

# How to do business in Pakistan

## Channel options

Depending on the size and scale of your UK business there are various channels available to access the market. UK entrepreneurs and investors capable of delivering required services, either as a consortium of companies or on their own, will find many chances to intervene in the infrastructure-level opportunities.

For SME-sized organisations there are several options in terms of channels: self-presence, JV's, wholesalers & distributors, brokers (for capital projects), and agents/representatives. Networking and relationships pervade all facets of Pakistani life including business. Choosing the right channel and/or partner for your in-market presence is important, as it is in any market.

Smaller (local) businesses may opt to invest in a relationship with a Western supplier because that would improve their business/social standing. However, beware of such win-lose relationships. UKTI Pakistan can help you unravel the mystery because of its local knowledge and understanding of the needs of UK businesses. The market is very price-focused, but quality sells.

English is widely understood and is the medium of communication in most medium- to large-sized Pakistan companies. Many smaller companies normally have no issues with communication in English; UKTI Pakistan can assist you with any language problems you encounter.

## Commercial samples and temporary imports

Imports are handled under the Harmonized Coding system and the Government permits temporary import of legally importable, commercial samples. However, a bank guarantee or indemnity bond equivalent to the value of the item must be provided to the Pakistan Customs authorities as a reassurance that the items will be re-exported. Import fees, where required, must be paid, although this will be refunded on re-export. The recommendation would be to avoid going through this process unless absolutely essential.

Some imported goods, which are to be used solely for display purposes or at fairs, exhibitions, meetings or similar events in Pakistan – and which the Director of Trade, Industry and Customs considers to be samples – may be imported free of duty, provided they are subsequently re-exported. Other samples may be liable to duty.

## Terms of payment

Most UK banks can provide advice on payment. Generally speaking, any of the customary methods of payment used in international commercial transactions can be used when doing business with Pakistan companies. However, the standard method is irrevocable letter of credit.

### Gateways/Locations – Key areas for business

Depending on your product or service you may need to consider travelling to one of the following three cities to conduct business:

- Karachi (Sindh)
- Lahore (Punjab)
- Islamabad (Federal Area)

The Province-wide (general) breakdown of industry is given below:

**Punjab** – Cement, oil and gas, renewable energy, steel manufacturing, leather, textiles, automotive, education, IT, sports goods, machinery, electrical appliances, surgical instruments, metals, bicycles and rickshaws, paper and paperboards, fertilisers, telecom, agricultural produce.

**Sindh** – Oil and gas, coal, renewable energy, ports and shipping, tourism, textiles, steel, leather, IT/telecommunication, construction, education, financial service, surgical instruments, textiles, IT, automotive, agricultural produce and fisheries.

**Baluchistan** – Exploration, oil and gas, mining, ports and shipping, agriculture produce and fisheries

**Khyber Pukhtoonkhwa** – Food processing, mining, agricultural produce.

### Market entry and start-up considerations

In general, companies can choose their local structure according to their own specific requirement: branch office, subsidiary or Joint Venture. The difference will be in the amount of paperwork involved. Branch Offices are the easiest to incorporate and can conduct most activities that a company conducts in its home country.

Updated information can be obtained from the following sites:

- Pakistan Board of Investment: [www.boi.gov.pk](http://www.boi.gov.pk)
- Security & Exchange Commission: [www.secp.gov.pk](http://www.secp.gov.pk) (Company registrations etc.)

- Punjab Board of Investment: [www.pbit.gop.pk](http://www.pbit.gop.pk)

## Customs and regulations

**Customs duties** Tariffs change on a yearly basis, therefore check the below link for most recent updates: [www.cbr.gov.pk](http://www.cbr.gov.pk)

The maximum import tariff rate is at 35% which basically applies to a few products that the government is actively discouraging. You should expect to pay Sales Tax at 16% (currently), Excise Duty at 1%, plus port charges, clearance charges, transportation and additional duties (in cases of certain products) on top of the customs tariff.

**Import controls** Currently there is a list of banned items and origins which is available on the following sites: [www.cbr.gov.pk](http://www.cbr.gov.pk) & [www.commerce.gov.pk](http://www.commerce.gov.pk)

Exports and imports to and from Israel are prohibited. The export of specific antiquities may require a permit. If in doubt, contact UKTI Pakistan to help you with the information.

**Double Taxation Agreement** Pakistan and UK have a Double Taxation Agreement in force. Hence, taxes/duties paid in Pakistan can be claimed back in the UK.

## Legislation and Local Regulations

**Investment Promotion & Protection Agreements (IPPAs)** IPPAs are designed to encourage investor confidence by setting high standards of investor protection applicable in international law. Key elements include provisions for equal and non-discriminatory treatment of investors and their investments, compensation for expropriation, transfer of capital and returns and access to independent settlement of disputes.

Full details of the UK/Pakistan IPPA, and contact points for any queries can be found on the FCO pages of the gov.uk website: [www.gov.uk/government/organisations/foreign-commonwealth-office](http://www.gov.uk/government/organisations/foreign-commonwealth-office)

Salient features of Pakistan's foreign investment policy:

- All economic sectors are open to foreign direct investment (FDI)
- 100% foreign equity is allowed on repatriation basis
- tax/tariff incentives packages are available

- remittance of royalty, technical and franchise fee, capita, profits, dividends are allowed

**Anti-Dumping and Countervailing** As a member of the World Trade Organisation (WTO), Pakistan can apply anti-dumping or countervailing duties to products which are sold in Pakistan for less than they sell in the country of origin, in order to gain market share or undermine an existing or emerging industry in Pakistan. These additional duties are imposed on a temporary basis to counteract the effects of an unfairly low price or an unfair subsidy to the producer. An example of an unfair subsidy would be government grants, capital loans, favourable loan guarantees, export rebates, and tax incentives. These duties can only be imposed if the imported goods have caused, or are likely to cause, material harm to the Pakistani domestic market.

**Taxes** Due to the annualised changes in the taxation regime, updated information can be found on the following site: [www.cbr.gov.pk](http://www.cbr.gov.pk)

Current corporate tax rate is 33%.

### Responding to Tenders

There are no set rules with reference to responding to tenders. As a general guidance, because of the response timeframe & after-sales servicing requirement, local agencies get preferential treatment. Public sector enquiries are floated through PPRA ([www.ppra.org.pk](http://www.ppra.org.pk)). However, as a guidance this site may not be updated to show the current public sector procurement. Defence procurement is also via the tendering process conducted by the following agency:

**Directorate General Defence Purchase (DGDP)** Ministry of Defence  
Defence Production Division Pak Secretariat No.11 Rawalpindi

**Tel:** + 92 51 563324 **Fax:** + 92 51 563631

### Recruiting and Retaining Staff

Unless recruiting for a speciality trade, un-skilled, semi-skilled and skilled labour is abundantly available. The concept of specialisation in management terms is a new one to the market and many people have a generalised skill set. In recent years recruiters are increasingly being employed to filter and support the selection process of management staff. For blue-collared jobs an advert in the local language press is the usual route taken.

### Documentation

The following documents are required for imports and exports:

**Commercial invoice** – Two copies should be included. The invoice should provide exact details of the shipment, including:

- Number of packages
- Marks, prices and description of goods
- Quantity
- Place of origin
- Freight and insurance
- Any other information to facilitate customs clearance

It is advisable to obtain insurance certificates and letters of credit (L/C). A Bill of Lading is required to allow cargo clearance. Certificates of Origin are only required if the imports require additional processing in Pakistan.

Facsimile signatures are not acceptable and will be rejected by Pakistan Customs.

Permit applications under the Dutiable Commodities Ordinance require one additional copy of invoice and Bill of Lading.

**Labelling and Packaging Regulations** These requirements are handled by several departments/ministries. Pakistan Standards and Quality Control Authority ([www.psqca.com.pk](http://www.psqca.com.pk)) is the custodian of standards & quality requirements. The Ministry of Health is concerned with labelling requirement of drugs, cigarettes etc. and the Ministry of Food Agriculture and Livestock (MINFAL) is responsible for labelling of foodstuffs.

In general, labelling in English and Urdu is required on all consumer products and needs to be approved by the relevant ministry/department. As a minimum, labels need to provide the following:

- Brand Name
- Ingredient List
- Manufacturer details (address)
- Importer's name & address
- Date of Manufacturing

- Date of Expiry
- Batch No.
- Contents (in gms/mls)
- Halal certification (in case of animal-derived foodstuff or artificial preservatives/colourings etc.)

### Intellectual Property Rights

Intellectual Property was mainstreamed in Pakistan in 2005. Although enforcement remains a weak area, brands etc. can be registered with IPO Pakistan: [www.ipo.gov.pk](http://www.ipo.gov.pk)

Source - UKTI

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