

SETTING UP BUSINESS IN PAKISTAN



General Aspect

Pakistan is located in South Asia and borders to India in the east, Afghanistan to the west, Iran to the south-west and China towards the north-west; Pakistan is part of the United Nations and Commonwealth nations. It's monetary unit is 'Rupee'. Current population is approximately around 220 million. National language is Urdu. The official language is English.

Legal Forms of Business Entities

Following are the form of businesses along with legal status

Legal form	Feature
Sole Proprietors	An individual may set up the business as sole proprietor. There is no regulatory authority for sole proprietorship.
Partnerships	"Partnership" is the relation between two or more persons (maximum twenty) who have agreed to share the profits of a business carried on by all or any of them acting for all. Partnership is governed by the Partnership Act, 1932 and the regulatory authority is Registrar of Firms.
Companies	The Companies Act, 2017 along with the Companies Rules, 1985 provide the legal framework for operations of companies in Pakistan and the Securities and Exchange Commission of Pakistan is the regulatory authority for the limited liability companies.

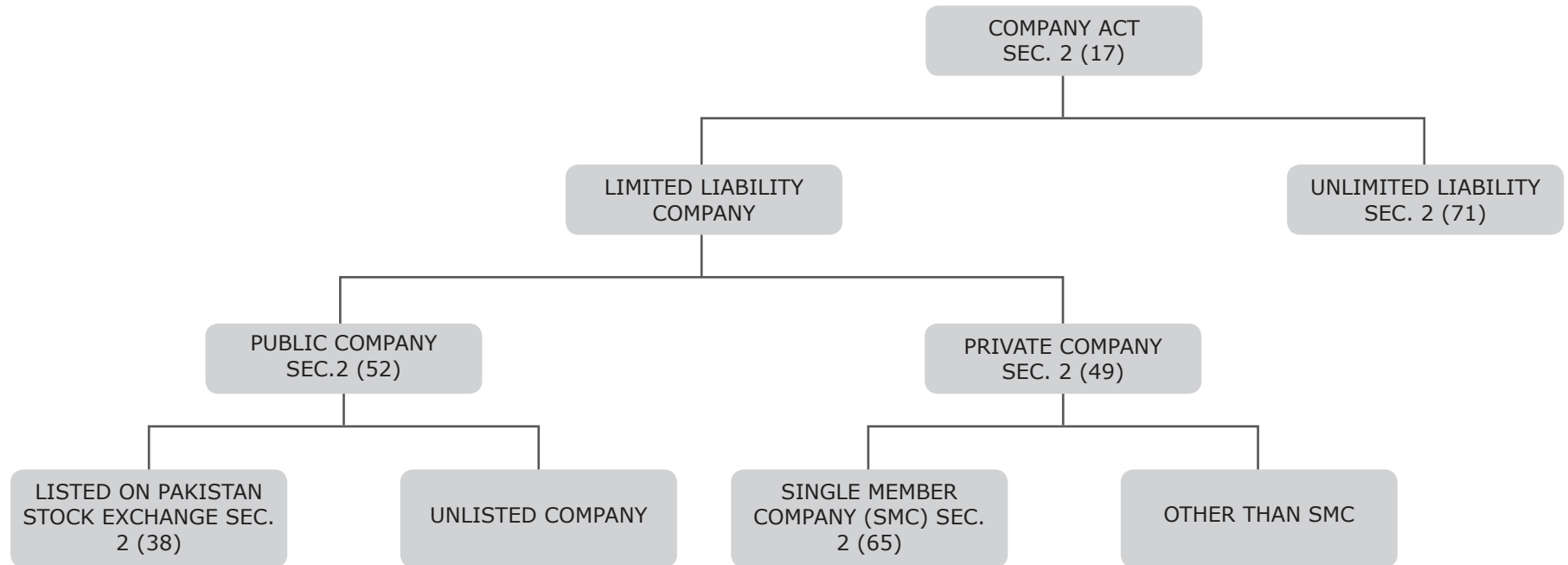
Sole proprietorship characteristics:

Regulatory Authority	There is no regulatory authority, defined by Government of Pakistan, for sole proprietorship. However, the liability of the owner is un-limited.
Current Trend	Most of the sole proprietor registered their business under single member company (SMC) to enjoy the benefit of limited liability.
Single Member Company (SMC)	Single Member Company can be registered under Companies Act, 2017 and is regulated by the Security & Exchange Commission of Pakistan.

Registration of a Partnership firm:

Partnership Deed/Registration Application	Agreed & signed partnership deed by all the partners along with registration application is being required to register a partnership under Partnership Act, 1932
Submitted to Registrar	Signed deed sent to Registrar of Firm of the area in which any place of business of the firm is situated or proposed to be situated.
Issue a Certificate of Registration	After due verification, the Registrar shall issue a Certificate of Registration. One may opt for an unregistered partnership.

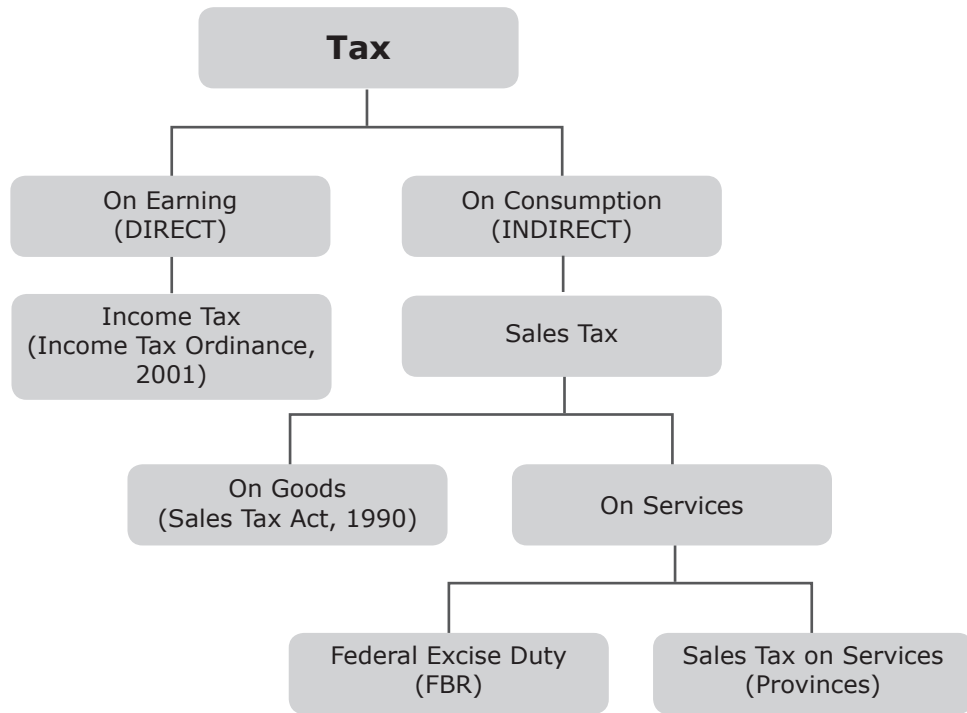
Types of companies as per their legal status according to Companies Act, 2017



Registration of a company:

Legal form	Feature
Forming of Company	Interested person has option to register company under section 14 the Companies Act, 2017
Availability of Name	Company apply for the availability of name as per section 10 of Companies Act, 2017
Documents Required	ID, Passport Copy along with Memorandum of Association, prescribed forms, duly filled and signed by sponsors, will be filed to concerned registrar of SECP with in sixty days of reservation of name.
Certificate of Incorporation	The registrar upon satisfaction will register a company and issue a Certificate of Incorporation under section 16 (5) of Companies Act, 2017.

Taxation



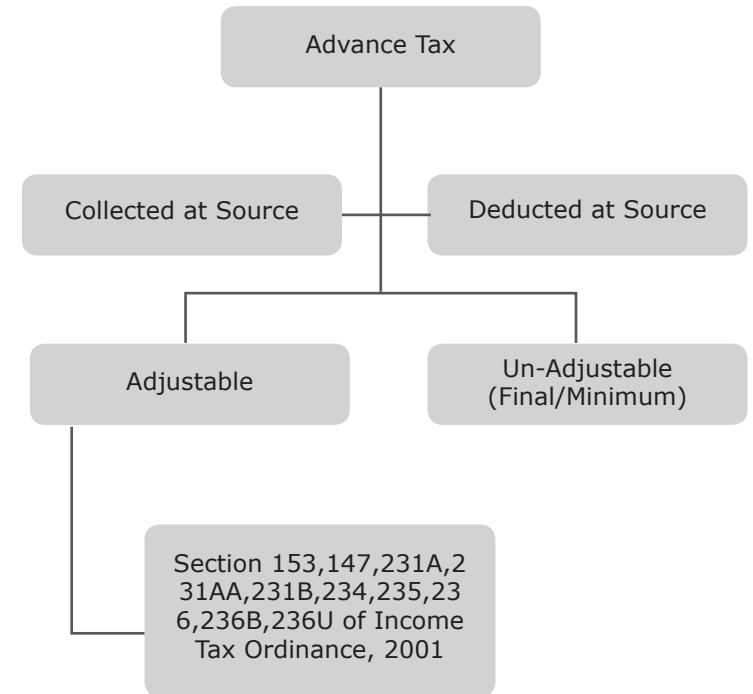
Income Tax:

Each person (Individual, Partnership & Company) are required to pay tax on taxable income (Pakistan source income) under Income Tax Ordinance, 2001.

Normal Tax Regime	Tax on taxable income Section 4 of Income Tax Ordinance, 2001
Final Tax Regime	Final tax applicable under section 148,150,151,152(1), 152(1A),153(1)(a),153(1)(c), 153(2),154,154(2),156,156A, 233(1),234 A of Income Tax Ordinance, 2001
Minimum Tax	Minimum tax applicable under section 113, 148(8), 153(1)(b), 113(c) of Income Tax Ordinance, 2001

Advance Income Tax

Company requires to pay advance tax on Payments against transactions (adjustable against final tax liability under NTR).



Sales Tax:

Every person (Individual, Partnership & Company) required to pay sales tax on taxable supplies as per Sales Tax Act, 1990.



Other laws & restrictions

Following are the few major Act applicable on businesses in Pakistan.

- Factories Act, 1934
- Employees Old Age Benefit Act, 1976
- Provident Funds Act, 1925
- Provincial Employees Social Security Ordinance, 1965
- Minimum Wages Ordinance, 1961
- Payment of Wages Act, 1936
- Workers Welfare Fund Ordinance, 1971



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