

DOING BUSINESS

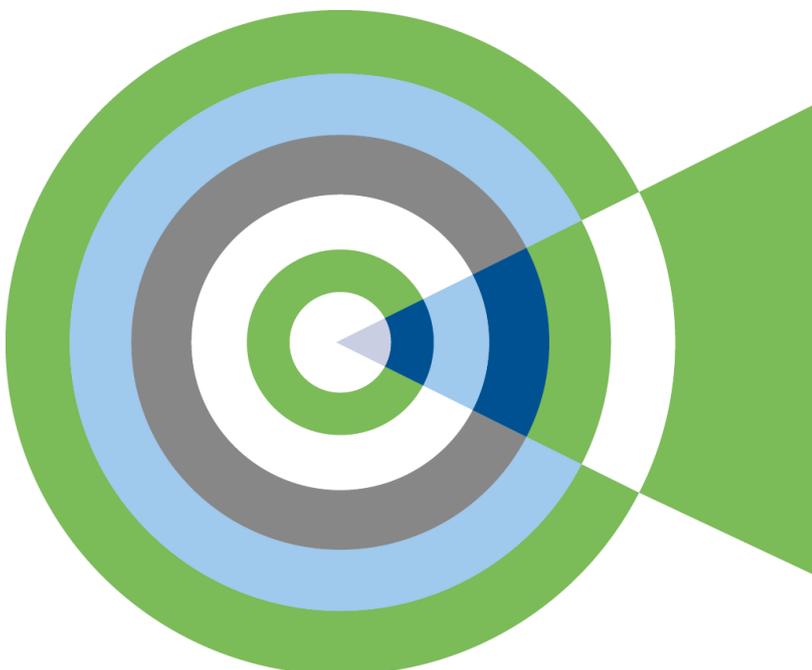
IN PAKISTAN



The network
for doing
business

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1 – INTRODUCTION

UHY is an international organisation providing audit, accountancy, business management and consultancy services through financial business centres in around 90 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 [country name] has been provided by the office of UHY's representative there:

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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 [April, 2016].

We look forward to helping you do business in Pakistan.

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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 1,046km coastline along the Arabian Sea and the Gulf of Oman in the south and land borders of 6,774 km in total (2,430km with Afghanistan, 523km with China, 2,912 km with India and 909km 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 sixth most populous country in the world, behind Brazil and ahead of Bangladesh. Pakistan has a current population of approximately 191.715 million in 2015, with a growth rate of 1.49%.

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 24.0 million in 2015, Karachi is also the second most populous city in the world.

95% 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. It is the 26th largest economy of the world.

The World Bank (WB) and International Finance Corporation's flagship report 'Ease of Doing Business 2014' ranked Pakistan 110 among 189 countries around the globe. Pakistan ranks higher than India and Bangladesh which are at number 134 and 130 respectively. (The top five countries are Singapore, Hong Kong, New Zealand, the United States and Denmark.)

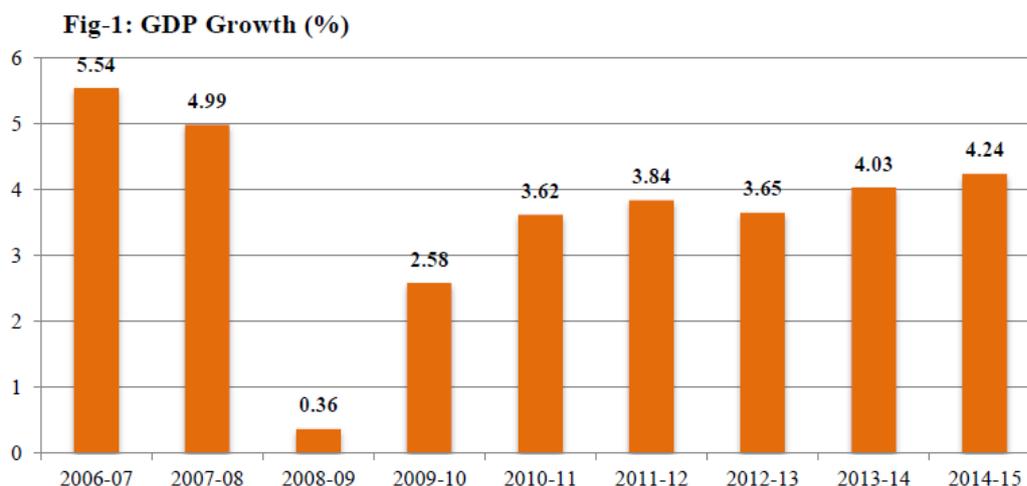
Pakistan's economy has maintained higher and broad based economic growth in outgoing fiscal year 2014-15 despite a number of internal and external challenges. During fiscal year 2014-15 economic environment in the country remained confronted with number of challenges such as war against extremism, energy shortages, settlement of IDPs and strengthening of state institutions. Moreover, political conditions started deteriorating in August 2014, due to street sitins/ dharnas followed by lengthy demonstrations nationwide until December. Concurrently, floods hit various areas of the country in September which impacted agriculture and infrastructure sectors and also damaged some major agricultural crops like sugar, rice and cotton along with other losses.

Pakistan's economy has maintained the recovery path, GDP growth accelerated to 4.24 percent in 2014-15 against the growth of 4.03 percent recorded in the last year. The targeted growth rate 5.1 percent could not be achieved due to energy shortages, uncertainty created by protest of political parties which delayed planned activities, floods and heavy rains damaged agriculture especially major crops like sugarcane, wheat and maize etc. The lower production of crops also passed on negative affect to industrial sector as well as domestic commerce. However, the growth achieved in outgoing fiscal year is higher as compared to previous years since 2008-09 and growth momentum recorded is broad based and all the three major sectors namely agriculture, industry and services have contributed in the improvement of economic growth. The agriculture sector grew by 2.88 percent against the growth of 2.69 percent in the last year. The industrial sector accelerated by 3.62 percent against the expansion of 4.45 percent in last year, while large scale manufacturing posted nominal growth of 2.38 percent against 3.99 percent last year. The services sector recorded a growth of 4.95 percent as compared to 4.37 percent last year. The commodity producing sector on the whole grew by 3.24 percent as compared to 3.55 percent last year. Fig-1 provides an overview of GDP growth over the previous years.

The GDP growth for 2012-13 was targeted at 4.3 percent on the back of 4.0 percent growth in Agriculture, 2.5 percent growth in LSM and 4.6 percent in Services sectors. However, the heavy rains in Sindh and Punjab province damaged the crops which affected performance of agriculture and other related sectors.

The real GDP growth for 2012-13 has been estimated at 3.6 percent based on nine month data as compared to 4.4 percent (revised) in the previous fiscal year 2012 after rebasing the national accounts at constant prices of 2005-06. The Agriculture sector recorded a growth of 3.3 percent against the previous year's growth rate of 3.5 percent. The Large Scale Manufacturing sector grew by 2.8 percent as compared to the growth of 1.2 percent in the last year. The Services sector recorded a growth of 3.7 percent as compared to 5.3 percent in 2011-12. Table 1 presents an overview of GDP growth over the previous years.

TABLE 1



It is important to examine the performance of various sectors and subsectors of Gross National Product (GNP) to recognize what is happening to overall economic growth. The growth performance of all specified components of GDP over the last seven years is presented in table 2. These data indicates the relative importance of various sectors and sub-sectors and their inter- relationship.

TABLE 2

GROWTH RATES (%)

Sector	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13			2013-14		2014-15	
						F	R	P	R	P	R	P
A. Agriculture	1.81	3.50	0.23	1.96	3.62	2.68	2.69	2.69	2.88			
1. Crops	-1.02	5.16	-4.16	0.99	3.22	1.53	3.20	3.20	1.00			
Important Crops	-4.12	8.42	-3.74	1.50	7.87	0.17	7.96	7.96	0.28			
Other Crops	5.99	0.54	-7.24	2.27	-7.52	5.58	-5.38	-5.38	1.09			
Cotton Ginning	-6.98	1.31	7.29	-8.48	13.83	-2.90	-1.33	-1.33	7.38			
2. Livestock	3.60	2.25	3.80	3.39	3.99	3.45	2.76	2.76	4.12			
3. Forestry	8.90	2.57	-0.07	4.76	1.79	6.58	-6.74	-6.74	3.15			
4. Fishing	8.53	2.57	1.40	-15.20	3.77	0.65	0.98	0.98	5.75			
B. INDUSTRIAL SECTOR	8.47	-5.21	3.42	4.51	2.55	0.61	4.45	4.45	3.62			
1. Mining & Quarrying	3.15	-2.46	2.75	-4.42	5.16	3.88	1.65	1.65	3.84			
2. Manufacturing	6.10	-4.18	1.37	2.50	2.08	4.62	4.46	4.46	3.17			
Large Scale	6.10	-6.04	0.41	1.66	1.13	4.19	3.99	3.99	2.38			
Small Scale	8.34	8.57	8.47	8.51	8.35	8.28	8.29	8.29	8.24			
Slaughtering	3.26	3.82	3.16	3.67	3.53	3.63	3.40	3.40	3.32			
3. Electricity Generation & Distribution & Gas Distribution	37.16	-12.11	16.65	63.87	1.41	-26.38	5.57	5.57	1.94			
4. Construction	15.36	-9.88	8.35	-8.56	3.08	1.08	7.25	7.25	7.05			
COMMODITY PRODUCING SECTOR (A+B)	5.05	-0.88	1.76	3.21	3.09	1.66	3.55	3.55	3.24			
C. SERVICES SECTOR	4.94	1.33	3.21	3.94	4.40	5.13	4.37	4.37	4.95			
1. Wholesale & Retail Trade	5.69	-2.99	1.79	2.11	1.66	3.53	3.98	3.98	3.38			
2. Transport, Storage & Communication	5.53	5.04	2.96	2.42	4.61	4.03	4.56	4.56	4.21			
3. Finance & Insurance	6.28	-9.65	-3.26	-4.22	1.64	8.32	4.18	4.18	6.18			
4. Housing Services (Ownership of Dwellings)	4.00	4.03	4.01	4.02	3.99	4.00	4.00	4.00	4.00			
5. General Government Services	0.20	5.59	7.97	14.06	11.06	11.32	2.86	2.86	9.44			
6. Other Private Services	5.44	6.54	5.75	6.63	6.40	5.26	6.32	6.32	5.94			
GDP (fc)	4.99	0.36	2.58	3.62	3.84	3.65	4.03	4.03	4.24			

F : Final, R : Revised, P : Provisional

Source: Pakistan Bureau of Statistics

The government of Pakistan has, over the last few years, granted numerous incentives to technology companies wishing to do business in Pakistan. A combination of decade-plus tax holidays, zero duties on computer imports, government incentives for venture capital and a variety of programs for subsidising technical education, are intended.

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

Major import commodities are petroleum, petroleum products, machinery, chemicals, transportation equipment, edible oils, pulses, iron and steel, and tea. The major import partners are United Arab Emirates, Saudi Arabia, Kuwait, the United States of America and China.

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 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 (2013 Estimate)

INDICATORS

GDP	USD 244 billion (official exchange rate)
GDP growth	2.42%
GDP per capita	USD 1,427
Inflation (CPI)	1.8% (July 2015)
Population below poverty line	22.3%
Labour force	31 million
Labour force by occupation	Agriculture 43%, Manufacturing 13.3%, Wholesale and retail 9.2%, Transport and Communication 7.3% (2012–13)
Unemployment	6.8%
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	138 th (2015)

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 \$ 957.4 million during July-March 2015-16 as against \$ 851.2 million last year.

This is an increase of 15.1 percent. Power and Oil & Gas Exploration remained the major sector for foreign investors.

Pakistan will undoubtedly attract foreign direct investment with the resolution of the energy shortages and improvement in the law and order situation. The Board of Investment (BOI) under the Prime Minister's Secretariat has approved new investment policy recently to provide more investment friendly environment to investors. In particular, efforts are also going on to encourage the setting up of fruit processing industries and more export processing zones in the country, so that sustained high economic growth through exports may be achieved and series of investment opportunities may be generated.

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		
Upper limit of foreign equity allowed	100%	100%	100%	100%
Minimum investment amount (USD million)	No	0.3	0.3	0.15
Customs duty on import of PME	5%	0%	5%	0–5%
Tax relief (IDA, % of PME cost)	50%	50%		
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
 - 140 million consumers with growing incomes
 - 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
- 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.

COMPANIES

The Companies Ordinance 1984 (the Ordinance) and the Companies (General Provisions and Forms) Rules 1985 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 Ordinance 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:

- Private companies
- Public companies
- 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 one 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.

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 2,500
- For the registration of a company whose nominal share capital exceeds PKR 100,000, a fee of PKR 2,500 is payable, along with an additional fee determined according to the amount of nominal share capital as follows:

- For every PKR100,000 of nominal share capital or part of PKR100,000, after the first PKR100,000 up to PKR5,000,000, there is a fee of PKR 500
- For every PKR100,000 of nominal share capital or part of PKR100,000, after the first PKR5,000,000, there is a fee of PKR 250.
- For every 100,000 rupees of nominal share capital or part of 100,000 rupees, after the first 5,000,000,000 rupees, upto any amount a fee of PKR 100.

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 PKR10 million.

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 two individuals to act as nominee director and alternate 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.

LISTING OF COMPANIES AND SECURITIES (PUBLIC ISSUE)

The Karachi Stock Exchange Limited (KSE), was a stock exchange located at the Stock Exchange Building (SEB) on Stock Exchange Road, in the heart of Karachi's Business District, I. I. Chundrigar Road, Karachi, Sindh Province of Pakistan. It is now incorporated in the Pakistan Stock Exchange (PSX) along with the other two bourses of Pakistan, the Lahore Stock Exchange and the Islamabad Stock Exchange. It is Pakistan's largest and one of the oldest stock exchange in South Asia by market capitalization, with many Pakistani consortium as well as overseas enterprises listings. Pakistan 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.

With effect from January 11, 2016 the Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange were integrated under the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 to form the Pakistan Stock Exchange Limited as the only stock exchange in Pakistan.

The non-market capitalisation contributing sectors are as follows:

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

Pakistan Stock Exchange Limited (formerly: Karachi 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. Comments on the booklet are welcomed and must be submitted latest by March 15, 2016.

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).

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 Ordinance 1984 imposes certain restrictions on the operations of the enterprise.

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.

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.13,000 per month in the provinces of Punjab, Sindh, and Balochistan as well as the Islamabad Capital Territory. These minimum wage rates are applicable from 01 July 2015. The daily minimum wage for an 8 hour work day is Rs. 500 (and Rs.13,000 for 26 working days).

Minimum wage for unskilled & juvenile workers (14 years to 18 years) is notified as Rs.12,000 per month in Khyber Pakhtunkhwa with effect from July 2014. The daily minimum wage in Khyber Pakhtunkhwa is Rs.461.54 (and Rs.12,000 for 26 working days)

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 has constituted a fund called the 'Workers' Welfare Fund' for the welfare of workers. The Fund consists of:

- An initial contribution of PKR100 million by the Federal Government
- Such money as may, from time to time, be paid by industrial establishments under section 4 and section 4 -A

- 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 the higher of its total income (as declared under the Income Tax Ordinance 2001) or the profits as per the accounts
- 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

The 1968 Companies Profits (Workers' Participation) Act provides for participation of workers in the profits of companies. The Act applies to companies engaged in an industrial undertaking which fulfils the prescribed criteria. 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-year validity (Multiple) visa within 24 hours to businessmen of 69 countries (see Table 5) on the Business Visa List (BVL) on the production of any of the following documents:

- A recommendation letter from the Chamber of Commerce & Industry of the respective country
- An invitation letter from a business organisation duly recommended by the concerned Trade Organisation/ Association in Pakistan
- A recommendatory letter by the Honorary Investment Counsellor of the Board Of Investment (BOI) / Commercial Attach posted at Missions abroad.

The duration of each stay is three months.

TABLE 5

List of business friendly or BVL countries

NO.	NAME OF COUNTRY	NO.	NAME OF COUNTRY
1	Argentina	36	Malaysia
2	Australia	37	Malta
3	Austria	38	Mauritius
4	Azerbaijan	39	Mexico
5	Bahrain	40	Morocco
6	Belgium	41	Netherlands
7	Bosnia	42	New Zealand
8	Brazil	43	Norway
9	Brunei	44	Oman
10	Canada	45	Philippines
11	Chile	46	Poland
12	China	47	Portugal
13	Cyprus	48	Qatar
14	Czech Republic	49	Romania
15	Denmark	50	Russia
16	Egypt	51	Saudi Arabia
17	Estonia	52	Singapore
18	Finland	53	Slovakia
19	France	54	Slovenia
20	Germany	55	South Africa
21	Greece	56	South Korea
22	Hungary	57	Spain
23	Iceland	58	Sweden
24	Indonesia	59	Switzerland
25	Iran	60	Tajikistan
26	Ireland	61	Thailand
27	Italy	62	Turkey
28	Japan	63	Turkmenistan
29	Jordan	64	UK
30	Kazakhstan	65	U.S.A.
31	Kuwait	66	UAE
32	Kyrgyzstan	67	Ukraine
33	Latvia	68	Uzbekistan
34	Lithonia	69	Vietnam
35	Luxembourg		

Missions abroad can grant a one-month validity and stay (Multiple) entry visa to the businessmen of another 120 countries (except Israel) subject to the production of the aforementioned requisite documents from the applicant's own country or place of legal residence by the Ambassador / High Commissioner / Head of Mission on the following criteria:

- The applicant belongs to a company of international repute, and / or
- Fulfils the criteria laid down for List 'A' countries in respect of valid sponsorship from Pakistan.

The possible conversion of a business visa into a work visa (and vice versa) has been discontinued.

VISA ON ARRIVAL

A visa on arrival (VOA) for 30 days validity and stay will be given to businessmen of the 69 countries listed on the Business Friendly List (BVL) on production of any of the following documents:

- A recommendation letter from the Chamber of Commerce & Industry of the respective country of the foreigner
- An invitation letter from a business organisation duly recommended by the concerned Trade Organisation/ Association in Pakistan
- A recommendatory letter by an Honorary Investment Counsellor of the BOI / Commercial Attach posted at Missions abroad.

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.

Extension of a three-month provisional work visa, on application, recommended by the BOI would be endorsed by the Regional Passport Offices instead of the Ministry of Interior.

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 cases of hotel businesses)
- Other business documents (ie 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 Ordinance, 1984
- 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 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. 500,000;	7% of the amount exceeding Rs. 400,000
3.	Where the taxable income exceeds Rs. 500,000 but does not exceed Rs. 750,000;	Rs. 7,000 + 10% of the amount exceeding Rs. 500,000
4.	Where the taxable income exceeds Rs. 750,000 but does not exceed Rs. 1,500,000;	Rs. 32,000 + 15% of the amount exceeding Rs. 750,000
5.	Where the taxable income exceeds Rs. 1,500,000 but does not exceed Rs. 2,500,000;	Rs. 144,500 + 20% of the amount exceeding Rs. 1,500,000
6.	Where the taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 4,000,000;	Rs. 344,500 + 25% of the amount exceeding Rs. 2,500,000
7.	Where the taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000;	Rs. 719,500 + 30% of the amount exceeding Rs. 4,000,000
8.	Where the taxable income exceeds Rs. 6,000,000;	Rs. 1,319,500 + 35% of the amount exceeding Rs. 6,000,000

SALARIED INDIVIDUALS

Tax rates for these individuals 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. 400,000;	0%
2.	Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 500,000;	2% of the amount exceeding Rs. 400,000

3.	Where the taxable income exceeds Rs. 500,000 but does not exceed Rs. 750,000;	Rs. 2,000 + 5% of the amount exceeding Rs.500,000
4.	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
5.	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
6.	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
7.	Where the taxable income exceeds Rs. 1,800,000 but does not exceed Rs. 2,500,000;	Rs. 137,000 + 17.5% of the amount exceeding Rs. 1,800,000
8.	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
9.	Where the taxable income exceeds Rs.3,000,000 but does not exceed Rs.3,500,000;	Rs. 359,000 + 22.5% of the amount exceeding Rs. 3,000,000
10.	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
11.	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
12.	Where the taxable income exceeds Rs. 7,000,000;	Rs. 1,422,000 + 30% of the amount exceeding Rs. 7,000,000

COMPANIES

The tax rates for companies are as shown below:

Small companies	25%
Banking Companies	35%
Other than a banking Company	32%

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 148–169 and sections 231A–236B 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 deal 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

Ordinance provisions; F = Full and final discharge of tax

Section	Responsible	Nature of Payment	Rates			
			Filer	Non-Filer		
148	Collector of Customs	➤ Industrial Undertaking importing re-meltable steel (PCT Heading 72.04);	1%	1.5%		
		➤ Persons importing potassic fertilizers; and				
		➤ Persons importing Urea				
		➤ Manufacturers and importing items covered under SRO 1125(I)/2011 dated 31-12-2011.				
		➤ Persons importing Gold				
		➤ Persons importing Cotton; and				
		➤ Designated buyer of LNG on behalf of Govt. of Pakistan to import LNG.				
		➤ Persons importing pulses			2%	3%
		➤ Commercial importers importing items covered under notification no. SRO 1125(I)/2011 dated December 31, 2011.			3%	4.5%
		➤ Ship Breakers on import of ships			4.5%	6.5%
➤ Industrial undertaking not covered above	5.5%	8%				
➤ Companies not covered above	5.5%	8%				
➤ Persons not covered above	6%	9%				
149	Employer	➤ Salary	Effective rate			
		➤ Compensation on termination of employment including Golden Handshake etc.	Average rate of tax for 3 years (Opt.)			
		➤ Directorship fee and fee for board meetings	20%			

Section	Responsible	Nature of Payment	Rates	
150 & 236S	Every person paying a dividend And dividend in specie	<ul style="list-style-type: none"> ➤ Dividends declared or distributed by company engaged in power generation or supplying coal exclusively to power generation projects; ➤ Others <p>Provided further that the rate of tax required to be deducted by a collective investment scheme or RIET scheme or a mutual fund shall be:</p> <p style="text-align: center;">Individual Company AOP</p> <ul style="list-style-type: none"> ➤ In case of a stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction shall be 12.5%. ➤ Dividend received from a development RIET scheme set up before 30th June, 2018 for construction of residential building shall be taxed @ reduced by 50%. 	Filer 7.5%F	Non-Filer 7.5%F
			12.5%F	17.5%F
			Stock Fund	Money Market
			10%	10%
			10%	25%
			10%	10%
151	All Payers, Banking Company, Financial Institutions, Federal Govt., Provincial Govt., Local Authority, Finance Society.	<ul style="list-style-type: none"> ➤ Yield on an account, deposit or certificate under National Saving Scheme or Post Office Saving Account ➤ Profit on account of deposits. ➤ Profit on any security issued. ➤ Profit on any bond, certificate, debenture, security or instrument of any kind (other than a loan agreement between a borrower and a banking company or a development finance institution). 	Filer 10% of all amounts	Non-Filer If profit ≤ Rs. 500,000 then 10% OR If profit is > Rs. 500,000 then 17.5 %
152	All Payers.	➤ Payment to non-resident except u/s 149 (Salary), 150 (Dividend), 155 (Income from property), 156 (Prizes & Winnings) or 233 (Brokerage & Commission) for:		
		<ul style="list-style-type: none"> • Royalty / Fee for Technical Services. • Construction, assembly or installation contracts / all other contracts including services rendered for Advertisement by Satellite Channels. • Advertisement services by media person relaying from outside Pakistan • Payment of insurance premium or re-insurance premium. • Others. 	15%F	
			6%	
			10%	
			5% 20%	
		➤ Payment to Permanent Establishment of a Non Resident:	Filer	Non-Filer
		<ul style="list-style-type: none"> • For Sale of Goods (for companies) • For Sale of Goods (Other than company) • For rendering of or providing Services: <ul style="list-style-type: none"> ○ Transport Services ○ Others (For Companies) ○ Others (Other than companies) 	4% 4.50%	6% 6.50%
			2% 8% 10%	2% 12% 15%

Section	Responsible	Nature of Payment	Rates	
		<ul style="list-style-type: none"> On execution of contract for companies On execution of contract , other than companies Sports persons 	7% 7.50% 10%	10% 10% 10%
153 (1)	Federal Govt., Company, A.O.P. Constituted by or under Law, Foreign Contractor or Consultant or Consortium or Joint Venture or an AOP & Individual having Turnover of Rs. 50 M or above, Non Profit Organization, Person registered under Sales Tax Act, 1990.	<ul style="list-style-type: none"> ➤ Payments to Companies: <ul style="list-style-type: none"> • Sale of goods • Rendering of Services • Execution of Contracts • Electronic and print media ➤ Payment to other taxpayers: <ul style="list-style-type: none"> • Sale of Goods • Rendering of Services • Execution of Contracts • Payment to Sports Person • Electronic and print media ➤ All Taxpayers: <ul style="list-style-type: none"> • Rice, Cotton seeds oil, Edible oil • Transportation 	Filer 4% 8% 7% 1% 4.5% 10% 7.5% 10% 1% 1.5%F 2%M	Non-Filer 6% 12% 10% 12% 6.5% 15% 10% 10% 15% 1.5%F 2%M
153(2)	Every exporter or Export house.	➤ Services rendered in connection with export of goods.	1%F	
154	Authorized foreign exchange dealers/ Banking Company, EPZ Authority, Direct Exporter/ Export House, Collector of Customs.	<ul style="list-style-type: none"> ➤ Export proceeds on Supply of goods to exporter under inland back to back letter of credit. ➤ Export Proceeds on realization of foreign exchange on account of export of goods. ➤ Export of goods by an industrial undertaking within EPZ. ➤ Payment to Indirect Exporter for a contract by direct exporter. ➤ Commission due to an indenting commission agent. 	1%F 1%F 1%F 1%F 5%F	

Section	Responsible	Nature of Payment	Rates			
155	Federal Govt., Provincial Govt., Local Govt., Company, Non Profit Organization, Diplomatic Mission, Private Education Institution, Boutique, Beauty Parlour, Hospital, Clinic, Maternity home, Individuals & AOPs paying Gross Rent of Rs. 1.5million or above in a year.	<ul style="list-style-type: none"> ➤ Payment of Rent to Individuals & AOPs; <ul style="list-style-type: none"> • Where the gross amount of rent does not exceed Rs. 150,000. • Where the gross amount of rent exceeds Rs. 150,000 but does not exceed Rs. 1,000,000 • Where the gross amount of rent exceeds Rs. 1,000,000. ➤ Payment of Rent to Companies; 	Nil	10% of the gross amount exceeding Rs. 150,000	Rs. 85,000 plus 15% of the gross amount exceeding Rs. 1,000,000	
156	All Payers.	<ul style="list-style-type: none"> ➤ Prize on Prize bonds or cross word puzzle. ➤ Winning from raffle, lottery, Prize on winning quiz, Prize offered by companies for promotion of sale. 	15%F	20%F		
156A	All Payers.	<ul style="list-style-type: none"> ➤ Commission/Discount on Petroleum products to Petrol pump operator. 	Filer 12%F	Non-Filer 15%F		
231A	Banking Companies.	<ul style="list-style-type: none"> ➤ Cash withdrawals exceeding Rs. 50,000 in a day. 	Filer 0.3%	Non-Filer 0.6%		
231AA	Banks, NBFI, Exchange Companies, Authorized dealers of foreign exchange.	<ul style="list-style-type: none"> ➤ Sale against cash of any instrument including DD, Pay Order, CDR, STDR, SDR, RTC or any instrument of bearer nature or on receipt of cash on cancellation of any of these instruments exceeding Rs. 25,000. 	Filer 0.3%	Non-Filer 0.6%		
231B	Motor Vehicle Registering Authority, Manufacturer of Motor Cars of Jeeps.	<ul style="list-style-type: none"> ➤ Engine capacity between 850cc and 3000cc above <ul style="list-style-type: none"> • At first registration • At subsequent registration ❖ Rate of tax shall be reduced by 10% each year from the date of first registration. 	Filer Rs. 10,000 to Rs. 250,000	Non-Filer Rs. 10,000 to Rs. 450,000	Filer NIL to Rs. 62,500	Non-Filer Rs. 5,000 to Rs. 300,000
233	Federal Govt., Provincial Govt., Local Govt., Company, AOP constituted by or under the Law.	<ul style="list-style-type: none"> ➤ Brokerage or commission paid: <ul style="list-style-type: none"> • Advertisement Agents • Others 	Filer 10%F 12%F	Non-Filer 15%F 15%F		
233A	Stock Exchanges Registered in Pakistan.	<ul style="list-style-type: none"> ➤ Commission on purchase and sale of shares: <ul style="list-style-type: none"> • Purchase of shares. • Sale of shares. 	0.01% of purchase price 0.01% of sale price			

Section	Responsible	Nature of Payment	Rates	
233AA	NCCPL	<ul style="list-style-type: none"> ➤ In respect of Margin Financing in share business or providing of margin financing, trading or securities lending under Securities (Leveraged Markets and Pledging) Rules, 2011 in share business (other than Mutual Funds specified in Pt. I cl. (57) sub cl. (2) of 2nd Schd.) from: <ul style="list-style-type: none"> • Members of Stock Exchange registered in Pakistan • Margin Financers • Trading Financers • Lenders 	10% of profit / markup / interest earned	
234	Person collecting motor vehicle tax.	<ul style="list-style-type: none"> ➤ Goods transport vehicles with different registered laden weights. ➤ Passenger Transport Vehicles: Seating Capacity: <ul style="list-style-type: none"> • Four or more person but less than ten persons • Ten or more persons but less than twenty persons • Twenty persons or more. ➤ Other Private Motor Vehicles: <ul style="list-style-type: none"> • Engine Capacity between 1000cc to 2000cc & above 	Filer Rs.2.50/Kg/ Annum Rs.50/Seat/ Annum Rs.100/Seat/ Annum Rs.300/Seat/ Annum Rs.800 to Rs.10,000	Non-Filer Rs. 4/Kg/ Annum Rs.100/Seat/ Annum Rs.200/Seat/ Annum Rs.500/Seat/ Annum Rs.1,200 to Rs.30,000
234A	Person preparing the bills.	<ul style="list-style-type: none"> ➤ Gas bill of a compressed Natural Gas Station 	4%F	
235	Person preparing the bills.	<ul style="list-style-type: none"> ➤ Commercial / Industrial consumer of electricity; <ul style="list-style-type: none"> - Bill amount Rs. 0 to Rs. 400 - Bill amount Rs. 401 to 20,000 - Bill Exceeding Rs. 20,000 	0% Rs. 80 to Rs. 1500 10 % for commercial & 5% for industrial user	
235A	Person preparing electricity consumption bills.	<ul style="list-style-type: none"> ➤ If the amount of bill is less than Rs. 100,000 ➤ If the amount of monthly bill is Rs. 75,000 or more 	0% 7.5%	
236	Person issuing bill or selling units through electronic medium.	<ul style="list-style-type: none"> ➤ Telephone bill other than the mobile bill where the amount of monthly bill exceeds Rs. 1,000. ➤ In case of subscribers of Internet, Mobile Phones & Prepaid telephone cards or sale of units in electronic medium or whatever form. 	10% of the amount exceeding Rs. 1,000. 14% of bill or sale price of internet/telephone prepaid card.	
236A	Person Making Sale by auction or Auction by Tender	<ul style="list-style-type: none"> ➤ Gross sale price of Property / Goods 	10%	

Section	Responsible	Nature of Payment	Rates	
236B	Person Preparing Air ticket.	➤ Purchase of domestic air ticket.	5% of gross amount of ticket.	
236C	Person Registering or Attesting Transfer of Immovable Property	➤ From the Seller / Transferor of Immovable Property on the gross amount of consideration received	Filer 0.5%	Non-Filer 1%
236D	Owner, Operator etc of a marriage hall, hotel, restaurant, club etc.	➤ On total amount of bill from a person arranging or holding a function in such place.	5%	
236E	Licensing Authority	➤ Foreign Produced TV Drama Serials ➤ Foreign Produced TV Play (Single Episode)	Rs. 100,000/episode Rs. 100,000	
236F	PEMRA	➤ Cable TV Operators in respect of: <ul style="list-style-type: none"> • Issuance of License for distribution services • Renewal of License ➤ IPTV, FM Radio, MMDS, Mobile TV, Mobile Audio, Satellite TV Channel and lending rights	Rs.7,500 to Rs.875,500 Rs.10,000 to Rs.900,000 20% of Permission Fee or Renewal Fee.	
236G & 236H	Manufacturer, Distributors/ Dealers/ Wholesalers Commercial Importer of Electronics, Sugar, Cement, Iron & Steel Products, fertilizers, Motorcycles, Pesticides, Cigarettes, Glass, Textiles,	Sales to Distributors: <ul style="list-style-type: none"> ➤ Fertilizers ➤ Other than Fertilizers 	Filer 0.7% 0.1%	Non-Filer 1.4% 0.2%
		Sale to Retailers	0.5% on Gross Sales	
236I	Education Institutions	➤ Annual fee exceeding Rs. 200,000	5%	
236J	Market Committee	➤ Dealers, Commission agents or arthatis at the time of issuance or renewal of Licenses.	Rs. 5,000 to Rs. 10,000	
236K	Fed Govt., Provincial Govt., Local Govt. or Foreign diplomatic commission in Pakistan.	On purchase/transfer of immoveable property: <ul style="list-style-type: none"> ➤ Where value of immoveable property is upto Rs. 3 million. ➤ Where the value of immoveable property is more than Rs. 3 million. 	Filer 0% 1%	Non-Filer 0% 2%
236L	Every airline issuing air ticket for journey originating from Pakistan	➤ Purchase of international air ticket. <ul style="list-style-type: none"> • First/Executive class (per person) • Others excluding economy (per person) • Economy (per person) 	Rs. 16,000 RS. 10,000 Rs. 0	
236M & 236N	Listed / Un-listed Companies	➤ Every listed and unlisted company issuing bonus shares to its shareholders.	5% of the value of bonus shares.	

Section	Responsible	Nature of Payment	Rates	
			Filer	Non-filer
236P	All Banking Companies	➤ Banking transaction otherwise than cash exceeding Rs. 50,000 in a day.	0%	**0.6% of the value of transaction.
236Q	All Payers	➤ Payments being made to a resident person for use or right to use industrial, commercial and scientific equipment and rent of machinery.	10%F	
236R	Banks, Financial Institutions, Foreign Companies or any person responsible for remitting foreign currency.	➤ Educational Related Expenses Remitted Abroad	5%	
236T	PMEX	➤ Purchase & Sale of Future Commodity Contracts.	0.05%	

- All payments are liable to withholding tax without any monetary threshold except for supply of goods and services with limits of Rs.25,000 and Rs. 10,000 respectively U/S 153.
- Tax deducted u/s 153 on payments received on account of execution of contracts by public company listed on a registered stock exchange in Pakistan and a company engaged in providing of services shall not be covered under Final Tax Regime.
- Tax deducted u/s 153 on payments received on account of supply of goods by listed Company and a Manufacturer Company shall not be covered under Final Tax Regime.

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%
 - Building 15%
- 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
 - Underground 100%
 - 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.

CAPITAL VALUE TAX

A tax on the capital value of assets, called the capital value tax, is payable by every individual who acquires an immovable property or right to use a property for more than 20 years or on the purchase of a Modarba certificate or a registered instrument of redeemable capital as defined in the Companies Ordinance 1984, or shares of a public listed company.

TABLE 9

Rates of tax

Residential immovable property (other than flats) situated in urban areas, measuring at least 500 square yards or one kanal (whichever is less) or more		
i) Where the value of immovable property is recorded	2% of the recorded value	Whichever is higher
ii) Where the value of immovable property is not recorded	PKR 100 per square yard of the landed area	
iii) Where the value of immovable property is a constructed property	PKR 10 per square feet of constructed area in addition to the value worked out above	
Residential flats of any size situated in urban areas		
i) Where the value of immovable property is recorded	2% of the recorded value	Whichever is higher
ii) Where the value of immovable property is not recorded	PKR 100 per square feet of the covered area of the immovable property	
Commercial immovable property of any size situated in urban areas		
i) Where the value of immovable property is recorded	2% of the recorded value of the landed area	Whichever is higher
ii) Where the value of immovable property is not recorded	PKR 100 per square feet of landed area	
iii) Where the value of immovable property is a constructed property	PKR 10 per square feet of the constructed area in addition to the value worked out above	

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 ie paid on purchases. The following persons are required to obtain sales tax registration:

- A manufacturer (not a cottage industry)
- A retailer being a unit of international and national chain store, having shop in an air-conditioned mall or whose electricity bill during preceding twelve consecutive months exceeds Rs. 600,000/-
- 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	14%
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 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 Ordinance 1984.

Companies prepare their financial statements based on historical cost as per the provision of the Companies Ordinance 1984.

All companies 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 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:

- Balance sheet
- Profit and loss account
- Cash flow statement
- 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 Ordinance, 1984. Financial statements of all other companies are presented according to the fifth schedule to the Companies Ordinance, 1984.

ICAP considers and adopts the International Accounting Standards (IASs) 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 Accounting Standards (IASs) issued by the 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

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Shahrah-e-Faisal
Karachi
Pakistan
Tel: +92 21 3430 4082
www.uhy-hnco.com

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

SOCIAL MEDIA CONNECTIONS

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

Year established: 2006
Number of partners: 5
Total staff: 122

OTHER IN-COUNTRY OFFICE LOCATIONS AND CONTACTS

Islamabad Office:
House No. 20, G1/A, Street No. 10,
F-8/3, Islamabad.
+92 (51) 2853471-2

Karachi Office:
309 Progressive Centre,
30-A, Block 6, P.E.C.H.S.
Shahrah-e-Faisal, Karachi
+92 (21) 34304082/84

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.

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



The network
for doing
business

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
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

PRINCIPAL OPERATING SECTORS

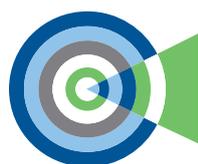
Accounting
Banking
Chemicals
Educational Services
Financial Services
Food & beverages manufacturing
Health Care
Hotels
HR services
Information Technology (IT) & services

LANGUAGES

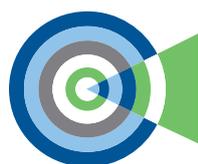
English, Urdu, Punjabi.

CURRENT PRINCIPAL CLIENTS

Akram Cotton Mills
Athar Marketing Network
Allahdin Power (Pvt) Ltd.
Allahdin Steel & Rolling Mills
Alliance Resources (Pvt) Ltd.
Beaconhouse University Project
B.I.P. Consultants W.L.L., Bahrain
Cargo Solutions
Center of Economic Research in Pakistan
Children Hospital



CureMD Pakistan (Pvt) Ltd.
Dar-es-Salam Textile Mills Limited
Dawood Hercules Chemicals Limited
Dawood Lawrencepur mills Ltd
DH Fertilizers Limited
Ericsson Pakistan Private Limited
Food Consults(Pvt) Ltd.
Fitness & Beauty Service
Fine Nauratten Jewellers
Famous Brands (Pvt) Ltd.
GA Research Farm (Pvt) Ltd.
Ghazin Education Trust
Green Revolution (Pvt) Ltd.
Guardians Health Services (Pvt) Ltd.
Harrow Educational Acade my (Pvt) Ltd.
Heritage
Hospitality Enterprises (Pvt) Ltd.
House Building Finance Corporation Limited
IDEAS
Interhome (Pvt) Limited
Institute for Policy Performs (IPR)
Imperial Homes
Irfan Foods Private Limited
Irfan Textile Mills Limited
Ittehad Chemicals Limited
I.T.D. Pakistan (Pvt.) Ltd.
J.D.W. Sugar Mills Limited
Jinnah Model Pharmacy
Jiyo (SMC-Pvt) Ltd.
KBK Electronics (PVT) Limited
Kohinoor Sugar mills Limited
Kualitatem (pvt) Ltd.
La Maison International Club
Lahore International Association
Lahore Regency (Pvt) Ltd.
Learning Alliance (SMC Pvt) Ltd.
Motel Network (Pvt) Ltd.
Nabila (Pvt.) Ltd.
Nickie & Nina
Nilofer Shahid
Nirala Dairy (Pvt) Ltd.
Noor Communications (Pvt) Ltd.
Medallion Services (Pvt) Ltd.
Meeras couture
Microtech (Pvt) Ltd.
Millennium Land Development (Pvt) Ltd.
MSR Hospitality (SMC Pvt) Ltd.
Olympia Chemicals Limited



OPP (Pvt) Ltd.
Pakistan Railways
Pebbles (Pvt) Ltd.
Put Sarajevo General Engineering Company
Rubby Jewelers
S.S. Oil (Pvt.) Ltd.
Saira Ahsan
Silk Bank Limited
SnP Foodconsults Ltd., UK
SNS Enterprises (Pvt) Ltd.
Solomon Business
Solitaire Designers Jewelry
Standard Spinning Mills (Pvt) Ltd.
Sukh Chan Garden (pvt) Ltd.
Sukh Cha'n Wellness Club (Pvt)Ltd.
Sukh Nain Na Housing (Pvt) Ltd.
Superior Textile Mills Limited
S Kasuri & Co.
Synergy Resources (Pvt)Ltd.
Tandlianwala Sugar Mills Limited
Tradcon Pakistan (Pvt) Ltd.
Transflow Media (Pvt) Ltd.
Vital Enterprises (Pvt) Ltd.
Western Global (Pvt) Ltd.

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

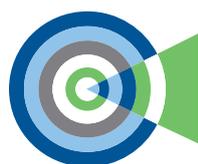
BRIEF HISTORY OF FIRM

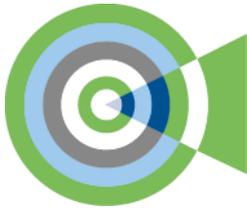
After spending about two decades as senior partners in public practice, the firm's two founders decided to establish their own firm under the name of Hassan Naeem & Co. Chartered Accountants (HNCO).

The firm was established to provide an environment to nurture the local professional talent and thereby create a quality hub to cater for the ever increasing demands of the Pakistan business community. The strategic priorities of Hassan Naeem & Co. are focused on delivering value to clients through the achievement of sustainable, efficient and reliable professional aptitude. Such confidence shall be attained while respecting quality and sovereignty.

The senior partners of Hassan Naeem & Co. 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.

The firm joined UHY in 2007, re-branding to add the UHY to the firm's name.





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.

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