	5. General Government Services	9.72	5.95	11.80	5.17	1.02	2.20
	6. Other Private Services	6.77	8.13	8.86	6.17	4.56	4.64
D.	GDP Growth Rate	4.56	5.22	5.53	2.08	-0.47	3.94

F: Final**R: Revised****P: Provisional****Source: Pakistan Bureau of Statistics**

The Government of Pakistan has offered generous tax exemptions to transmission line projects and other Manufacturing Industrial Undertakings. Certain tax exemptions have been granted to electric vehicles manufacturers to promote local manufacturing in Pakistan. Some incentives have been granted to technology companies wishing to do business in Pakistan and the same includes zero duties on computer imports.

Major exports are textiles (garments, cotton cloth and yarn), rice, leather, sports goods, and carpets and rugs. The United States of America, China, United Arab Emirates, United Kingdom, Afghanistan and Germany are the main export partners.

Major import commodities are petroleum, petroleum products, machinery, chemicals, transportation equipment, edible oils, pulses, iron and steel, and plastics. The major import partners are China, United Arab Emirates, Saudi Arabia, Japan and Singapore.

Cotton, wheat, rice and sugarcane are Pakistan's main crops while the main industries of the country are textiles, telecommunications, cement, power, commercial and investment banking, oil and gas, agro-based produce, sports goods, surgical goods, leather and leather goods, and cutlery.

Karachi, Lahore, Islamabad, Rawalpindi, Faisalabad, Hyderabad, Gujranwala, Multan and Sialkot are the country's key business centres. Karachi and Gwadar have sea ports while Lahore, Rawalpindi, Sialkot, Hyderabad, Multan, Faisalabad, Peshawar and Quetta have dry ports. Islamabad, Karachi, Lahore, Peshawar, Quetta and Sialkot have international airports.

The latest statistics regarding Pakistan's economy are shown in the table below.

TABLE 3*Economic data***INDICATORS**

GDP	USD 264 billion (2020)
GDP growth	3.94 %
GDP per capita	USD 1,194 (2020)
Inflation (CPI)	7.97 % (December 2020)
Labour force	65.50 million (2018)
Labour force by occupation	Agriculture 38.5%, Services 37.8%, Industry 23.7% (2017-18)
Unemployment	5.8% (2018)

Main industries	Textiles and apparel, Food processing, Pharmaceuticals, Construction materials, Chemicals, Cement, Mining, Machinery, Steel, Engineering, Software and hardware, Motorcycle and auto parts, Electronics, Paper products, Fertiliser, Shrimp
Ease of doing business rank	108 th (2020)

3 – FOREIGN INVESTMENT

Foreign investments have played a critical role in Pakistan's economic development since the first years of independence.

Since 1954, the government has tried to attract foreign investment to maintain economic development, provide specialised technical knowledge and bring in much-needed foreign exchange.

Incentives for private investment include guarantees for the repatriation of capital invested in approved industries, facilities for remittance of profits and guarantees for equitable compensation in the event of nationalisation of an industry. In addition, special tax concessions available to certain local industries are also available to foreign investors.

Since the late 1980s, a series of regulatory reforms related to exchange controls, repatriation of profits and credit for foreign-owned firms, issuing of equity shares, foreign currency accounts and transactions on the stock exchange have significantly reduced the restrictions on general foreign investor activity in the wider Pakistani economy.

FOREIGN DIRECT INVESTMENT (FDI)

Foreign Direct Investment (FDI) in Pakistan stood at \$ 2,561.2 million during 2019-20 as against \$ 1,362.4 million last year. (Source: <https://invest.gov.pk/statistics>)

This is an increase of 88 percent. Power, Construction, Oil & Gas Exploration, Financial services, Communication, Transport and Chemicals remained the major sector for foreign investors.

Due to better policies and initiatives of present Government, Pakistan is becoming a favourite destination for investors and investment climate is improving on fast track. China Pakistan Economic Corridor (CPEC) is a mega development initiative. This is the biggest overseas investment by China announced so far and under this program, an investment over \$ 52 billion is being made on various infrastructure and power generation projects. The corridor will be a strategic game changer in the region and would go a long way in making Pakistan a richer and stronger entity. The investment on the corridor will transform Pakistan into a regional economic hub. The corridor will be a confidence booster for investors and attract investment not only from China but other parts of the world as well.

INVESTMENT PACKAGE

Foreign investment in Pakistan enjoys full protection and repatriation facilities. The Foreign Private Investment (Promotion and Protection) Act 1976 provides guarantees for repatriation of foreign investment to the extent of the original investment, profits earned on such investment and appreciation of capital.

TABLE 4
Foreign investment

POLICY PARAMETERS	MANUFACTURING SECTOR	AGRICULTURE	INFRA-STRUCTURE & SOCIAL	SERVICES, INCL. IT & TELECOMS
Government permission	Not required except for specified industries *	Not required except for specific licences from concerned agencies		
Remittance of capital, profits, dividends, etc.	Allowed	Allowed	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%	25%	25%
Royalty & technical fees	No restriction for payment of royalty & technical fees	Allowed as per the guidelines: initial lump sum up to USD 100,000, max rate 5% of net sales, initial period five years		

PME = Plant, machinery and equipment

IDA= Initial depreciation allowance

* Specified Industries are:

- Arms and ammunitions
- High explosives
- Radioactive substances
- Security printing, currency and mint.

No new units for the manufacturing of alcohol, except, industrial alcohol

MAJOR INCENTIVES FOR INVESTMENT IN PAKISTAN

There are many reasons for foreigners to invest in Pakistan, including the following:

- Abundant land and natural resources
 - Extensive agricultural land
 - Crop production (wheat, cotton, rice, fruits and vegetables)
 - Mineral reserves (coal, crude oil, natural gas, copper, iron ore, gypsum, etc.)
 - Fisheries and livestock production
- Strong human resources
 - English-speaking workforce
 - Cost-effective managers and technical workers
- Large and growing domestic market
 - A growing middle-class moving to sophisticated consumption habits

- Well-established infrastructure and legal system
 - Comprehensive road, rail and sea links
 - Good quality telecommunications and IT services
 - Modern company law
 - Long-standing corporate culture
- Strategic location as a regional hub
 - Principal gateway to the Central Asia Republics
 - Strong and long-standing links with the Middle East and South Asia
- Comprehensive duty-free facilities for investors.

INVESTMENT OPPORTUNITIES

There are good investment opportunities in the following sectors of Pakistan's economy:

- Oil & gas
- Energy and power
- Alternative energy
- IT projects
- Telecommunications
- Agriculture & agro-based projects
- Housing and construction
- Infrastructure
- Health projects
- Mining & minerals
- Services sector
- Automotive sector
- Leisure & hospitality
- Tourism projects

Direct investment may take the form of a foreign-controlled company or a branch of a foreign company with specific assets assigned to it. The purchase of securities through the stock exchanges as a financial investment is usual where control or participation in the company's management is not the aim.

4 – SETTING UP A BUSINESS

LICENCE REQUIREMENTS

SPECIALISED BUSINESSES

In Pakistan, certain businesses have been declared specialised and in addition to corporate and tax requirements, a specific licence is required to commence such businesses. These businesses are banking companies, non-banking finance companies, security service provision companies, corporate brokerage houses, money exchange companies, a company which invests in arms and ammunition, security printing, currency and mint, and companies dealing with high explosives and radioactive substances.

Certain conditions e.g. as to minimum capital, qualification of directors, corporate structure and area of operations etc. are required to be complied for a company to obtain the proper licences. However, the conditions for granting of the licence may vary from business to business.

GENERAL BUSINESSES

For other businesses, some procedural approvals etc. may be required but no specific licence is necessary.

BUSINESS ORGANISATIONS

After complying with the requirements for a licence, a business can be established in any of the following forms set out below.

SOLE PROPRIETORSHIP

An individual may set up the business as a sole proprietor without any registration except with income tax and sales tax authorities.

PARTNERSHIP FIRM

A partnership firm can be established by executing a partnership deed on a stamp paper and getting the same firm notarised by the authorised Notary Public Magistrate. The Partnership Act 1932 is the legal framework for partnership firms. The firm needs to be registered with the respective registrar of firms in the area and also needs to ensure registration with the income tax and sales tax authorities. Recently, the Government of Punjab took an initiative for online registration of partnership firms through ease of doing business website <https://register.business.punjab.gov.pk>.

LIMITED LIABILITY PARTNERSHIP (LLP)

A LLP is a relatively new business structure in Pakistan. It was introduced by Securities and Exchange Commission of Pakistan (SECP) in 2017. This move by the SECP was initiated to bridge the gap between small organisational units such as sole proprietorships and partnerships, which are most of the times unregistered. Under traditional partnership law, i.e. Partnership Act 1932, the liability of each partner is considered as unlimited. Conversely, a LLP is a separate legal entity in which the liability of each partner is limited to his/her share. The cost of forming and maintaining an LLP is higher as compared to the AOP but lower than the Private Limited Company.

COMPANIES

The Companies Act, 2017 and the Companies (General Provisions and Forms) Rules 2018 provide the legal framework for operations of companies in Pakistan and the Securities and Exchange Commission of Pakistan (the Commission) is the regulatory authority in this regard.

In Pakistan, a company may be formed with or without limited liability and the Act provides for the following categories of company:

- A company limited by shares
- A company limited by guarantee
- An unlimited company.

Companies formed in any of the above categories can further be classified into the following types:

- Public companies
- Private companies
- Not for profit organizations.
- Single member company.

FORMATION OF A COMPANY

PUBLIC COMPANY

Any three or more persons associated for any lawful purpose may, by subscribing their names to a Memorandum of Association (document which defines the objectives of the company) and complying with the registration requirements, form a public company.

There is no limit as to the maximum number of members of such a company and after complying with the prescribed requirements; it may offer its shares and other securities to the general public. The public company may have its shares and other securities listed on the stock exchange(s).

The name of every public limited company should include the word 'Limited' as the last part of the name.

PRIVATE COMPANY

A private company can be established by any two or more persons associated in such manner as specified in the case of a public company and means a company which by its articles of association (the document defining the standard operating procedures of the company):

- Restricts the right to transfer its shares, if any
- Limits the number of its members to 50, excluding the persons who are in employment of the company
- Prohibits any invitation to the public to subscribe for the shares, if any, or debentures of the company.

The name of every private company and companies limited by guarantee should respectively include the parenthesis and word 'Private' and 'Guarantee' before the last word 'Limited'.

NOT-FOR-PROFIT ORGANISATIONS

The Commission may grant a licence to a not-for-profit association for the promotion of commerce, art, science, religion, sports, social services, charity or any other useful object to be registered as a company with limited liability without the addition of the words 'Limited', '(Private) Limited' or '(Guarantee) Limited' as the case may be, to its name.

SINGLE MEMBER COMPANY

Any person may form a single member company and would file with the registrar at the time of incorporation a nomination in the form as set out in Form S1 indicating at least one individual to act as nominee director of the company in the event of his death. All the requirements for incorporation of a Private limited company shall mutatis mutandis apply to a single member company.

MODARABA

Pakistan's commitment to promote an 'interest (Riba) free' economic system was carried forward with the promulgation of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. Its primary aim was to accelerate capital formation and economic development in accordance with the tenets of Islam.

It is a distinct form of business and its general concept is that investment comes from the one partner while the management and work is the exclusive responsibility of the other, and the profits generated are shared in a predetermined ratio. The corporate formation is arranged in such a way that a management company is formed which is responsible for the management of the Modaraba and business is executed by the Modaraba itself. For all legal and practical purposes both the management company and the Modaraba are separate entities.

A management company may operate more than one Modaraba. The Modaraba pays a fee to the management company. Like shares of a company, Modaraba certificates are issued to the equity holders of the Modaraba. The certificates can also be offered to the general public. The Modaraba has established itself as a well-understood Shariah-compliant form of business and has been practised as a form of business for the last 20 years. It also enjoys certain tax benefits which are discussed in the relevant section.

FEE SCHEDULE

The schedule of fees for online registration of a company is as follows:

- For the registration of a company whose nominal share capital does not exceed PKR100,000, the fee shall be PKR 1,000
- For the registration of a company whose nominal share capital exceeds PKR 100,000, a fee of PKR 1,000 is payable, along with an additional fee determined according to the amount of nominal share capital as follows:

For every PKR 100,000 of nominal share capital or part of PKR 100,000, after the first PKR 100,000

- up to PKR 10,000,000, there is a fee of PKR 500
- For every PKR 100,000 of nominal share capital or part of PKR 100,000, after the first PKR 10,000,000 up to 5,000,000,000 there is a fee of PKR 400.
- For every 100,000 rupees of nominal share capital or part of 100,000 rupees, after the first 5,000,000,000 rupees, up to any amount a fee of PKR 150

In case of manual registration, the fees above will be doubled, provided that, for the registration of a company, the total amount of fee to be paid shall not exceed PKR 40 million in case of electronic submission & 50 million in case of physical submission.

LISTING OF COMPANIES AND SECURITIES (PUBLIC ISSUE)

Pakistan Stock Exchange Limited (PSX) is the stock exchange of Pakistan with trading floors in Karachi, Islamabad and Lahore. PSX was established on 11 January 2016 after the merger of individual stock exchanges of Karachi, Lahore and Islamabad. PSX is among the world's best performing stock markets. Between 2012 and 2017, it delivered a 26% return per annum. PSX was reclassified as a MSCI Emerging Market in May 2017. While the FTSE classifies PSX as a Secondary Emerging Market.

The Karachi Stock Exchange Limited (KSE), was Pakistan's largest and one of the oldest stock exchanges in South Asia by market capitalization, with many Pakistani consortium as well as overseas enterprises listings. Karachi Stock Exchange also listed among 10 best stock markets in the world in 2015.

According to Bloomberg, the Pakistani benchmark stock market index is the third-best performer in the world since 2009. In June 2015, Khaleej Times reported that since 2009, the Pakistani equities delivered 26 percent a year for US dollar investors, making Karachi the best-performing stock exchange in the world.

Due to the outbreak of COVID-19, the stock market slumped 37% at the end of March 2020. However, it witnessed a gradual recovery and the index increased net 3,020 points during the year 2020 and KSE-100 index increased 4000 points since the beginning of 2021.

The non-market capitalisation contributing sectors are as follows:

- Bonds
- Future contracts
- Non-equity instruments
- Stock index future contracts.

Pakistan Stock Exchange Limited PSX has drafted a booklet to help Non Resident Pakistanis (NRPs) and/or Foreign Investors (FIs) to use the said booklet as a reference document while seeking to invest in Pakistan's Equity Markets through opening a Special Convertible Rupee Accounts (SCRA) with SBP authorized dealers in Pakistan. The aforementioned draft can be accessed from the following link below.

<https://www.psx.com.pk/psx/themes/psx/uploads/InvestorAwarenessGuide.pdf>

The stock exchange regulations provide for certain reporting and other requirements. Some important regulations are in respect of the notice of board and shareholders' meetings, approval for the date of an annual general meeting of the company, reporting of the results and announcements of the dividends, payment of dividends at least once in five years and the code of corporate governance. The code is a comprehensive set of rules for ensuring transparency and good governance in the management of the company. For an application to the Commission seeking approval to issue, circulate and publish the prospectus for public offer, a non-refundable processing fee amounting to PKR 25,000 is payable.

FOREIGN INVESTORS IN PAKISTAN

A foreign investor may establish an independent business with any of the above-mentioned corporate structures. He/she can establish a sole proprietorship, can enter into partnership with any local person or foreigner and can even establish a company with or without participation of local shareholder(s) and director(s). For a company having foreign subscribers/officers who are Afghan or Indian national or have Afghan or Indian Origin, it will be incorporated only after the security clearance from Ministry of Interior (Moi).

If a foreign enterprise wishes to establish a business in Pakistan as a part of its international operations, in addition to the aforementioned corporate structures, it can obtain registration with the Board of Investment – Government of Pakistan (the Board) for the opening of a branch office, marketing office or liaison office. The Companies Act 2017 imposes certain restrictions on the operations of the enterprise. Further in accordance with Companies (Incorporation) Regulations 2017, if the subscriber is a foreign company, additional information is required by the registrar

The following plans and tax incentives are available to both investors and listed companies.

FOREIGN INVESTOR - SPECIFIC:

The foreign investors are freely allowed to operate in the capital market without any retention period. There are no restrictions on the extent of foreign ownership stake and also no limit for holding the shares for trading purposes. Funds invested in the capital market are freely transferable along with dividend income. Foreign investors are treated at par with local investors in tax treatment. However, the foreign investors are required to get themselves registered with State bank of Pakistan for the availability of above regime.

5 – LABOUR

LABOUR POLICY

The Labour policy issued by the Government of Pakistan lays down the parameters for the growth of trade unionism, the protection of workers' rights, the settlement of industrial disputes and the redress of workers' grievances.

The policy also provides for the compliance with international labour standards ratified by Pakistan. At present, the Labour policy approved in 2010 is in force.

CHILD LABOUR

Awareness of this problem provided the basis for the enactment of the Employment of Children Act 1991 in Pakistan, which has been followed by a number of administrative and other initiatives to address the issue of child labour effectively. The Constitution also protects the rights of children and states:

'No child below the age of fourteen shall be engaged in any factory or mine or in any other hazardous employment. All forms of forced labour and traffic in human beings are prohibited.'

The Government shall take legal as well as other measures to regulate and control the employment of children in certain occupations and processes considered hazardous and injurious to their health.

MINIMUM WAGE

The minimum wage rate for unskilled & juvenile (14 years to 17 years) workers is Rs.20, 000 per month in the province of Punjab and Islamabad Capital Territory, Rs. 17,500 in Balochistan and Khyber Pakhtunkhwa and Rs. 25,000 in the province of Sindh. These minimum wage rates are applicable from 01 July 2021.

EMPLOYEES' SOCIAL SECURITY ORDINANCE 1965

An Employees Social Security scheme was introduced in Pakistan under the provisions of the Provincial Employees Social Security Ordinance 1965. The main objective is to provide comprehensive medical cover to the secured workers and their family members including parents and to provide financial assistance in case of sickness and employment injuries.

The Social Security scheme is implemented on the basis of the contributory principle. The main source of income is the Social Security Contribution, which is collected from the employer at the rates specified by Section 20 of the Ordinance.

WORKERS WELFARE FUND ORDINANCE, 1971

Through the Ordinance, the government had constituted a fund called the 'Workers' Welfare Fund' for the welfare of workers. Now, the provinces have enacted their own laws, the brief of the same is as under:

- An initial contribution by the Government
- Such money as may, from time to time, be paid by industrial establishments under section 4 and 5 of the Act
 - An industrial establishment, the total income of which in any year is not less than PKR 500,000, shall pay to the Fund in respect of that year, a sum equal to 2% of its total income
- A voluntary contribution
- Income from the investment made out of the fund
- Proceeds of loans raised by government bodies.

The Fund is utilised for the financing of projects concerned with the establishment of housing estates or construction of houses for workers and the financing of other welfare measures including education, training and apprenticeship for the welfare of workers.

COMPANIES PROFIT (WORKERS PARTICIPATION) ACT 1968

According to The Companies Profits (Workers' Participation) Act, 1968, the business entities contribute 5% of their pre-tax profits yearly to a fund. However, this right now been devolved to the provinces. The amount of the fund is distributed among workers of prescribed categories.

EMPLOYEES' OLD AGE BENEFITS ACT 1976

The 1976 Employees Old Age Benefits Act is applicable to every industry or establishment where five or more persons are employed directly or indirectly. Contributions are payable monthly by the employer to the Employee Old Age Benefits Institute (the Institute) in respect of every person in insurable employment, at the rate of 5% of his/her wages.

This statute intends to provide security and benefits for old age to employees of industrial, commercial or other organisations covered by it. The Institute formed under it collects and receives contributions, donations, bequests and all other payments. It deals with pensions, invalidity pension, widows' pensions, old age grants and other benefits, out of the contribution payable to the Institute by every employer of an industry.

IMMIGRATION PROCEDURE

BUSINESS VISAS

Missions abroad are authorised to grant a five-years Multiple Business Visa within 24 hours to businessmen of 96 BVL countries (see Table 5) subject to the production of any of the following documents:

- A recommendation letter from the Chamber of Commerce & Industry of the respective foreign country.
- An invitation letter from a business organisation duly recommended by the concerned Trade Organisation.
- A recommendatory letter by Honorary Investment Counsellor of the Board of Investment (BOI) / Commercial Attaché'.
- Visa-on-Arrival (VOA) for 30 days to be granted to businessmen of 96 BVL countries on production of any of the above mentioned documents.
- Multiple business visa for 5 years shall be granted within 24 hours, subject to provision of requisite documents.

TABLE 5

List of business friendly or BVL countries

NO.	NAME OF COUNTRY	NO.	NAME OF COUNTRY
1	Algeria	49	Korea, Republic
2	Angola	50	Kuwait
3	Argentina	51	Latvia
4	Australia	52	Lebanon
5	Austria	53	Lithuania

6	Azerbaijan	54	Madagascar
7	Bahrain	55	Malaysia
8	Bangladesh	56	Mauritius
9	Belgium	57	Mexico
10	Benin	58	Montenegro
11	Brazil	59	Morocco
12	Bulgaria	60	Mozambique
13	Cambodia	61	Myanmar
14	Cameron	62	Netherlands
15	Canada	63	New Zealand
16	Chile	64	Nigeria
17	China	65	Norway
18	Columbia	66	Oman
19	Comoros	67	Panama
20	Cote De Ivoire	68	Paraguay
21	Croatia	69	Peru
22	Czech Republic	70	Philippines
23	Denmark	71	Poland
24	Djibouti	72	Portugal
25	Ecuador	73	Qatar
26	Egypt	74	Romania
27	Estonia	75	Russia
28	Finland	76	Saudi Arabia
29	France	77	Senegal
30	Gambia	78	Sierra Lone
31	Germany	79	Singapore
32	Ghana	80	Slovenia
33	Greece	81	South Africa
34	Guatemala	82	South Sudan
35	Guinea	83	Spain
36	Guinea-Bissau	84	Sri Lanka
37	Honduras	85	Sweden
38	Hong Kong	86	Switzerland
39	Hungary	87	Tanzania
40	Indonesia	88	Thailand
41	Iran	89	Togo
42	Iraq	90	Tunisia
43	Ireland	91	Turkey
44	Italy	92	Ukraine
45	Japan	93	UAE
46	Jordan	94	UK
47	Kazakhstan	95	U.S.A.
48	Kenya	96	Vietnam

VISA ON ARRIVAL

The Government has started to provide the e-visa facility to 175 countries and visa on arrival to 50 countries. Foreign nationals of Indian origin will also be allowed to avail the facility of visa on Arrival for religious tourism. Visa on Arrival will be augmented with Electronic travel Authorization (ETA) subject to 48-72 hours prior application/intimation. To encourage and facilitate tourism in Pakistan, Directorate of Tourist Services (DTS) approved tour operators who are allowed to bring tourists groups in Pakistan.

GROUP TOURISM THROUGH DESIGNATED TOUR OPERATORS

Visa on Arrival (VOA) will be allowed for one month validity and stay (Multiple) to Group Tourists of 24 Tourists Friendly Countries (TFC) through designated Tour Operators in Pakistan subject to the following conditions:

- The case will be submitted through designated/authorized tour operators only.
- The concerned tour operator will also submit undertaking to the effect that the tourists will be their responsibility and that they will not illegally overstay beyond validity of visa.
- If required, the same tour operators will apply, before expiry of visa for further extension up to 30 days.
- The concerned tour operators will submit a confirmation about exit of the said tourists, after their actual leaving the country.

WORK VISA

Pakistan missions abroad are authorised to grant a work visa to foreign expatriates on the recommendations of the BOI for one year (Multiple) validity, extendable on a yearly basis in Pakistan. The BOI will process work visa applications expeditiously within four weeks and recommend them to the Ministry of Interior for authorisation of the visa to the concerned Mission.

A visa committee under the Chairmanship of the Secretary of the Board of Investment approves the work visa cases received by the BOI through companies working in Pakistan. Visa advice is however issued by the Ministry of Interior to Pakistan Missions abroad as per the recommendation of the BOI in cases of fresh entry visas and to the Regional Passport Offices in case of visa extension.

Conversion of Business Visa into Work Visa and vice versa is allowed on payment of 100 US Dollars.

VISA EXTENSION

The Regional Passport Offices at Islamabad, as well as those in the provincial capitals, have been empowered to allow one-year extensions in business visas on submission of the following business-related documents:

- Valid passport / business visa.
- Documents showing substantial investment / export / import during last year.
- Registration letter from the Tourism Division (in case of hotel businesses).
- Other business documents (i.e. letter from the Chamber of Commerce & Industry/Registrar of Company, partnership deed, article of association, etc.)

Extension in visas beyond one year will be granted by the Ministry of Interior on production of the requisite business documents.

6 – TAXATION

The Federal Board of Revenue (the Board) is the regulatory authority responsible for the management of the taxation system and is engaged in the collection of taxes under various structures.

Taxes, duties and other levies can be classified in two categories – Direct taxes (Income Tax) and Indirect taxes (Sales Tax, etc.)

INCOME TAX

The Income Tax Ordinance 2001 and Income Tax Rules 2002 provide the legal framework for levy, collection and other matters related to income tax. The levy of income tax is an annual charge on the taxable income.

CLASSIFICATION OF PERSON

The Income Tax Ordinance 2001 classifies entities as follows for the levy of tax:

- An individual
- A company or association of persons incorporated, formed, organised or established in Pakistan or elsewhere
- The Federal Government, a foreign government, a political subdivision of a foreign government, or a public international organisation.

An 'association of persons' includes a firm, a Hindu undivided family, any artificial person and anybody of person formed under foreign law, but does not include a company.

The Income Tax Ordinance 2001 provides a broader definition of 'company' which includes the following:

- A company as defined in the Companies Act 2017
- A body corporate formed by or under any law in force in Pakistan
- A body incorporated by or under the law of a country outside Pakistan which relates to the incorporation of companies
- A trust, a co-operative society or finance society or any other society established or constituted by or under any law for the time being in force
- A foreign association, whether incorporated or not, which the Federal Board of Revenue has, by general or special order, declared to be a company for the purposes of this Ordinance
- A provincial government
- A local government in Pakistan or a small company as defined in the Ordinance.

SOURCES OF INCOME

For the purpose of the imposition of tax and the computation of total income, incomes are classified under the following categories:

- Salary
- Income from property
- Income from business
- Capital gains
- Income from other sources.

Taxable income in a specific category means the income as reduced by allowable deductions. The net income from each category is added together to arrive at the total income for the year.

However, income from certain sources is subject to separate taxation, or is subject to presumptive tax. Under the presumptive tax regime, the income is subject to deduction of tax at source which becomes the discharge of final tax liability in respect of that income.

The taxation of income from a certain source under the normal or presumptive tax regime is notified by the government and such classifications, once advised, may also change.

Examples of incomes under presumptive tax regime include:

- Imports of goods (other than for self-consumption of manufacturers)
- Dividends received
- Profit on debt (except for companies)
- Prizes from a prize bond or winnings from raffles, lotteries, quizzes or crossword puzzles, or prizes offered by companies for the promotion of sales
- Payments to non-residents

Payments received for goods and services (certain exclusions apply in cases of companies).

RESIDENT STATUS

Residential status is also an important concept, because it determines the scope of total income for tax purposes. In the case of someone assessed as a resident, the total taxable income means income from all sources within and outside Pakistan subject to the provisions of double taxation treaties. In the case of a non-resident individual, it is restricted to Pakistan sourced income only.

An individual is a 'resident individual' if he/she is present in Pakistan for 183 days or more in a tax year or if he/she is an employee or official of the Federal or Provincial Government posted abroad.

A company is considered to be 'resident' when either it is incorporated or formed by or under any law enforceable in Pakistan or, the control or management of the company is situated wholly in Pakistan at any time during the tax year. A registered firm, un-registered firm and association of persons, are considered resident when management and control is situated (either wholly or partly) in Pakistan.

TAX YEAR AND FILING OF RETURN

The tax year is a period of twelve months ending on 30 June every year (hereinafter referred to as the 'normal tax year').

All taxpayers, except companies, are required to file their return of income for the tax year by the 30 September (at the latest) immediately following the close of that tax year.

Companies are required to file their return of income for the tax year on 30 September or 31 December, depending upon the type of tax year.

A normal tax year consists of a period of twelve months from 1 July to 30 June. The Federal Board of Revenue may prescribe a different period of twelve months to be the 'tax year' for various businesses. These different periods are called 'special tax years'. Accordingly, the last date for filing the return of income is also different than that prescribed for the normal tax year. A person may apply, in writing, to the Commissioner of Income Tax to allow him to use a twelve months' period other than the normal tax year and the Commissioner may, by an order, allow him to use a special tax year.

TAX RATES

NON-SALARIED INDIVIDUALS AND ASSOCIATION OF PERSONS (AOPs)

Tax rates for these individuals for the year 2021-22 are shown in the table below.

TABLE 6

Tax rates for non-salaried individuals and AOPs

NO.	TAXABLE INCOME	RATE OF TAX.
1.	Where taxable income does not exceed Rs. 400,000;	0%
2.	Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 600,000;	5% of the amount exceeding Rs. 400,000
3.	Where the taxable income exceeds Rs. 600,000 but does not exceed Rs. 1200,000;	Rs. 10,000 + 10% of the amount exceeding Rs.600,000
4.	Where the taxable income exceeds Rs. 1200,000 but does not exceed Rs. 2,400,000;	Rs. 70,000 + 15% of the amount exceeding Rs. 1200,000
5.	Where the taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000;	Rs. 250,000 + 20% of the amount exceeding Rs. 2,400,000
6.	Where the taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000;	Rs. 370,000 + 25% of the amount exceeding Rs. 3,000,000
7.	Where the taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000;	Rs. 620,000 + 30% of the amount exceeding Rs. 4,000,000
8.	Where the taxable income exceeds Rs. 6,000,000;	Rs. 1,220,000 + 35% of the amount exceeding Rs. 6,000,000

SALARIED INDIVIDUALS

Tax rates for these individuals for the year 2021-22 are shown in Table 7.

TABLE 7

Tax rates for salaried individuals

NO.	TAXABLE INCOME	RATE OF TAX.
1.	Where taxable income does not exceed Rs. 600,000;	0%
2.	Where the taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000;	5% of the amount exceeding Rs. 600,000
3.	Where the taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,800,000;	Rs. 30,000 + 10% of the amount exceeding Rs.1,200,000
4.	Where the taxable income exceeds Rs. 1,800,000 but does not exceed Rs. 2,500,000;	Rs. 90,000 + 15% of the amount exceeding Rs. 1,800,000
5.	Where the taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 3,500,000;	Rs. 195,000 + 17.5% of the amount exceeding Rs.2,500,000
6.	Where the taxable income exceeds Rs. 3,500,000 but does not exceed Rs. 5,000,000;	Rs. 370,000 + 20% of the amount exceeding Rs. 3,500,000
7.	Where the taxable income exceeds Rs. 5,000,000 but does not exceed Rs. 8,000,000;	Rs. 670,000 + 22.5% of the amount exceeding Rs. 5,000,000
8.	Where the taxable income exceeds Rs. 8,000,000 but does not exceed Rs. 12,000,000;	Rs. 1,345,000 + 25% of the amount exceeding Rs. 8,000,000

9. Where the taxable income exceeds Rs.12,000,000 but does not exceed Rs.30,000,000;	Rs. 2,345,000 + 27.5% of the amount exceeding Rs. 12,000,000
10. Where the taxable income exceeds Rs.30,000,000 but does not exceed Rs.50,000,000;	Rs. 7,295,000 + 30% of the amount exceeding Rs. 30,000,000
11. Where the taxable income exceeds Rs.50,000,000 but does not exceed Rs. 75,000,000;	Rs. 13,295,000 + 32.5% of the amount exceeding Rs. 50,000,000
12. Where the taxable income exceeds Rs. 75,000,000;	Rs. 21,420,000 + 35% of the amount exceeding Rs. 75,000,000

COMPANIES

The tax rates for companies for the year 2021-22 are as shown below:

Small companies	21%
Banking Companies	35%
Other Companies	29%

SPECIAL RULES FOR TAXATION OF CERTAIN BUSINESSES

The Income Tax Ordinance 2001 provides separate provisions for the taxation of the following businesses:

- The fourth schedule to the Ordinance provides the rules for the taxation of profits and gains of insurance businesses
- The fifth schedule to the Ordinance provides the rules for the taxation of profits and gains from the exploration and production of petroleum
- The seventh schedule to the Ordinance provides the rules for the taxation of profits and gains of banking companies.
- The eighth schedule to the Ordinance provides the rules for the computation of capital gains on listed securities.

WITHHOLDING TAX

Sections 148–156A and sections 231B–236Q of the Income Tax Ordinance 2001 provide for deduction of tax on certain payments. The ordinance provides for a complete procedure for the withholding tax system. The nature of such payments and pertinent rates of tax deduction are provided for as set out below.

COLLECTION/ DEDUCTION OF TAX AT SOURCE

The provisions contained in the Ordinance which deals with collection and recovery of tax, advance tax and deduction of tax at source shall not apply to the income from capital gains which are taxable under the eighth schedule, except as provided therein.

TABLE 8

COLLECTION/DEDUCTION OF TAX AT SOURCE

Section	Responsible	Nature of Payment	Rates
148	Collector of Customs	<ul style="list-style-type: none"> • Import of goods classified in Part I of the Twelfth Schedule 	1%
		<ul style="list-style-type: none"> • Persons importing goods classified in Part II of the Twelfth Schedule • Persons importing goods classified in Part III of the Twelfth 	2% 5.5%
148	Collector of Customs	<ul style="list-style-type: none"> • Mobile Phones <ul style="list-style-type: none"> – In CBU condition having value in USD from: <ul style="list-style-type: none"> - \$30 to \$500 and above – In CKD/SKD condition having value in USD from: <ul style="list-style-type: none"> - \$30 to \$350 - \$351 to \$500 and above 	Rs. 70 to Rs 5,200 Rs. 0 Rs. 5,000 to Rs. 11,500
149	Employer	▪ Salary	Applicable rate
		▪ Compensation on termination of employment including Golden Handshake etc.	Average rate of tax for 3 years (Opt.)
		▪ Directorship fees	20%

Section	Responsible	Nature of Payment	Rates
150	Every person paying dividend and dividend in specie	<ul style="list-style-type: none"> ▪ Company engaged in power generation or supplying coal to power generation projects ▪ Dividend by company not paying tax due to: <ul style="list-style-type: none"> – Exemption of income – Carry forward of business losses – Claim of tax credits ▪ All other dividends including Specie dividends 	7.5%F 25%F 15%F
	All Payers	<ul style="list-style-type: none"> ▪ Return on investment in Sukuks: <ul style="list-style-type: none"> – Company – Individual or AOP: <ul style="list-style-type: none"> • Return on investment more than Rs. 1M • Return on investment less than Rs. 1M 	25% 12.5% 10%
151	All Payers, Banking Co, Financial Institutions, Federal & Provincial Govt., Local Authority, Finance Society	<ul style="list-style-type: none"> ▪ Profit on debt, Deposit, bond, securities, certificate etc. 	15%

Section	Responsible	Nature of Payment	Rates
152	All Payers	<ul style="list-style-type: none"> ▪ Payment to non-resident: <ul style="list-style-type: none"> – Construction, assembly or installation contracts / all other contracts including services rendered and contracts for Advertisement by Satellite Channels – Royalty / Fee for Technical Services – Insurance and Reinsurance premium – Advertisement services by media person relaying from outside Pakistan – Payment to a non-resident person foreign produced commercial for advertisement – Others 	<p>7%</p> <p>15%</p> <p>5%</p> <p>10%</p> <p>20%</p> <p>20%</p>
	All Banking and Financial Institutions	<ul style="list-style-type: none"> ▪ Fee for offshore digital services ▪ Capital gain on disposal of debt instruments and Govt. securities to non-resident Pakistanis etc. and non-resident companies 	<p>5%</p> <p>10%</p>
	All SPVs and Companies	<ul style="list-style-type: none"> ▪ Return on investment in Sukuks: <ul style="list-style-type: none"> – Company – Individual or AOP: <ul style="list-style-type: none"> • Return on investment more than Rs. 1M ▪ Return on investment less than Rs. 1M 	<p>25%</p> <p>12.5%</p> <p>10%</p>

Section	Responsible	Nature of Payment	Rates
152	All Payers	<ul style="list-style-type: none"> ▪ Payment to Permanent Establishment of a Non-Resident: <ul style="list-style-type: none"> - Sale of Goods: <ul style="list-style-type: none"> • Companies 4% • Other Taxpayers 4.5% - Rendering or providing of Services: <ul style="list-style-type: none"> • Services specified in Division III of Part II of First Schedule * 3% • Other than specified above (Companies) 8% • Other than specified above (IND & AOP) 10% * Transport, freight, hotel, security guard, development, IT and IT enabled services Etc. - On execution of contracts: <ul style="list-style-type: none"> • Payment to a person 7% • Payment to Sports persons 10% 	
153(1)	Federal Govt., Company, A.O.P Constituted by or under Law, NPO, Foreign Contractor or Consultant, Consortium or Joint Venture, AOP, Individual & Person Registered Under Sales Tax having Turnover of Rs 100M or above, & Others as specified in the Ordinance	<ul style="list-style-type: none"> ▪ Payments to Companies: <ul style="list-style-type: none"> - Sale of goods (including toll manufacturer) 4% - Rendering of Services 8% - Execution of Contracts 6.5% - Electronic and print media 1.5% 	
		<ul style="list-style-type: none"> ▪ Payment to other taxpayers: <ul style="list-style-type: none"> - Sale of Goods (including toll manufacturer) 4.5% - Rendering of Services 10% - Execution of Contracts 7% - Payment to Sports Person 10% - Electronic and print media 1.5% - Sale of Rice, Cotton Seed oil or Edible oils 1.5% - Services of Transport, freight, hotel, security guard, development, IT and IT enabled services etc. 3% 	
153(2)	Every exporter or Export house or Permanent establishment of a non- resident	<ul style="list-style-type: none"> ▪ Rendering or providing of services of dying, stitching, printing, embroidery, sizing and weaving 	1%

Section	Responsible	Nature of Payment	Rates
	person		
154	Authorized foreign exchange dealers, Banking Company, EPZ Authority, Direct Exporter, Export House, Collector of Customs	<ul style="list-style-type: none"> ▪ Realization of Foreign Exchange proceeds on account of: <ul style="list-style-type: none"> – Export of Goods and indirect exports – Commission due to an indenting commission agent 	<p>1%</p> <p>5%</p>
154A	All Authorized Dealers	<ul style="list-style-type: none"> ▪ Exports of computer software or IT services or IT enabled services ▪ Export of Services or technical services ▪ Royalty, commission or fees derived by a resident company from a foreign enterprise ▪ Construction contracts executed outside Pakistan ▪ Other services rendered outside Pakistan as notified by FBR 	1%
155	Federal/ Provincial/ Local Govt., Company, NPO, Private Educational Institution, Boutique, Beauty Parlour, Hospital, Clinic, Maternity home, Individuals & AOPs paying Gross Rent of Rs. 1.5M or above in a year	<ul style="list-style-type: none"> ▪ Payment of Rent to Individuals and AOPs <ul style="list-style-type: none"> – Up to Rs. 300,000 – Between Rs. 300,000 and Rs. 600,000 – Between Rs. 600,000 and Rs. 2,000,000 – Exceeds Rs. 2,000,000 ▪ Payment of Rent to Companies 	<p>Nil</p> <p>5%</p> <p>Rs. 15,000 plus 10%</p> <p>Rs. 155,000 plus 25%</p> <p>15%</p>
156	All Payers	<ul style="list-style-type: none"> ▪ Prize on Prize bonds or cross word puzzle ▪ Winnings from raffle, lottery, quiz, etc. 	<p>15%</p> <p>20%</p>
156A	All Payers	<ul style="list-style-type: none"> ▪ Commission/ Discount on Petroleum products to Petrol pump operator 	12%
231B	Motor Vehicle Registering	<ul style="list-style-type: none"> ▪ Engine capacity up to 3000cc and above: <ul style="list-style-type: none"> – At first registration 	Rs 7,500 to Rs

Section	Responsible	Nature of Payment	Rates
	Authority, Leasing Company, Scheduled Bank, NBFI, Investment Bank, Modaraba, Development Finance Institution	<ul style="list-style-type: none"> - At subsequent registration * - At the time of leasing of motor vehicle (non-filers only) - buyers of locally manufactured motor vehicles who subsequently sells it prior to registration <p><i>* Rate of tax shall be reduced by 10% each year from the date of first registration</i></p>	250,000 Nil to Rs 62,500 4% Rs. 50,000 to Rs. 200,000
233	Federal/ Provincial/ Local Govt., Company, AOP or individual having turnover of hundred million rupees or more	▪ Brokerage or commission paid to: <ul style="list-style-type: none"> - Advertisement Agents - Life Insurance Agents (only where commission is less than Rs.500,000 per annum) - Persons not covered above 	10% 8% 12%
234	Person Collecting Motor Vehicle Tax	▪ Goods Transport Vehicle: <ul style="list-style-type: none"> - Transport vehicles with different registered laden weights - Transport vehicle with laden weight of 8,120 Kg or more after a period of ten years ▪ Passenger Transport Vehicles: <ul style="list-style-type: none"> - Seating Capacity <ul style="list-style-type: none"> - Between 4 and 9 - Between 10 and 19 - 20 and above ▪ Other Private Motor Vehicles: <ul style="list-style-type: none"> - Engine Capacity up to 1000cc and above 	Rs2.5/Kg Rs 1,200 per annum Rs 50/seat Rs 100/seat Rs 300/seat Rs 800 to Rs 10,000

Section	Responsible	Nature of Payment	Rates
		<ul style="list-style-type: none"> ▪ Where motor vehicle tax collected in lump-sum: <ul style="list-style-type: none"> – Engine Capacity up to 1000cc and above 	Rs 10,000 to Rs 120,000
235	Person preparing Electricity bills	Commercial/ Industrial consumer of electricity for gross bill amount: <ul style="list-style-type: none"> – Up to Rs. 500 – Between Rs. 501 and Rs. 20,000 – Exceeds Rs. 20,000 for: <ul style="list-style-type: none"> • Commercial consumers • Industrial consumers 	Rs 0 10% of the amount Rs. 1950 plus 12% Rs. 1950 plus 5%
236	Person preparing telephone/ internet bills, issuing or selling prepaid cards, issuing or selling units through electronic medium	<ul style="list-style-type: none"> ▪ Monthly telephone bill exceeding Rs 1,000 ▪ Internet, Mobile Phones & Prepaid telephone cards etc. 	10% of the amount exceeding the bill 10% of the amount
236A	Person Making Sale by Auction or Auction by Tender	<ul style="list-style-type: none"> ▪ Gross sale price of Property/Goods ▪ Gross sale price of Immovable Property 	10% 5%
236C	Person Registering or Attesting Transfer of Immovable Property, Private Housing Societies etc.	<ul style="list-style-type: none"> ▪ Sale/ Transfer of immovable property 	1%

Section	Responsible	Nature of Payment	Rates
236G & 236H	Manufacturer, Distributor, Dealer, Wholesaler, Commercial Importer of Electronics, Sugar, Cement, Iron & Steel Products, Fertilizers, Motorcycles, Cigarettes, Glass, Textiles, Beverages, Paint or Foam sectors, etc.	<ul style="list-style-type: none"> ▪ Sale to Distributors, Dealers, Wholesalers: <ul style="list-style-type: none"> - Fertilizers <ul style="list-style-type: none"> - If active in Income Tax & Sales Tax - If active in Income Tax only - Other than Fertilizers ▪ Sale to Retailers 	0.25% 0.7% 0.1% 0.5%
236I	Education Institutions	<ul style="list-style-type: none"> ▪ Annual fee exceeding Rs. 200,000/- (non-filers only) 	5%
236K	Person Registering or Attesting Transfer of Immovable Property, Private Housing Societies etc.	<ul style="list-style-type: none"> ▪ Purchase/ Transfer of immovable property 	1%
236Q	Every prescribed person	<ul style="list-style-type: none"> ▪ Payments to a resident person for use or right to use industrial, commercial and scientific equipment 	10%

F = Full and Final Discharge of Tax.

M = Minimum Tax.

- For persons not appearing in the active taxpayer list, the rate of tax collected and deducted shall be increased by 100% as per 10th schedule to the Ordinance subject to certain exemptions.
- All payments are liable to withholding tax without any monetary threshold except for supply of Rs.75, 000 and Rs. 30,000 for goods and services, respectively.

DEPRECIATION AND AMORTISATION

The third schedule to the Income Tax Ordinance 2001 prescribes the rates of depreciation for various assets. It also provides for the following depreciation and amortisation allowances:

- Initial depreciation allowance:
 - Plant & Machinery 25%
- Amortisation of pre-commencement expenditure 20%
- Normal depreciation rates
 - Building 10%
 - Plant & Machinery, Vehicles, Furniture, Ships, Technical or Professional books 15%
- Computer Hardware 30%
-
- Mineral oils` `` 0147
 - Offshore 20%
- A ramp built to provide access to persons with disabilities not exceeding Rs.250,000 100%

EACH.TREATIES FOR AVOIDANCE OF DOUBLE TAXATION

Pakistan has entered into treaties for the avoidance of double taxation with different countries. These agreements are executed to avoid fiscal loss in both countries.

INDIRECT TAXES

SALES TAX ON GOODS

The VAT-mode sales tax on goods has become a salient feature of the country's tax policy. The Sales Tax Act 1990 forms the legal framework for the operation and collection of sales tax on goods. The 'Collectorate of Sales Tax', a division of the Federal Board of Revenue (FBR), is the regulatory authority in this regard.

Sales tax is payable on a monthly basis at the rate of 17% of the value of supplies net of the amount of input tax i.e. paid on purchases. The following persons are required to obtain sales tax registration:

- A manufacturer (not a cottage industry)
- Retailers having value of supplies of over 5 million rupees, in any tax period during the last 12 months
- An importer
- A wholesaler (including dealer) and distributor
- A person required, under any other federal law or provincial law, to be registered for the purpose of any duty or tax collected or paid as if it were a levy of sales tax to be collected under the Act
- A commercial exporter, who intends to obtain a sales tax refund against his zero-rated supplies

The government promotes the sales tax registration and it is a must for doing business with most government departments, corporations and large companies. To solicit such business, a manufacturer, service provider or retailer may obtain voluntary registration at the time of commencing the business.

SALES TAX ON SERVICES:

Sales tax on services is levied & collected by provinces separately. Sales tax on services is payable on a monthly basis on value of supplies net of input tax i.e. paid on purchases. Following are the standard rates of sales tax applicable on majority of services in different provinces/territories of Pakistan:

SR. NO.	PROVINCES	STANDARD SALES TAX RATE
1	Baluchistan	15%
2	Sindh	13%
3	Punjab	16%
4	KPK	15%
5	Islamabad Capital Territory	16%

CUSTOMS DUTY

The Customs Act 1969 (the Act) was promulgated on 8 March 1969. The Act consolidated and amended the laws relating to the levy and collection of customs duties and other allied matters. The Act, along with Custom Rules 2001, provides the legal framework for customs duties which presently are levied on the following goods:

- Goods imported into Pakistan
- Goods which are brought from any foreign country and are transhipped or transported, without payment of duties, from one custom station to another
- Goods brought in bond from one customs station to another.

The rates of duty vary from item to item and are contained in section 18 of the Act.

FEDERAL EXCISE DUTY

The Federal Excise Act 2005 provides the legal framework to address the issues related to Federal Excise Duty. Federal Excise Duty is a federal charge and it is levied and collected on excisable goods and services of the following categories:

- Goods which are produced or manufactured in Pakistan
- Goods which are imported into Pakistan
- Such goods as the Federal Government may specify, by notification in the official Gazette, as produced or manufactured in the non-tariff areas and brought to the tariff areas for sale of consumption therein
- Services provided in Pakistan including services originated outside but rendered in Pakistan.

The excise duty is levied at the rate of 15% except for goods and services provided in the first schedule. However, the government intends to gradually withdraw central excise duty from a number of items and restrict it to only to five or six non-essential items.

7 – ACCOUNTING & REPORTING

The Institute of Chartered Accountants of Pakistan (ICAP) is the professional body which represents the accountancy profession at national and international level.

ICAP is also responsible for the continuous development of accounting profession in the country.

AUDITING REQUIREMENT

Auditing the accounts of a company is compulsory under the Companies Act 2017.

Companies prepare their financial statements based on historical cost as per the provisions of the Companies Act 2017.

All public companies and private companies having a share capital of more than three million are required to get their financial statements audited by a chartered accountant who is a member of the Institute of Chartered Accountants of Pakistan (ICAP). However, a private company which has share capital below three million rupees may get their financial statements audited by a cost and management accountant who is a member of the Institute of Cost and Management Accountants of Pakistan (ICMAP).

Financial statements are the responsibility of the management and the auditor only expresses an opinion regarding the true & fair view of the financial statements. A financial statement consists of following components:

- Statement of Financial Position
- Statement of Comprehensive Income
- Statement of Cash Flows
- Statement of Changes in Equity
- Notes to the account.

ACCOUNTING STANDARDS AND PRINCIPLES

Financial statements of listed companies are presented according to the requirements of the fourth schedule to the Companies Act 2017. Financial statements of all other companies are presented according to the fifth schedule of the Companies Act 2017.

ICAP considers and adopts the International Financial Reporting Standards (IFRSs) for the preparation of the financial statements of companies and the Securities Exchange Commission of Pakistan (SECP) ensures compliance to these standards.

At present, all International Financial Reporting Standards (IFRSs) issued by the IFRS Foundation and International Accounting Standards Board have been adopted and notified subject to a few modifications.

8 – UHY REPRESENTATION IN PAKISTAN



UHY HASSAN NAEEM & CO PAKISTAN



CONTACT DETAILS

UHY Hassan Naeem & Co
402, Progressive Centre
30-A, Block 6, P.E.C.H.S.
Shahrah-e-Faisal
Karachi
Pakistan
Tel: +92 21 3432 2551
www.uhy-hnco.com

CONTACTS

Liaison contact: Naeem Sheikh
Position: Senior Partner
Email: sheikhnaeem@uhy-hnco.com

Liaison contact: Ibne Hassan
Position: Managing Partner
Email: ibnehassan@uhy-hnco.com

SOCIAL MEDIA CONNECTIONS

- Facebook: <https://www.facebook.com/uhyhassannaeemandco>

Year established: 2006
Number of partners: 6
Total staff: 189

ABOUT US

Intelligent Choice
Intelligent Solution

OTHER IN-COUNTRY OFFICE LOCATIONS AND CONTACTS

Islamabad Office:
West Lower Ground
Pak Plaza (19-A), Fazal ul Haq Road
Blue Area, Islamabad.
Tel.: +92 (51) 2873431-3
Fax +92 (51) 2873430

Karachi Office:
402, Progressive Centre,
30-A, P.E.C.H.S. Block 6,
Shahrah-e-Faisal, Karachi
Tel.: +92 (0213) 4304082
+92 (0213) 4322551-3

BRIEF DESCRIPTION OF FIRM

The mission of UHY Hassan Naeem & Co., Chartered Accountants is to achieve a leadership position in domestic and international markets by providing services to our clients for their business needs with the highest standards of integrity, quality and efficiency. We strive to create an environment to promote group spirit and commitment to excellence amongst our partners and staff, thereby providing opportunity for growth of individual members.

A dedicated team of professionals specializing in different areas is the key to our success. Clients are constantly kept abreast of our rapidly changing business environment through counselling, publications, circulars and memos all year round. The firm provides a wide range of accounting, tax and business advisory services to clients ranging from high-net worth individuals and owner-managed businesses, to public limited companies and multinational organisations.



The network
for doing
business

We have been assigned Category B by State Bank of Pakistan. Auditing Firms falling in this category are eligible to conduct audit of the Banks/DFIs having total assets (net of contra items) up to Rs.50 billion or number of branches up to 99.

UHY Hassan Naeem & Co. is currently based in Lahore, Islamabad and Karachi with Satellite offices in Faisalabad and Multan. Firm also have future plans for growth into other major cities of Pakistan.

SERVICE AREAS

Audit, accountancy, bookkeeping and outsourcing services
Business Consultancy Services
Company secretarial services
Corporate and personal taxation
Project feasibility studies
Arbitration and business resolution
Corporate finance – acquisitions, mergers, sales, fundraising and flotation
Financial services and personal wealth management advice
Forensic accounting and litigation support
FSA compliance services
Management Consultancy
Information Technology consulting
Human Resource Management & Outsourcing
General business advice and strategic planning
Trusts and private client services
Sales tax compliance and litigation settlements
Tax audits
Financial advisory services
Corporate restructuring & reorganization

SPECIALIST SERVICE AREAS

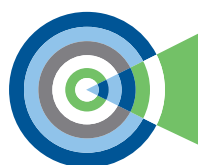
Audit, Taxation & Business Advisory

PRINCIPAL OPERATING SECTORS

Construction Companies
Education Sector
Energy, oil and gas
Food and allied products
Health sciences
Hotel and leisure
Manufacturing (textiles, chemical, fertilizers, sugar, construction materials)
Not-for-profit organisations
Public sector
Real Estate development
Retail Business
Telecommunication

LANGUAGES

English, Urdu, Punjabi.

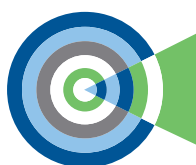


The network
for doing
business

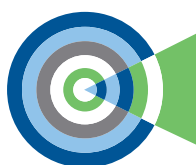


CURRENT PRINCIPAL CLIENTS

Excise, Taxation & Narcotics Control Department - Government of The Punjab
Punjab Resource Management Program (PRMP) - Govt. of the Punjab
Mines Labour Welfare Organization - Govt. of the Punjab
Punjab Health Facilities Management Company (PHFMC) - Govt. of the Punjab
Water And Sanitation Agency, Faisalabad
House Building Finance Corporation Limited (HBFCL)
Punjab Skills Development Fund (PSDF)
Akram Cotton Mills
Alliance Resource (Pvt.) Ltd
Alliance Resources (Pvt.) Limited
Anarkali Banquet Hall
Arthritis Care Foundation
Cane Processing
Cargo Solution (Pvt.) Limited
Centre for Economic Research in Pakistan (CERP)
Chemichloride Industries Limited
Consortium for Development Policy Research (CDPR)
CureMD Pakistan (Pvt.) Limited
Dar Es Salaam Textile Mills Limited
Data Experts
DH Fertilizers Limited
Euro Oil (Pvt.) Limited
Famous Brands (Pvt.) Limited
Famous Brands (Pvt.) Ltd.
Fine Nauratten Jewellers
Fitness and Beauty Services.
Food Consults (Pvt.) Limited
Fuel Tech (Pvt.) Limited
Green Revolution (Pvt.) Ltd.
Guardian Health Services (Pvt.) Ltd
Gulf Packaging (Pvt.) Limited
Harrow Educational Academy (Pvt.) Ltd
Hassan Naeem Associates (Pvt.) Limited
Heritage
Hospitality Enterprises
IDEAS
Imperial Homes
Institute for Development and Economic Alternatives (IDEAS)
Institute for Policy Reforms (IPR)
Interhom (Pvt.) Limited
Interior Designers
Irfan Foods (Pvt.) Limited
Irfan Textiles (Pvt.) Limited
ITD Pakistan (Pvt.) Limited
Ittehad Chemicals Limited
Jauhrabad Provident Fund
Jauhrabad Sugar Mill Limited



JDW Sugar Mills Limited
Jiyo (SMC-Pvt.) Limited
Kasel Private Limited
KBK Electronics (Pvt.) Limited
Kualitatum (Pvt.) Limited
Lahore Regency (Pvt.) Limited
Lahore School of Economics
Learning Alliance (SMC-Pvt.) Ltd.
Maulana Zafar Ali Khan Trust
Medallion (Pvt.) Limited
MicroTech (Pvt.) Limited
Millennium Land Development
Milvik Mobile Pkistan Private Limited
Mines Labor Welfare Organization
Motel Network (Pvt.) Limited
Nabila (Pvt.) Limited
Nickie & Nina
Olympia Chemical Limited
Orix Properties (Pakistan) Private Limited
Pak Motors (Pvt.) Limited
Pakistan Agriculture Coalition (PAC)
Pakistan Red Crescent Society
Pakistan rRetail Business Council
Poplon & Co. (Pvt.) Limited
Poplon Pakistan (Pvt.) Limited
Premier Energy
Put Sarajevo General Eng. Ltd.
Ruby Jewellers
Sangat Foundation
Servaid
Servies Sales Corportaion
Solitaire Designers Jewelery
Solomom Business (Pvt.) Limited
SPARCO
Sukh Chain Gardens (Pvt.) Limited
Sukh Chain Wellness Club (Pvt.) Limited
Sukh Chayn Gardens (Pvt.) Ltd.
Sukh Chayn Wellness Club (Pvt.) Limited
Superior Textile Mills Limited
Tandlianwala Sugar Mills
Tradcon Pakistan (Pvt.) Limited
United We Reach
United We Reach (UWR)
UTS Export Trading Company
Vital Enterprises (Pvt.) Limited
World Call (Pvt.) Limited
Zaitoon Properties



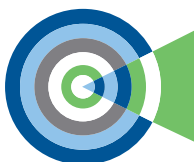


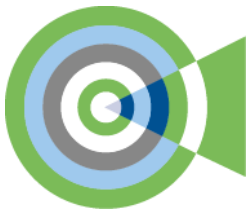
OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

Bangladesh
Kingdom of Bahrain
Oman
United Kingdom
China
United Arab Emirates

BRIEF HISTORY OF FIRM

UHY Hassan Naeem & Co (UHY HNCO) has been established to provide a platform for development of an institution to nurture the talent and create a quality hub to cater for ever increasing demands of the business community. The strategic priorities of UHY are focused on delivering value to its clients through the achievement of sustainable, efficient and reliable professional aptitude. Such confidence shall be attained while respecting quality and sovereignty. The partners of UHY have extensive experience in the fields of Taxation, Auditing, Accounting, Investigation and Business and Financial consultation. Honesty, commitment, dedication and integrity combined with the highest professional and personal standards form the cornerstone of all activities of the firm. A dedicated team of professionals specializing in different areas is the key to our success. UHY has a mission to establish a close contact with clients. The clients are constantly kept abreast about the rapidly changing business environment through counselling, publications, circulars and memos all the year around. Our business clients vary in size from the newly established to multi-million dollars private and public concern.





LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

To find out how UHY can assist your business, contact any of our member firms. You can visit us online at www.uhy.com to find contact details for all of our offices, or email us at info@uhy.com for further information.

UHY is an international network of legally independent accounting and consultancy firms whose administrative entity is Urbach Hacker Young International Limited, a UK company. UHY is the brand name for the UHY international network. Services to clients are provided by member firms and not by Urbach Hacker Young International Limited. Neither Urbach Hacker Young International Limited, the UHY network, nor any member of UHY has any liability for services provided by other members.

UHY Hassan Naeem & Co. (the "Firm") is a member of Urbach Hacker Young International Limited, a UK company, and forms part of the international UHY network of legally independent accounting and consulting firms. UHY is the brand name for the UHY international network. The services described herein are provided by the Firm and not by UHY or any other member firm of UHY. Neither UHY nor any member of UHY has any liability for services provided by other members.

© 2021 UHY International Ltd