
TOWARDS CREATING EASE IN DOING BUSINESS IN THE PUNJAB

Punjab Board of Investment & Trade



Creating Ease in Doing Business in the Punjab

Some Highlights:

- According to the World Bank's Doing Business Index 2020, Pakistan's ranking of Ease Doing Business has improved from 148 in 2016 to 108 in 2020.
- Pakistan is among the top ten countries which have made significant improvement in regulatory reforms of doing business. Other countries include Saudi Arabia, Jordan, Togo, Bahrain, Tajikistan, Kuwait, China, India, and Nigeria.
- These countries implemented total of 59 reforms primarily focusing on the areas of Starting a Business, Dealing with Construction Permits, and registering a property.



Another of our Manifesto commitments fulfilled - this time on Ease Of Doing Business. Pak achieves biggest improvement in its history in World Bank's EODB rankings. Over last decade Pak's ranking had slipped more than 50 places. Now we have improved 28 places - from 136 to 108.

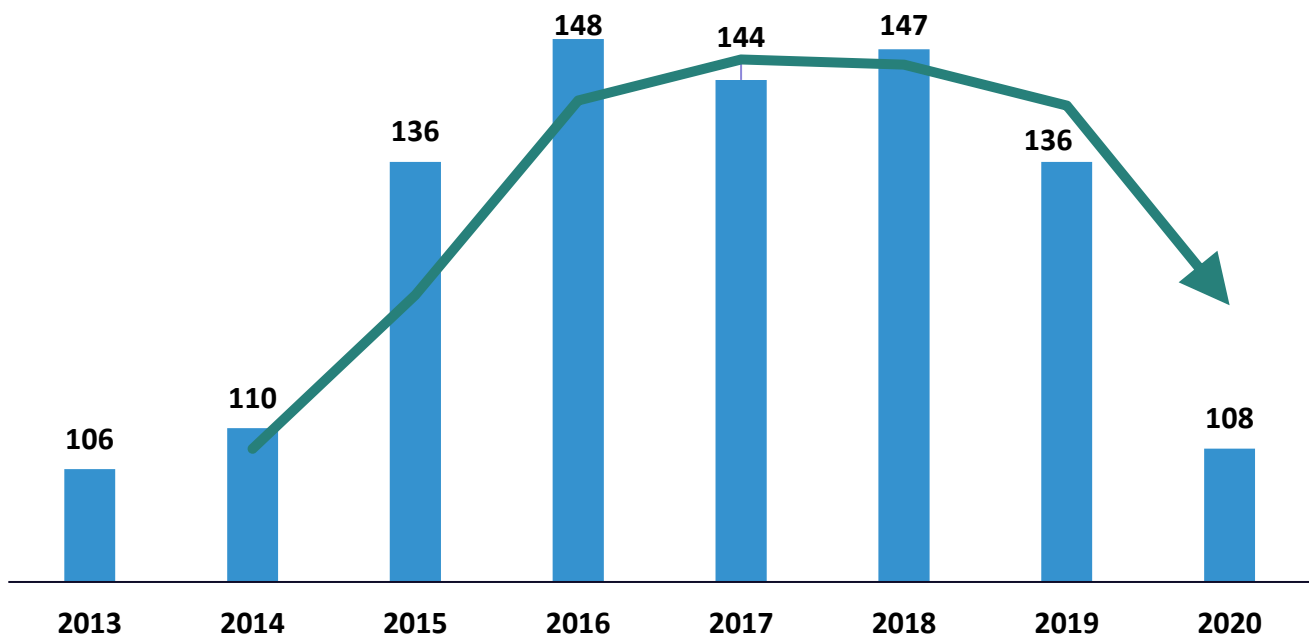
- The Government of Pakistan adopted an ambitious strategy through which Prime Minister Office was directly engaged with the relevant departments and monitored the progress of reform implementation.
- A National Secretariat and a Prime Minister's Reform Steering Committee were established to ensure continuity and progress of the reform process. Doing Business indicators remained nucleus of all of the reforms.
- Municipal and Provincial level working groups of Doing Business have also been formed to kick-start the reform process from grass-root level.
- To achieve the goal of economic transformation, special focus was given to Small & Medium Enterprises (SMEs) where they were provided with all possible facilities and assistance including simplification of rules and regulations, provision of credit, transparency tax system and facilitation of business.

SNAPSHOT OF REFORMS

- **Starting a Business:**
 - Launch of the Online-One-Stop Shop
 - Abolishment of registration fee of Labor Department, Lahore
- **Dealing with Construction Permits**
 - Lahore has made obtaining a construction permit easier and faster by streamlining the approval process and by improving the operational efficiency of its one-stop shop for construction permitting.
- **Getting Electricity**
 - Pakistan made getting electricity easier by enforcing service delivery time frames and by launching an online portal for new applications. Pakistan has also increased the transparency of electricity tariff changes. This reform applies to both Karachi and Lahore.
- **Registering Property**
 - Lahore made registering property easier by increasing the transparency of the land administration system.
- **Paying Taxes**
 - Pakistan made paying taxes easier by introducing online payment modules for value added tax and corporate income tax, and less costly by reducing the corporate income tax rate. This reform applies to both Karachi and Lahore.
- **Trading Across Borders**
 - Pakistan made trading across borders easier by enhancing the integration of various agencies in the Web-Based One Customs (WEBOC) electronic system and coordinating joint physical inspections at the port. This reform applies to both Karachi and Lahore.

Pakistan's Trend of Doing Business

It took some years that Pakistan gauged the importance of Doing Business index and started to analyze where the reforms were actually needed. Areas of improvement were identified, goals were set, strategies were devised at both Federal and Provincial level and now the progress is being strictly monitored. It could safely be said that Pakistan's economy is now in the mode to transform in terms of processes and procedures of doing business. Starting from the worst of 148 place out of 190 countries, Pakistan has now been successful to score the place of 108 in 2020.



Source: *Doing Business, World Bank 2020*

To bring reforms into business and investment environment of the country and facilitate investors in the execution of their investment plans are the top priority of the current Government. It is the consistent policies and dedicated efforts that has made possible to transform Pakistan into an investment friendly country of the world.

Pakistan's Ranking in Each Factor

There are total ten indicators through which an economy's performance is measured by the Doing Business Index of World Bank. In case of Pakistan, some indicators fall under Federal jurisdiction while others are dealt by the provincial government. Karachi (65% weightage) and Lahore (35% weightage), the largest metropolitan cities are being taken to gauge the ease in doing business in Pakistan.

Mainly the indicators i.e. Starting a Business, Dealing with Construction Permits, Registering Property, Enforcing Contracts and Getting Electricity fall under provincial jurisdiction but many of their activities and procedures go through Federal machinery.

INDICATORS	2020	2019	2018
Starting a Business	72	130	142
Dealing with Construction Permits	112	166	141
Getting Electricity	123	167	167
Registering Property	151	161	170
Getting Credit	119	112	105
Protecting Minority Investors	28	26	20
Paying Taxes	161	173	172
Trading Across Borders	111	142	171
Enforcing Contracts	156	156	156
Resolving Insolvency	58	53	82

Source: Doing Business, World Bank, 2020

Protecting Minority Investors is the best performing indicator of Pakistan where Pakistan stands at 28th in 2020. **Resolving Insolvency** has improved from 82nd place to 58th place. Another crucial indicator which is said to be the face of a country's doing business environment is **Starting a Business**. Pakistan was able to score 72nd place in 2020 which was 142nd in 2018. Other indicators like Dealing with Construction Permits, Getting Electricity, Trading across Borders and Getting Credit have also been improving gradually but consistently. The overall performance of bringing reforms in the economy is quite encouraging in all indicators, showing that Pakistan has embarked on a right direction.

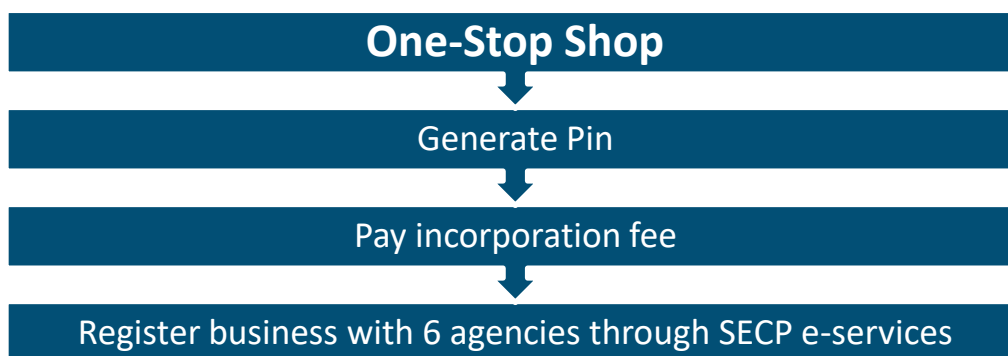
STARTING A BUSINESS

The Security and Exchange Commission of Pakistan (SECP) is the prime body to register companies in Pakistan. According to the data issued by SECP in February 2021, total 134,797 companies have been registered, out of which 2,201 companies were enrolled in January only. It is worth-mentioning that 98 percent of the new incorporations were registered online while approximately 30 percent applicants completed registration process in the same day.

Starting a Business (rank)	72
Procedures (number)	4
Time (days)	3

REFORMS IN STARTING A BUSINESS

- One-Stop Shop has been launched which consolidated the process of registering a company on one portal. A couple of federal and provincial departments is involved in the whole process. These departments offer their services through this portal. It saves the businessman from the hassle of going to multiple departments for registering a company.



- Since 2015, the reforms in the procedures of Starting a Business has significantly decreased the time from 18.5 to 3 days and procedures from 12 to 4.
- The Registration fee of Labour Department, Lahore has been abolished.
- SECP has started issuing final registration certificates within 4 hours.
- Provincial and EOBI certificates are now viewable (by companies as well as SECP) in e-Services account of a company.

- Sale Tax Registration can now be obtained within minutes through FBR Portal IRIS which means time involved in procedure 5 of Sales Tax Registration Number (STRN) has reduced from 1 week to 0.5 day.
- The provisions regarding company's common seal through amendments in Companies Act 2017 (section 18, 23, 62, 137, 201, 203, 337) have been omitted. The amendments are made through an ordinance called "The Companies Amendments Ordinance 2020".

Procedure for Incorporation of a Company

S#	Procedure (Lahore)	Responsible department	Time to complete	Cost (PKR)
1	Obtain PIN for company incorporation submission from SECP	SECP eportal https://eservices.secp.gov.pk/eServices/	Less than one day (Online procedure)	PKR 100
2	Reserve the name, register company, pay incorporation fees, obtain a NTN and register with Excise & Taxation Department, the Punjab Employees Social Security Institution (PESSI), Employees Old-Age Benefits Institution (EOBI) and Labor Department of Karachi on the Securities & Exchange Commission of Pakistan (SECP) e-portal www.eservices.secp.gov.pk/eServices	SECP, Excise & Taxation Department, PESSI, EOBI, Labour department	1 day	Name reservation fee(PKR200)+Filling fee(PKR400)+Registration fee for online submission: PKR1000 for capital below PKR 100,000.
3	Open a bank account for tax registration	Bank	1 day	No charge
4	Apply for a Sales Tax Registration Number (STRN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR) in Lahore <ul style="list-style-type: none"> - Submit the application Form STR-1 at any tax facilitation counter at the nearest Regional Tax Office (RTO) - Inspection by the tax officer 	RTO of the FBR in Lahore	0.5 day	No charge

Reforms in process:

SR#	Action Item	Responsibility
1	Integrate Business Registration Portal with Federal Board of Revenue (FBR) (In process)	Chairman PITB
2	SECP is working on a One-Window facilitation for opening bank accounts for the applicants.	SECP

Relevant regulations:

Sr#	Regulation	Amendments
1	The Companies Act 2017	(Mentioned Below)
2	Amendments - The Companies Amendments Ordinance 2020 (section 18, 23, 62, 137, 201, 203, 337)	Omission of company's common seal
3	The S.R.O 448 dated May 24, 2016	Fees update for incorporation of a company
4	Sales Tax Act 1990 and Sales Tax Rules 2006 (Section 14, 15. 16)	A mandatory company sales tax registration by submitting the application for STR-1 at any Regional Tax Office (RTO)
5	Sales Tax General Order NO.4/2007	Introduction of electronic filing of the sales tax returns and as of July 1, 2008, electronic filing was made mandatory.

DEALING WITH CONSTRUCTION PERMITS

Pakistan's ranking in Dealing with Construction Permits has improved manifold from 166 in 2019 to 112 in 2020. The Lahore Development Authority has made revolutionary changes in its procedure of getting construction permits by introducing online application and providing one window facilitation to the applicant along-with keeping a check on ongoing services for further improvement. Many changes are still in process and will improve the ranking further.

Dealing with Construction Permits (rank)	112
Procedures (number)	12
Time (days)	48

Procedure for Lahore

Sr#	Procedure	Time	Cost (PKR)
1	Obtain Fard (ownership and non-encumbrance certificate) from the Land Revenue Management Information System From onlinefard.punjab-zameen.gov.pk	1 day	150
2	Obtain an Undertaking on Stamp Paper which must be notarized with an affidavit from BOP	1 day	1000
3	Request Building Permit from the Lahore Development Authority (LDA)	1 day	No Charges
4	Request water and sewerage connection to WASA	10 days	1,750
5	Receive Site Inspection by the Lahore Development Authority	1 day	No charges
6	Obtain a building permit from LDA	18 days	210,000
7	Receive Site Inspection for Water Connection		
8	Receive Site Inspection for Sewerage Connection		
9	Receive inspection for final water connection and installation of water meter		
10	Apply for completion certificate and request final inspection	1 day	10,000
11	Receive final inspection	1 day	No charges
12	Receive completion certificate from the Lahore Development Authority (LDA)	14 Days	No Charges

Required Documents for Warehouses Construction Permit (Lahore)

Sr#	Document	Original	Photocopies	Attestation	Amount
1	Application Form (BB-1/BB-2, BB-3, BB-4)	Yes	No	-	-
2	CNIC	Yes	Yes	Yes	-
3	Power of Attorney/authority letter(if applicable)	Yes	No	Yes	-
4	Registry from Sub Registrar	Yes	Yes	Yes	-
5	Fresh Fard-e-Malkiat	Yes	Yes	No	-
6	Undertaking of damages (BB-5)	Yes	No	Yes	e-Stamp Paper Rs.1200/-
7	Structure Stability Certificate	Yes	Yes	-	-
8	5 Copies of Construction Plan+1 A4 copy	Yes	Yes	Yes	-
9	Bank Challan Form	Yes	No	-	Amount calculated on covered area per sq. ft.

REFORMS IN DEALING WITH CONSTRUCTION PERMITS

- Lahore has fast-tracked the obtaining of a construction by streamlining the approval process and by improving the operational efficiency of its one-stop shop for construction permitting.
- E-Khidmat Markaz (<https://fc.punjab.gov.pk/services/>) or Lahore Development Authority (LDA) office offer facility to apply for the construction permits, both online and manual.
- LDA has automated the process of submitting building permit applications and an e-payment facility for maps approval and completion certificates through Allied Bank.
- WASA (which comes under LDA) and LDA have integrated their online systems in order to simultaneously receive application for water and connections along with Building plan.
- Water & Sanitation Agency (WASA) now conducts joint inspection for water and sewerage connection in Lahore which merges procedure 14 and 15 of site inspections, eliminating one procedure.
- The cost of Procedure 13 i.e. Request for Water & Sewerage Connection” has decreased from PKR90,000/- to PKR1,750/-.
- Punjab Land Records Authority (PLRA) has automated issuance and payment of Fard (<https://www.punjab-zameen.gov.pk/>).
- LDA has amended building by-laws for outsourcing of filed inspections to consultant(s) and of completion certificate(s) to Architect, Town Planners and Consultants registered with LDA. Therefore, issuance time for completion certificate has been reduced from 19 to 7 days.

- During construction, only one inspection will be conducted for buildings up to 38ft. this will lead to reduction in five procedures as well.

Sr#	Regulation	Purpose/Amendments
1	Building and Zoning By Laws of 2007	Approval to execute the works
2	Punjab Environmental Protection Act, 1997 (Amended in 2012) and the Environmental Impact Assessment Regulations of 2000	No objection certificate

GETTING ELECTRICITY

Pakistan has made significant improvement in Getting Electricity which has brought Pakistan's ranking from 167 in 2019 to 123 in 2020. The Lahore Electric Supply Company (LESCO) has introduced an Electricity New Connection (ENC) System (<http://www.enc.com.pk/>) which offers online facility to apply for new connections as well as redressal. This service has improved the time involved in Getting Electricity from 73 days to 58 days in Lahore.

Getting Electricity (rank)	123
Procedures (number)	4
Time (days) (Lahore)	58

Sr#	Procedure	Time	Cost (PKR)
1	Submit online application for electricity connection along with wiring test report. on e-portal (http://www.enc.com.pk/)	Within 5 Days	1,480.0
2	Preparation of service cost estimate and issuance of online demand notice from LESCO.	Within 7 Days	915,116.74
3	Issuance of SCO and execution of work order from LESCO	Within 36 Days	
4	Meter installation from LESCO	10 days	

Reforms in Getting Electricity

- The indicators of Getting Electricity has made encouraging improvement by reducing procedures from 6 to 4 and time from 73 days to 58 days.
- Payment for demand note has been automated and time has reduced by half a day for payment to utility company.
- The cost estimate and security amount (demand notice) can now be paid online by applicant at <http://www.enc.com.pk/> , therefore reducing the time to half a day.
- Procedure to obtain wiring inspection separately, has been removed which has reduced time to get electricity connection by 14 days.

Sr#	Regulation/Rules	Purpose/Amendment
1	NEPRA Performance Standards (Distribution) Rules, 2005	Reducing the time for getting electricity connection (Category III; Commercial user) from 73 to 58 days
2	Amendment in Consumer Service Manual by NEPRA; Notification no. NEPRA/ADG(CAD)/TCD-10/8256-80 dated 12th March 2020 for amendment in Consumer Service Manual, https://pakistandoingbusiness.com/action_396/	Eliminated two procedures

Registering Property

Registering property has also shown improvement as Pakistan has ranked from 161 in 2019 to 151 in 2020. The Punjab Land Record Authority (PLRA) has automated many of its procedures of registering lands and now deals with cases more time efficiently.

Registering Property (rank)	151
Time (days)	105

Procedure for Registering a Property

Sr#	Procedure	Time	Cost (PKR)
1	Obtain Fard (ownership and non-encumbrance certificate) from Arazi Record Center	1 day	500
2	E-Challan is generated for payment of following taxes: (i) Stamp duty. (ii) Town tax. (iii) PKR 500 flat registration fee (iv) Capital Value Tax (CVT). All the fees are paid at The Bank of Punjab only through generating the challan from the website	1 day	Town Fee (1% of property value) CVT (2% of property value) Stamp Duty (3% of property value)
3	Hire the deed writer or the lawyer to draft the sale purchase agreement	1 day	Cost: (Varies from lawyer to lawyer)
4	Execution & Registration of a Deed Before Registration Authority & Mutation in Revenue Record at Sub Registrar Office	8 days	1000

Reforms in Registering Property

- The Punjab Land Record Authority (PLRA) is the government agency which has the mandate to register lands and computerize all the land records. The main objective behind establishing the authority is to reduce time in property registration and ensue transparency.
- PLRA has reduced the time for Execution and Registration of deed from 8 days to 15 days.

- The PT-1 form (Property Tax) can now be obtained online which has reduced the number of days from 3 to 0.5.
- PLRA website has all the templates of deeds and reports on land disputes which are publically accessible.
- Now the immoveable properties are assigned uniform identification numbers through which land records can be tracked online.
- The agency is also engaged in mapping of land records of all privately held land plots in Lahore.

Sr#	Regulation/Reform	Purpose/Amendment
1	Notification No. 68-103/R-11/625 dated 19th Feb, 2019	Time for Procedure-7 “Execution and registration of a deed before the registration authority” has now been reduced from 15 to 8 days
2	Deeds template & old deeds are available on the website of PLRA	Time for procedure # 4 i.e., “Hi re the deed writer or the lawyer to draft the sale purchase agreement” should be reduced from 3 to 0.5 days
3	No NOC is required for registering a property in Lahore.	Procedure # 3 i.e., “Obtain an NOC from relevant land authority” should be removed. Requirements to register property in Lahore are cl earl y mentioned on the given link and does not contain NOC from relevant Land Authority.