

## Board of Investment

| S.No | Question  | Answer   |
|------|---|--|
| i)   | What are the steps to start business in Pakistan                                      | <p>There are three corporate organization forms registered by the SECP:</p> <ol style="list-style-type: none"> <li>1. Partnership Act 1932</li> <li>2. Limited Liability Partnership which is registered under the Limited Liability Partnership Act, 2017.</li> <li>3. Company which is registered under the Companies Act, 2017.</li> </ol> <p>Further, there are different types of companies;</p> <ol style="list-style-type: none"> <li>1. Company limited by shares               <ol style="list-style-type: none"> <li>a. Single member company</li> <li>b. Private company</li> <li>c. Public company</li> </ol> </li> <li>2. Company limited by guarantee               <ol style="list-style-type: none"> <li>a. With share capital</li> <li>b. Without share capital</li> <li>c. Unlimited company</li> </ol> </li> </ol> <p>Following are the main steps involved to register a company in Pakistan</p> <p>Step 1: Approval of Company Name<br/>           Step 2: Submission of Documents<br/>           Step 3: Certificate of Incorporation<br/>           Step 4: Deposit of Shares<br/>           Step 5: Registration of Income, Sales, and Professional Taxes</p> <p>For further clarifications investor can visit SECP web site:<br/> <a href="https://eservices.secp.gov.pk/eServices/">https://eservices.secp.gov.pk/eServices/</a></p> |
| ii)  | How much time does the process take?  | It takes one day to register the company in Pakistan, if all requisite information is provided online.   |
| iii) | Can someone start business from Singapore without having to visit Pakistan in person? | Yes, anyone can start business from any part of the world without visiting Pakistan. For further clarifications investor can visit SECP web site:<br><a href="https://eservices.secp.gov.pk/eServices/">https://eservices.secp.gov.pk/eServices/</a>   |
| iv)  | How many permissions have to be obtained before starting a business?                  | Pakistan has an open admission system that does not require prescreening and approval for entrants. However, foreign companies must fulfill the conditions of corporate registration under the Companies Ordinance, 2017. Merging with a company operating within Pakistan is required to apply to the Competition Commission of Pakistan and also follow the procedures under the Companies Ordinance 2017. Foreign investors shall be entitled to sell shares, transfer ownership, and de-register under Companies Ordinance 1984 and Banking Companies Ordinance 1962.  |

|    |   |   |
|----|---|---|
| v) | What are the incentives given by the Government of Pakistan for investment in Pakistan? | <p>Incentives given by the Government under various schemes are given at <b>Annex-A</b>. For investment in auto sector, following incentives are also available:</p> <ol style="list-style-type: none"> <li>Duty-free import of plant and machinery for setting up the assembly and/or manufacturing facility on a one-time basis;</li> <li>Import of 100 vehicle of the same variant in CBU form at 50 percent of the prevailing duty for test marketing after ground breaking of the project (Prevailing rate is 50 % to 100 % depending on cc)</li> <li>Concessional rate of custom duty @ 10 percent on non- localized parts and @ 25 percent on localized parts for a period of five years for the manufacturing of Cars and LCVs (Normal prevailing rates are 30 % localized and 45% for non-localized parts)</li> <li>Import of all parts (both localized and non-localized) at prevailing customs duty applicable to non-localized parts for manufacturing of trucks, buses and prime-movers for a period of three years (Normal prevailing rates for CKD non localized is 5 % and localized is 35 %).</li> <li>The existing policy for Motorcycle industry as approved by the government and notified by FBR vides SRO 939(I)/2013 and SRO 940(I)/2013 shall continue.</li> </ol> <p><b><u>FBR Reply:</u></b></p> <ol style="list-style-type: none"> <li>Custom Duty on more than 1600 tariff lines including majority of Machinery equipment and raw materials has been brought down to 0%.</li> <li>A variety of plant, machinery, equipment and capital goods attract CD @ 0% under Fifth Schedule and Pak-China Free Trade Agreement.</li> <li>Besides above, major sectors of economy including agriculture, mineral exploration and constructions/extraction, power generation, power transmission and grid station, heavy chemical industries, textile, etc have been provided incentives in the form of exemptions/concessions from duties on import of plant, machinery, equipment and other capital goods under Fifth Schedule to the Customs Act, 1969. (An illustrative detail of such exemptions/concessions under the said Schedule is attached As <b>(Annex-B)</b>).</li> </ol> |
|----|---|---|

**Planning & Development Division:**

|     |  |   |
|-----|--|---|
| vi) | Does Pakistan allow investment in CPEC/BRI project from Singapore/other countries? | <ul style="list-style-type: none"> <li>o Government of Pakistan encourages investment in CPEC. A newly Joint Working Group (JWG) on third Party Participation has been formed in <b>Ministry of Foreign Affairs</b>.</li> <li>o JWG is drafting policy paper for Third Party investment/cooperation under CPEC.</li> <li>o All future investments and cooperation will be regulated under the devised policy.</li> </ul> <p><b><u>BOI Reply:</u></b></p> <ul style="list-style-type: none"> <li>• Special Economic Zones are being set up along with CPEC to not only facilitate the bilateral investments but also to invite the third countries' FDI in CPEC. China is laying down the infrastructure of roads, railways, fiber optics connection in the economic zone which is making it easier for third parties to connect with the projects.</li> </ul> |
|-----|--|---|

## Federal Board of Revenue:

|      |  |   |
|------|--|---|
| vii) | How much and how many types of taxes are levied? | <p>Pakistan has federal form of government and taxes are levied at Federal, Provincial and local Government. The most significant taxes are:</p> <ol style="list-style-type: none"><li>a) Personal Income Taxes [(5% (min) to 35% (max))].</li><li>b) Corporate Income Tax: 25% for small companies, 29% for general companies and 35% for banking companies.</li><li>c) Sales Tax with general rate of 17% in VAT Mode on consumption.</li><li>d) Federal Excises on cigarettes, beverages and certain other goods.</li><li>e) Customs duties on imports.</li><li>f) Sales Tax on services levied by provinces.</li></ol> <p>Some other taxes include:</p> <ol style="list-style-type: none"><li>i) Urban immovable property tax (Provinces)</li><li>ii) Motor Vehicle Registration tax (Provinces)</li><li>iii) Social Security Contributions (Provinces)</li><li>iv) Employees Old Age Benefit Contribution (Provinces)</li><li>v) Workers Welfare Fund Contribution.</li><li>vi) Workers Participation Fund Contribution.</li></ol> <p><b><u>BOI Reply:</u></b></p> <ul style="list-style-type: none"><li>• Corporate Tax for 2019-20 is 29%</li><li>• Custom Duty range from 0% - 25%</li><li>• Sales Tax (Manufacturing) 17%</li><li>• Sales Tax (Services) 16%</li></ul> |
|------|--|---|

| Special Economic Zones  | Export Processing Zones   | Industrial Zones   | Incentives in Gwadar   |
|---|---|--|--|
| <ul style="list-style-type: none"> <li>• Corporate Income Tax Holiday of 10 years for Investors and 10 years for Developers of the Zone</li> <li>• Duty free import of capital goods for Developers and Zone Enterprises</li> <li>• The normal incentives for exports as available to projects established anywhere in the country shall be applicable to exports from the projects in the Zone</li> <li>• Federal Government / agencies to provide gas, electricity and other utilities at the zero-point of the Zones</li> <li>• Captive power generation permissible to Developers of the Zones</li> <li>• Provincial Governments to construct approach roads upto zero-point of the zone</li> <li>• The Board of Investment (BOI) would provide one-window facility within the Zones</li> </ul> | <ul style="list-style-type: none"> <li>• Developed land on competitive rates for 30 years</li> <li>• Duty-free import of machinery, equipment and materials</li> <li>• Freedom from national import regulations/ custom duties</li> <li>• Repatriation of capital and profits</li> <li>• No sales tax on input goods including electricity/gas bills</li> <li>• Duty-free vehicles allowed under certain conditions</li> <li>• Domestic market available to the extent of 20%. (Exceptions may be available under special circumstances)</li> <li>• Sales to domestic market are liable for payment of custom duties</li> <li>• Presumptive tax @ 1%. Only EPZA is authorized to collect Presumptive Tax at the time of export of goods which would be final tax liability</li> <li>• Obsolete/old machines can be sold in domestic market after payment of applicable duties &amp; taxes</li> <li>• Defective goods/waste can be sold in domestic market after payment of applicable duties, maximum upto 3% of total value</li> </ul> | <ul style="list-style-type: none"> <li>• Reinforced Concrete Road Network</li> <li>• Underground Sewerage System</li> <li>• Underground Electricity Distribution System</li> <li>• Walled industrial estate with limited entry/exit points.</li> <li>• High Pressure Gas Pipelines</li> <li>• Telecommunications System</li> <li>• Estate Managed Electrical Distribution System.</li> <li>• Fully Equipped Fire Station</li> <li>• Computerized Weigh Station</li> <li>• Technical Training Facilities</li> <li>• Estate Owned Security Arrangements</li> <li>• Hospital / Emergency Medical Services (Social Security)</li> <li>• Potable Water</li> </ul> | <p><b>Incentives for Zone Developers</b></p> <ul style="list-style-type: none"> <li>• 923 hectares of prime land has been earmarked for establishing Free Zone on 40-years lease.</li> <li>• Exemption on corporate income tax for 23 years.</li> <li>• Exemption on income tax on interest income of loans acquired for 20 years</li> <li>• Exemption on stamp duties on loans acquired, sales tax, all provincial and local taxes, charges and levies for 20 years.</li> <li>• Exemption on import duties and sales tax on all imports for materials/ equipment required for construction/ expansion and operations of port for 43 years.</li> <li>• exemption on duties on ship bunkers oils</li> <li>• Special security force would be provided to protect the investors and their investments.</li> <li>• Exemption of custom duty to those companies who hold concession agreement for construction and operation of Gwadar Port and development of Free Zone for Gwadar Port on import of materials and equipment not manufactured locally.</li> </ul> <p><b>Incentives for Zone Enterprises</b></p> <ul style="list-style-type: none"> <li>• Exemption of custom duty on import of machinery, equipment</li> </ul> |

| Special Economic Zones   | Export Processing Zones  | Industrial Zones | Incentives in Gwadar  |
|--|--|------------------|---|
| <ul style="list-style-type: none"> <li>• Service delivery to complete required processing / procedures within the Zones at the doorstep of investors</li> <li>• Free facilitation service and guidance to investors by the Board of Investment</li> <li>• Establishment of Workers Training Centers in the Zone.</li> <li>• Dry port facility in the Zone to facilitate imports and exports</li> </ul> | <p><b>Gwadar Export Processing Zone</b></p> <ul style="list-style-type: none"> <li>• Tax holiday for 10 years from the commencement of commercial operation of the project;</li> <li>• Permission to export upto 50% of the production from zone to tariff area of the Country on payment of usual duties and taxes;</li> <li>◦ Incentives for exports available to projects established anywhere in the country shall be applicable to exports from the Projects in the Zone;</li> <li>• The plots to be provided to investors on lease (as per existing EPZA procedure) at a reasonable rate to be determined in consultation with Government of Balochistan, keeping in view the size of investment;</li> <li>◦ Zero rated sales tax on the supply of construction material to Gwadar Export Processing Zone for development of zone infrastructure;</li> <li>◦ Exemption from Stamp Duty; and</li> <li>• In addition to above incentive package, the incentives already approved for the Hotel Industry may remain un-affected.</li> </ul> |                  | <p>and other items required for setting up power generation plant, water treatment plants and other infrastructure related projects located in an area of 30-km around the zero point in Gwadar.</p> <ul style="list-style-type: none"> <li>◦ Only 5% custom duty to import of machinery, equipment and other project related items for setting up of hotel located in an area of 30-km around the zero point in Gwadar.</li> </ul> <p><b>Policy incentives for setting up of Refinery Projects</b></p> <ul style="list-style-type: none"> <li>◦ 20 years income tax holiday</li> <li>◦ waiver of 5% Workers Profit Participation Fund subject to the condition that the entire proceeds will be exclusively spent for the benefit of the local labour and their welfare, through a Board of Trustees, to be specially established for this purpose.</li> <li>• Waiver of development surcharge @0.5% of the value of exports under the EPZA Rules 1981.</li> </ul> <p><b>Incentives for Pioneer Industry</b></p> <ul style="list-style-type: none"> <li>◦ Corporate Income Tax holiday for five (05) years</li> <li>• Duty from import of capital goods</li> <li>◦ Government commitment to provide infrastructure facility to Pioneer Industry through concerned agencies.</li> </ul> |

- (ii) Machinery and equipment for initial installation, balancing, modernization, replacement or expansion of coal firing system, gas processing plants and oil and gas field prospecting are subject to 0%, 3%, 5% customs duty (Sr.No.4);

**E. Textile Sector:**

- (i) Specified textile machinery and equipment are exempt from whole of customs duty (Part-IV). Further in the current FY, in order to provide additional incentive to the textile sector and to encourage export, customs duty on parts/accessories falling under PCT codes 8448.3110, 8448.3190, 8448.3330 and 8502.1390 for textile sector, has been exempted in Fifth Schedule.
- (ii) Specified raw materials/inputs, etc are subject to concessionary rate of customs duty (Part-III).

**F. Other Sectors:**

- (i) Import of plant and machinery excluding consumer durable goods and office equipment as imported by Greenfield Industries intending to manufacture taxable goods, during their construction and installation period, is exempt under Sr.No. 34 of Part-I of Second Schedule to the Customs Act, 1969 is exempt from whole of customs duty.
- (ii) Machinery and equipment imported by industrial concern is subject to reduced rate of 0%, 3%, 11% and 5% customs duty (Sr.No.15);
- (iii) Effluent treatment plants are subject to reduced rate of 0%, 3%, 5% customs duty (Sr.No.19);
- (iv) Specified items for dedicated use with renewable energy have been exempted from whole of customs duty (Sr.No. 21 & 22);
- (v) Parts and components for manufacture of LED lights are exempt from whole of customs duty (Sr.No.23);
- (vi) Plant, machinery and production line equipment used for the manufacture of mobile phones are exempt from whole of customs duty (Sr.No.28);
- (vii) Specified motor vehicles for transport of goods and special purpose motor vehicles imported by Construction Companies registered with SECP are importable at the reduced rate of 20% customs duty (Sr.No.27);
- (viii) Specified machinery, equipment and other education and research related items imported by technical institutes, training institutes, research institutes, schools, colleges and universities are exempted from whole of customs duty (Sr.No.13);
- (ix) Machinery, equipment, raw materials, components and other capital goods for use in buildings, fittings, repairing or refitting of ships, boats or floating structures imported by Karachi Shipyard and Engineering Works Limited are exempted from whole of customs duty (Sr.No.14);
- (x) Specified solar Cell Manufacturing Equipment are exempted from whole of customs duty [Sr.No.20 (8)];

- (xi) Specified items for manufacture of SIM/Smart Card imported by SIM and Smart Card manufacturers are exempted from whole of customs duty (Sr.No. 87 – Part-III).
- (xii) Plant, machinery and equipment, materials, specialized vehicles or vessels, accessories, spares, chemicals and consumables, as are not manufactured locally, imported by developers, contractors and service companies involved in infrastructure development of Large Diameter Pipelines (i.e. 24” and above) projects namely, North South Gas Pipeline Project (NSGP), Turkmenistan, Afghanistan, Pakistan and India Pipeline Project (TAPI), Iran Pakistan Gas Pipeline Project (IP), RLNG-III Pipeline (RLNG-III), or any other project declared as “Large Diameter Gas Pipeline Project” by the Ministry of Energy (Petroleum Division) have been subjected to 5% customs duty vide Sr.No. 35(1) of Part-I of Fifth Schedule.
- (xiii) Plant, machinery and equipment, materials, specialized vehicles or vessels, accessories, spares, chemicals and consumables, as are manufactured locally, imported by developers, contractors and service companies as specified at (xii) above have been subjected to 10% customs duty vide Sr.No. 35(2) of Part-I of Fifth Schedule.
- (xiv) HR Coils, Line Pipe, Pylons/Piles, whether or not manufactured locally, imported by developers and contractors of the projects as specified at (xii) above have been exempted from whole of customs duty vide Sr.No. 35(3) of Part-I of Fifth Schedule.
- (xv) Machinery, equipment, vessels, dumpers, specialized vehicles, accessories, spares and all other items essentially required for the projects specified at (xii) above have been exempted from whole of customs duty imported by developers, contractors and service companies on an import-cum-export basis for a period of five years vide Sr. No. 35(3) of Part-I of Fifth Schedule.

**EXEMPTION/CONCESSION UNDER THE SECOND SCHEDULE TO THE CUSTOMS ACT, 1969**

An illustrative detail of exemptions/concessions is hereunder:-

**A. Agriculture Sector (Sr.No. 1):**

- (i) Specified agricultural machinery and equipment are importable at the concessionary rates of customs duty. Tillage and seed bed preparation equipment are subject to 2% customs duty. Seeding or planting equipment is exempt from whole of customs duty;
- (ii) Irrigation, drainage and agro-chemical application equipment, harvesting, threshing and storage equipment attract reduced rate of 2% customs duty. Fertilizer and plant protection equipment are subject to 5% customs duty;
- (iii) Dairy, livestock and poultry, machinery post-harvest handling and processing and miscellaneous machinery are subject to reduced rate of 2% customs duty;
- (iv) A number of greenhouse farming and other greenhouse equipment are exempt from whole of customs duty;
- (v) Machinery, equipment and other capital goods for miscellaneous agro-based industries like milk processing, fruit, vegetable or flowers grading, picking or processing etc attract 0%, 3%, 5% customs duty;
- (vi) Specified horticulture and floriculture machinery and equipment attract 5% customs duty;
- (vii) Machinery and equipment for development of grain handling and storage facilities including silos are subject to 0%, 3%, 5% customs duty (Sr.No. 2);
- (viii) Cool chain machinery, equipment including capital goods attract reduced rate of 0%, 3%, 5% customs duty (Sr.No.3).

**B. Mining Sector:**

- (i) Machinery, equipment, materials, capital goods, specialized vehicles (4x4 non luxury) i.e. single or double cabin pickups, accessories, spares, chemicals and consumables meant for mineral exploration phase are exempt from whole of customs duty. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the exploration phase are also exempt from whole of customs duty (Sr.No. 6);
- (ii) Machinery, equipment, materials, capital goods, specialized vehicles (4x4 non luxury) i.e. single or double cabin pickups, accessories, spares, chemicals and consumables meant for mine construction phase or extraction phase attract 0%, 3%, 5% customs duty. Imports made for mine construction phase shall also be entitled to deferred payment of duty for a period of five years. However a surcharge @ 6% per annum shall be charged on the deferred amount. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary



- basis as required for mine construction or extraction phase attract 0%, 3%, 5% customs duty (Sr.No.7);
- (iii) Coal mining machinery, equipment, spares, including vehicles for site use i.e. single or double cabin pickups imported for Thar Coal Field are exempt from whole of customs duty (Sr.No.8);
  - (iv) Specified machinery and equipment for marble granite and gem stone extraction and processing industry is subject to reduced rate of 0%, 3%, 5% customs duty (Sr.No.17).

**C. Power Sector:**

- (i) Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through oil, gas, coal, wind and wave energy including under construction projects, which entered into an implementation agreement with the Government of Pakistan are subject to 0%, 3%, 5% customs duty. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project attract 0%, 3%, 5% customs duty (Sr.No.9);
- (ii) Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through gas, coal, hydel and oil including under construction projects are subject to 0%, 3%, 5% customs duty. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project attract 0%, 3%, 5% customs duty (Sr.No.10);
- (iii) Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through nuclear and renewable energy sources like solar, wind, micro-hydel, bio-energy, ocean, waste-to-energy and hydrogen cell etc are exempt from whole of customs duty. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project are also exempt from whole of customs duty (Sr.No.11);
- (iv) Machinery and equipment meant for power transmission and grid stations including under construction projects are subject to 0%, 3%, 5% customs duty (Sr.No.12).

**D. Heavy Chemical Industries:**

- (i) Machinery, equipment and other capital goods meant for initial installation, balancing, modernization, replacement or expansion of oil refining (mineral oil, hydro-cracking and other value added petroleum products), petrochemical and petrochemical downstream products including fibers and heavy chemical industry, cryogenic facility for ethylene storage and handling are subject to 0%, 3%, 10% customs duty (Sr.No.15);