

## APPENDIX A: REALISING FDI FUNDS INTO PAKISTAN

The foreign direct investor may invest in by any of the following investment vehicles/methods in Pakistan:

- By incorporating a wholly owned subsidiary or company, by acquiring shares in an associated enterprise
- Through a merger or an acquisition of an unrelated enterprise
- Participating in an equity joint venture with another investor or enterprise

### FOREIGN DIRECT INVESTMENT INCENTIVES IN PAKISTAN

Making a direct foreign investment allows companies to accomplish several tasks:

- Avoiding foreign government pressure for local production.
- Circumventing trade barriers, hidden and otherwise.
- Making the move from domestic export sales to a locally-based national sales office.
- Capability to increase total production capacity.
- Opportunities for co-production, joint ventures with local partners, joint marketing arrangements, licensing, etc;
- low corporate tax and income tax rates in Pakistan
- tax concessions/exemptions to particular businesses
- special economic zones developed by the government of pakistan
- cheap labour in Pakistan
- Job training & employment subsidies
- Infrastructure subsidies
- Research and Development support
- Early Entry Advantage.

Pakistan has a very liberal policy on repatriation for foreign direct investors; therefore, investing in Pakistan gives foreign direct investors the following added advantages.

- Remittance of royalty, technology and franchise fee is allowed to projects in social, service, infrastructure, agriculture and international chains food franchise.
- Minimum share of the local (Pakistani) partner in a joint venture will be 60:40 for the service sector. However, 100% foreign equity can be owned for first 5 years.
- The FBR (Federal Board of Revenue) will not question as to the source of investment; however, the FBR will only want to know whether the investor has paid requisite Income Tax on that specific investment. The FBR will not inquire into the source of the funds.
- Foreign investors are allowed to invest in industrial project on 100% equity basis without any permission from the government.
- There is no requirement for a No Objection Certificate from the Provincial

Government.

- In addition to manufacturing sector foreign investment on a repatriate-able basis is allowed in services, infrastructure and social sectors.
- Full repatriation of capital gains, dividends and profits.
- The facility for contracting foreign private loans is available to all those foreign investors who make investment in the approved sectors.
- Foreign controlled manufacturing concerns are allowed to borrow on the domestic market according to their requirements.
- Foreign controlled semi-manufacturing and non-manufacturing concerns can access loans equal to @ 75% & 50%, respectively, of their paid up capital including reserves.
- BOI's (Board of Investment) approval is not required for foreign companies to open a bank account.

### CORPORATE STRUCTURES

Various Corporate structures are available for setting up a place of business in Pakistan. In terms of the Investment Policy of the Government of Pakistan, there are three (03) ways, whereby, a foreign company may have its presence in Pakistan.

- Liaison Office;
- Branch Office; and
- Locally incorporated subsidiary

### TREATMENT OF A FOREIGN INVESTOR

Foreign Private Investment (Promotion and Protection) Act, 1976 and the Furtherance and Protection of Economic Reforms Act, 1992 provide legal cover for protection of foreign investors/investment in Pakistan.

Furthermore, since Pakistan has entered into Bilateral Agreements on Promotion and Protection of Investment with more than 46 countries. These Agreements provide the following:

- The Contracting Parties shall encourage investments in their respective territories by investors of the other Contracting Parties
- Non-discrimination between local investors and foreign investors
- Equal/non-discriminatory treatment in case of compensation for losses owing to war, other armed conflicts or a state of national emergency
- Free transfer of investments, and income deriving including profits, dividends, interest income, proceeds of sales or liquidation, repayments of loans, salaries, wages and other compensation, etc.
- A dispute settlement mechanism to settle any dispute between the countries with respect to the interpretation of the respective agreement and a dispute settlement procedure to settle any dispute between a host country and an investor of the other country.

DESCRIPTION	BRANCH OFFICE	LIAISON OFFICE
<b>SCOPE OF ACTIVITIES</b>	A branch office is set up by a foreign firm to execute the contracts awarded to it. Activity will be restricted to the work mentioned in the agreement/ contract signed Cannot indulge in commercial/ trading activities	Activity is restricted to the promotion of product(s), provision of technical advise and assistance, exploring the possibility of joint collaboration and export promotion (these activities are to be mentioned in the application) Cannot undertake any commercial/ trading activities
<b>MEETING EXPENSES</b>	All expenses will be met out of funds transferred from abroad through normal banking channel and converted to local currency account or from the amounts received through execution of the agreement / contract	All expenses will be met out of funds transferred from abroad through normal banking channel and converted to local currency account
<b>REMITTANCE FACILITY</b>	Remittance of profits etc. is allowed subject to submission of information / documents as required in terms of Para 13 Chapter XIV of the Foreign Exchange Manual of SBP.	No remittance facility allowed.
<b>HIRING OF FOREIGN NATIONALS</b>	Employment of foreign nationals shall be made subject to the prior approval of the Government as per policy and in accordance with the policy of Pakistanization.	Employment of foreign nationals shall be made subject to the prior approval of the Government as per policy and in accordance with the policy of Pakistanization
<b>IMPORT AND EXPORT OF MACHINERY</b>	Import/Export of machinery and equipment and its re-export shall be governed by the Import/Export policies of the Government	Nil
<b>REGISTRATION WITH SECP</b>	Mandatory	Mandatory
<b>FINALIZATION OF CASE</b>	6-8 weeks;	6-8 weeks;
<b>PERIOD OF PERMISSION</b>	3-5 years; renewable	3-5 years; renewable
<b>DOCUMENTS REQUIRED</b>	Six sets of the following documents are required: 1. Application form 2. Copy of registration of the foreign company duly attested by Pakistan Mission 3. Copy of Articles and Memorandum of Association 4. Copy of agreement / contract in case of Branch Office 5. Copy of Company Profile 6. Copy of Resolution / Authority letter of the company to establish branch office in Pakistan.	Six sets of the following documents are required: 1. Application form 2. Copy of registration of the foreign company duly attested by Pakistan Mission 3. Copy of Articles and Memorandum of Association 4. Copy of Company Profile 5. Copy of Resolution / Authority letter of the company to establish liaison office in Pakistan
<b>RENEWAL</b>	Following documents are required: 1. Copies of valid agreements/ contracts along with their duration 2. Income tax returns (for the last 03 years) 3. Copy of latest Audited Accounts 4. Proceeds Realization Certificates	Following documents are required: 1. Performance/Activity report 2. Receipt and Payment Statement 3. Proceeds Realization Certificates
<b>TAXATION</b>	35% corporate tax on the taxable income.	Nil
<b>CHANGE OF ADDRESS / TELE ETC.</b>	Has to be intimated to the Board of Investment and other concerned quarters	Has to be intimated to the Board of Investment and other concerned quarters
<b>DOCUMENTS REQUIRED FOR CLOSURE</b>	The following documents are required: 1. Request letter for closure 2. Activity Report, Proceeds Realization Certificates, and Audited Accounts for the last permitted period 3. Copies of press clippings regarding closure published in two national dailies. 4. Confirmation from tax authorities that all assessments and dues are clear.	The following documents are required: 1. Request letter for closure 2. Activity Report, Proceeds Realization Certificates, and Receipt and Payment Statement for the last permitted period 3. Copies of press clippings regarding closure published in two national dailies. 4. Confirmation from tax authorities that all dues are clear.