DOING BUSINESS IN PAKISTAN

ABOUT PAKISTAN

Pakistan is a land of many splendours and opportunities, repository of a unique blend of history and culture of the east and the west, and is the cradle of one of the oldest civilisation. It is a populous country with 130 million tough, conscientious and hardworking people. It is strategically located at the cross roads of the Gulf States, Central Asia and South-Asia and share borders with China, Iran, Afghanistan and India and while the Arabian Sea to the South offers a vast coastline for maritime trade.

The geographical location has thus made possible the foreign and domestic investment very auspicious to this country, transfer of technology from abroad and shifting of indigenously produced technology overseas. Priority industrial sectors in Pakistan are Value added Agro Industries, Supporting Industries, Information Technology and related services, Corporate Farming, Resource based Industries, Light Industries, Infrastructure and related services and Tourism Development.

TYPE OF INDUSTRY	INVESTMENT PROSPECTS
Value-added Agro Industries	▪ Fruits & Vegetables ▪ Livestock & Dairy ▪ Fisheries ▪ Horticulture
Supporting Industries	▪ Textiles ▪ Garments ▪ Automotive ▪ Electrical & Electronics
Information Technology and Related Services	A wide range of activities from software to telecommunication services
Corporate Farming	Modern farming to develop Pakistan's agricultural sector

Resource-based Industries	▪ Oil & Gas ▪ Petrochemicals ▪ Chemicals ▪ Other Minerals
Light Industries	▪ Surgical Instruments ▪ Bicycles ▪ Electrical Appliances (Fans) ▪ Bus Body-building ▪ Gems & Jewellery ▪ Leather & related products
Infrastructure & Related Services	▪ Hydro Electric Power Generation ▪ Roads (Highways & Motorways) ▪ Railways ▪ Ports & Port Handling Activities ▪ Gas & Oil Pipelines ▪ Urban Mass Transit ▪ Storage Facilities for Agricultural Produce ▪ Cool Chains (For Agro Business)
A Base for the Emerging Markets of the Central Asian Republics	Pakistan provides an ideal base for exploring and supplying the growing markets of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, not to mention other neighbouring countries.

To make Pakistan a safe and profitable haven for both local and foreign investors who wish to explore and optimise the potential of inexpensive labour force, real estate and vast consumer market, the government has offered many attractive packages of incentives and ZA–LLP is endeavouring its best to invite the prospective investors to facilitate them to take the maximum benefit. In order to do so we render wide range of services as Management and Investment Consultants in large number of fields to provide a greater choice for domestic and foreign investors. The investors who want to make study for unforeseen problems may contact us for our reports on any project of their choice.

WHY INVEST IN PAKISTAN

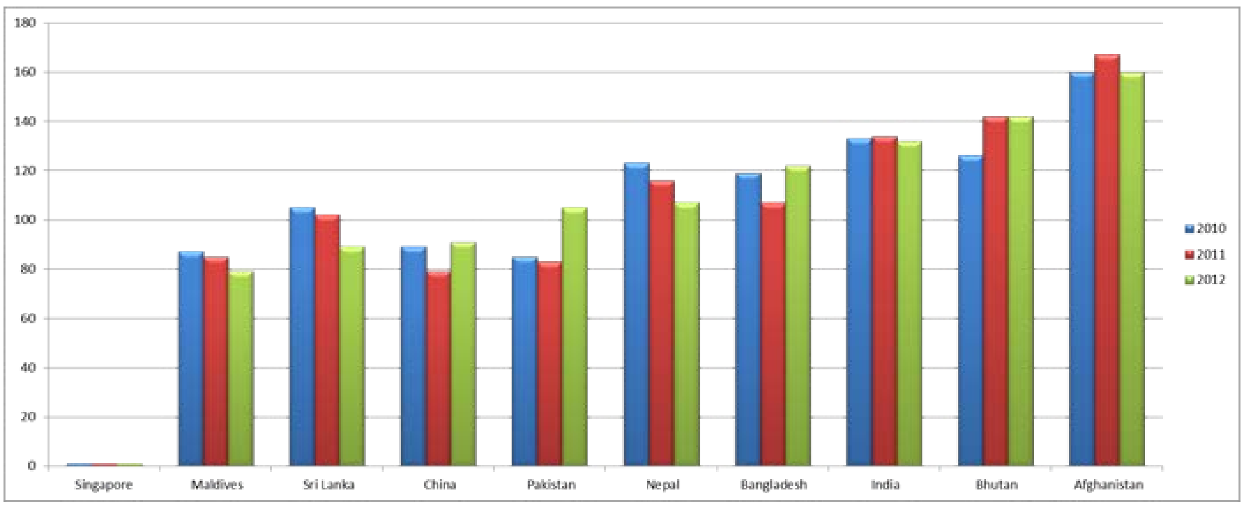
Pakistan, the cradle of one of the world's oldest civilizations, is a land of many splendours, from the highest peaks of Himalayas through the green valleys of Indus to the Arabian Sea. Pakistan is the 9th most populous country of the world with 140 million people. Flanked by Iran and land-locked Afghanistan in the West and the Central Asian Republics and China in the North, with proximity to the affluent Middle East, Pakistan offers a vast market of over 200 million consumers. Pakistan with its warm water ports, railway and motorway networks offer shortest route to supply goods and services to the Central Asian Republics.

FEATURES	INVESTMENT HIGHLIGHTS
Abundant Land & Natural Resources	▪ Extensive Agricultural Land ▪ Crop Production (Wheat, Cotton, Rice, Fruit and Vegetables) ▪ Mineral Reserves (Coal, Crude Oil, Natural Gas, Copper, Iron Ore, Gypsum etc.) ▪ Fisheries & Livestock Production
Strong Human Resources	▪ English Speaking Workforce ▪ 36 Million Labour Force, Adaptable, Well Motivated and Disciplined ▪ Highly Skilled Labour, Available at Minimum Monthly Salary of US$ 150 ▪ Large Corps of Experienced Managers, Engineers, Computer Professional, Scientists, Bankers and Financiers
Large and Growing Domestic Markets	▪ 146 Million Consumers with Growing Incomes ▪ A Growing Middle-Class Moving to Sophisticated Consumption Habits
Well Established Infrastructure and Legal Systems	▪ Comprehensive Road, Rail and Sea Links ▪ Direct Air Links with more than 50 countries ▪ Extra Qualitative Telecommunication and IT Services

	▪ Modern Corporate Law ▪ Long Standing Corporate Culture
Strategic Location as a Regional Hub	▪ Principal Gateway to the Central Asia Republics ▪ Highly Developed Ports with Containers and Specialised Terminals ▪ Strong and Long-standing Links with the Middle East and South Asia ▪ Comprehensive Duty-free Facilities for Investors
Deregulation	▪ Abolition of Government Approvals for Investment ▪ Removal of Foreign Exchange Controls ▪ Foreign Investors allowed to hold 100% Equity in Local Companies ▪ Full Repatriation of Capital, Capital Gains and Dividends allowed
Trade Liberalisation	▪ Completed Deregulated, Liberalised Economy based on Market Forces ▪ Import and Export Trade allowed to Foreign Companies registered in Pakistan ▪ Macro-Economic Structural Adjustment Programme Successfully Under Way ▪ Inflation is within Single Digits ▪ Declining Tariff Rates on Imports, creating an almost Free Trade Regime ▪ Foreigners have Free Access to Pakistani Capital Markets
Tax Reforms	▪ A tax credit equivalent to 10% of the amount so invested for the purpose of balancing, modernisation and replacement of the plant and machinery already installed in an industrial undertaking. ▪ There is also a further tax credit for a Company, an industrial undertaking established before the first day of July, 2011 till 30th June, 2016. ▪ Where a Company opts for enlistment in any registered Stock Exchange in Pakistan, a tax credit equal to 15% shall be allowed. ▪ Tax credit equivalent to 100% of tax payable to an industrial undertaking shall be allowed, for a period of five years if it established itself between the first day of July, 2011 and 30th day of June 2016.

	▪ 10% tax credit shall be allowed to a person registered under the Sales Tax Act, 1990, if ninety percent of his sales made to a registered person. ▪ Income from the export of computer software and IT services is exempt up to June 30, 2016.
Capital Market Reforms	▪ Three-Year Extension on Capital Gains Tax Exemption through Capital Markets Reform Package ▪ Removal of Turnover Tax on Mutual Funds and Bonus Issues ▪ Permission for Provident Funds to Invest up to 20% of Total Assets in Equity.

EASE OF DOING BUSINESS



TOP RANKED COUNTRIES IN THE REGION FOR "EASE OF DOING BUSINESS 2010-12"

Economies are ranked on their ease of doing business, from 1 - 183, with first place being the highest. The ease of doing business index averages the economy's percentile rankings on 10 topics, made up of a variety of indicators, giving equal weight to each topic. The rankings are from the Doing Business 2010-12 reports.

The World Bank recognized Pakistan, 105th rank in Ease of Doing Business, while the 90th rank in starting a business in the world, in its annual 'Doing Business' report.

The Ease of Doing Business Index is an index created by the World Bank. Higher rankings indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
The index is based on the study of laws and regulations, with the input and verification by more than 5,000 government officials, lawyers, business consultants, accountants and other professionals who routinely advise on or administer legal and regulatory requirements.

The Ease of Doing Business index is meant to measure regulations directly affecting businesses. A nation's ranking on the index is based on the average of 10 sub-indices:

1. Starting a Business - Procedures, time, cost and minimum capital to open a new business
2. Dealing with Licenses - Procedures, time and cost of business inspections and licensing (construction industry)
3. Hiring and Firing of Workers - Difficulty of hiring index, rigidity of hours of index, difficulty of firing index, hiring cost and firing cost
4. Registering Property - Procedures, time and cost to register commercial real estate
5. Getting Credit - Strength of legal rights index, depth of credit information index
6. Protecting Investors - Indices on the extent of disclosure, extent of director liability and ease of shareholder suits
7. Paying Taxes - Number of taxes paid, hours per year spent preparing tax returns and total tax payable as share of gross profit
8. Trading Across Borders - Number of documents, number of signatures and time necessary to export and import
9. Enforcing Contracts - Procedures, time and cost to enforce a debt contract
10. Closing a Business - Time and cost to close down a business, and recovery rate

KEY REASONS TO INVEST IN PAKISTAN

Geo-strategic Location

Located in the heart of Asia, Pakistan is the gateway to the energy rich Central Asian States, the financially liquid Gulf States and the economically advanced Far Eastern tigers. This strategic advantage alone makes Pakistan a marketplace teeming with possibilities.

Trained Workforce

A large part of the workforce is proficient in English, hardworking and intelligent. Pakistan possesses a large pool of trained and experienced engineers, bankers, lawyers and other professionals with many having substantial international experience.

Economic Outlook

Pakistan is one of the fastest growing economies of the world having touched a GDP growth rate of 8.4% in 2005. Today Pakistan has over 170 million consumers with an ever growing middle class. Foreign Direct investment has risen sharply from an average of $300 million in the 1990s to over $3.7 billion in 2008-09. Fiscal deficit has declined from an average 7% of GDP in the 1990s to around 3% in recent years. And FOREX reserves have increased from $3.22 billion in 2000-01 to $11.6 billion in June 2009.

Investment Policies

Current investment policies have been tailor made to suit investor needs. Pakistan's policy trends have been consistent, with liberalization, de-regulation, privatisation, and facilitation being its foremost cornerstones.

Financial Markets

The capital markets are being modernized, and reforms have resulted in development of improved infrastructure in the stock exchanges of the country. The Securities and Exchange Commission of Pakistan has improved the regulatory environment of the stock exchanges, corporate bond market and the leasing sector. Whilst the Federal Board of Revenue has facilitated structural reform in tax and tariffs and the State Bank of Pakistan has invigorated the banking sector into high returns on investment.

BUSINESS ORGANISATIONS

A voluntary association formed and organised to carry on a business. Types of organisations include sole proprietorship, partnership, limited liability company (public, private or single member) and a corporation.

Sole Traders / Proprietorship Formation

A sole proprietorship also known as a sole trader / sole owner is a type of business entity which is owned and run by one individual and where there is no legal distinction between the owner and the business:

- All profits and all losses accrue to the sole owner (proprietor / trader). All assets of the business are owned by the owner (proprietor / Sole trader) and all debts of the business are his / her debts and he / she must pay them from their personal resources. This means that the owner has unlimited liability.
- It is a “sole” proprietorship in the sense that the owner has no partners (partnership).
- This is the most straightforward structure for a business.
- Basically it means the business decisions are being made by one person. Of course, it doesn’t necessarily mean that the business has only one worker.
- The sole trader can employ others to do any or all of the work in the business.
- A sole proprietor may do business with a trade name other than his or her legal name. This also allows the proprietor to open a business account with banking institutions.

Partnership Registration / Formation

A partnership is a type of business entity in which partners (owners) share with each other the profits or losses of the business.

Partnerships are often favoured over corporations for taxation purposes, as the partnership structure does not generally incur a tax on profits (usually referred to as Dividend Tax) before it is distributed to the partners i.e. there is no dividend tax levied. However, depending on the partnership structure and the jurisdiction in which it operates, owners of a partnership may be exposed to greater personal liability than they would as shareholders of a Company.

Sometimes companies also form partnerships. Two or more companies can form a legal partnership in Pakistan to achieve common objectives through alignment of resources in pursuit of long term goals. Such partnering can be used as alternative to traditional mergers and acquisitions.

Like most countries in the world, First step for expansion for sole proprietors and sometimes the first step for businesses is the formation of a partnership in Pakistan. Partnerships may have small to medium sized business set-ups and are normally formed where there is a desire to have some structural flexibility along with some formality of relationship between partners.

A partnership may be registered with the Registrar of Firms of an area where the office of the firm is situated or proposed to be situate. The law relating to partnerships is contained in Pakistan as per the Partnership Act, 1932 ("Partnership Act") which defines a "partnership" as the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all. A Partnership firm can be formed with two or more individuals up to twenty partners (other than certain specified cases, such as partnership firms for law practice, accountants firm or any other consultancy services firm), otherwise it is required to be registered as a Company under the Companies Ordinance, 1984

The Partnership Act, 1932 of Pakistan clearly mentions that in banking business the partner must be between 2 to 10 and in limited partnership the no of members are 2 to 20 are required. All partners share profit and loss according to the partnership agreement. For forming the partnership requires the partnership deed on which all partners must set their hands on signatures as per agreement.

Types of Companies registered in Pakistan on the basis of composition of Shareholding

On the basis of composition of shareholding the types of companies registered in Pakistan are as follows:

Holding Company

A company is said to be holding company if that company directly or indirectly owns 50% or more of the voting securities of the company or the company has the power to elect or appoint more than 50% of the directors of the company.

Subsidiary Company

A company is said to be the subsidiary of a company if any other company directly or indirectly owns or holds more than 50% of the voting securities or can appoint majority of its directors.

Associated Company

Associated companies are those companies whose more than 20% shareholding is own by any other company.

Types of Companies registration in Pakistan by virtue of Articles of Association

Companies registered under Companies Ordinance, 1984 can be classified into the following categories by virtue of articles of association:

Public Company

A company other than a company registered as private limited company is called public limited company. Companies Ordinance defined certain conditions for public limited companies which are as under:

A company registered as public limited company does not impose any restrictions on the number of members that the company can have.

A Public company is a company which does not impose any restriction on the right of transfer of its shares.

Public company does not impose any restriction on the invitation to general public to subscribe for its shares and pay any amount in respect of that subscription.

Private Limited Company

As per the provisions of Companies Ordinance, 1984 private limited companies are defined as:

A private limited company is the company which restricts the right to the transfer the shares if any Private Limited Company restricts the maximum number of members to be fifty.

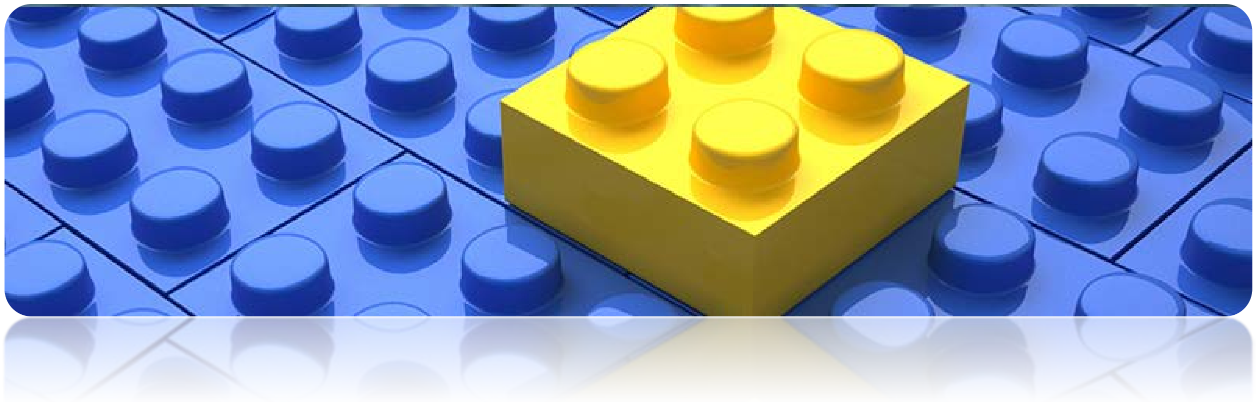
Private Limited Company prohibits any kind of invitation to general public to subscribe for its any shares and pay any amount to the company in that respect.

Listed Company

Listed company is the public company which has its shares listed on any stock exchange. In Pakistan at the moment companies are listed on three stock exchanges of the country namely Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange.

Unlisted Company

Unlisted public companies are those companies whose shares are not listed on any stock exchange of the country and these type of companies are not allowed to trade their shares through stock exchange.



INCORPORATION OF A COMPANY IN PAKISTAN

A Company is a legal entity formed under the Companies Ordinance, 1984. It can have share capital having limited liability or can be formed without share capital with unlimited liability. A limited liability company may be in the nature of Public, Private or a Single Member Company and may be formed as:

Company Limited by Shares
Company Limited by Guarantee

Company Limited by Shares

The liability of its members is limited to the extent of their shares in the paid-up capital of the Company. These companies may further be classified as public limited and private limited companies.

Public Limited Companies can be formed by at least seven persons by subscribing their names to the 'Memorandum and Articles of Association' of the Company. The word 'Limited' is used as the last word of its name.

Private Limited Companies may be formed by at least two persons by subscribing their names to the 'Memorandum and Articles of Association' of the Company. A Private Limited Company, by its Articles of Association:

- Restricts the right to transfer its shares;
- Limits the number of its members to fifty; and
- Prohibits any invitation to the public to subscribe for shares or debentures of the company.

A Private Limited Company is required to use the words "(Private) Limited" as the last words of its name.

Company Limited by Guarantee

A Company limited by guarantee means the Company having the liability of its members limited by memorandum to such amounts as the members may respectively undertake to contribute to the capital of the Company in the event of its winding up. A Company limited by guarantee is usually formed on a 'non-profit basis'. Companies limited by guarantee use the words (Guarantee) Limited" as the last words of their name.

FORMING A PUBLIC COMPANY

Any seven or more persons associated for any lawful purpose may, by subscribing their names to the Memorandum of Association and complying with the requirements of the Companies Ordinance, in respect of the registration, form a public company, and any two or more persons, so associated may, in like manner, form a private company.

Prior approval of the ministries (which regulate their respective functions) noted against each category of the following specified nature of companies is required before incorporation of such companies:

Type of Company	Institution / Authority
▪ Banking Company	▪ Ministry of Finance ▪ State Bank of Pakistan
▪ Non-Banking Finance Company (NBFC)	▪ Securities & Exchange Commission of Pakistan
▪ Security Service Providing Company	▪ Interior Division
▪ Corporate Brokerage House	▪ Stock Exchange (For transfer of Membership Card in favour of proposed Company)
▪ Money Exchange Company	▪ State Bank of Pakistan
▪ Association Not for Profit u/Sec. 42 of the Companies Ordinance, 1984	▪ Securities & Exchange Commission of Pakistan
▪ Trade Organisation u/Sec. 42 of the Companies Ordinance, 1984	▪ Ministry of Commerce ▪ Securities & Exchange Commission of Pakistan

COMPANY REGISTRATION IN PAKISTAN

The process of Company registration in Pakistan is not much complicated compared to company registration in some of the other parts of the world however in order to successfully go through the process of Company registration in Pakistan you have to go through some basic steps that are mentioned below. Before jumping to the steps of Company registration in Pakistan, it is quite important for you to understand that in Pakistan Companies are registered with Securities & Exchange Commission of Pakistan (SECP) which the only corporate body is granted the powers of Company registration in Pakistan by the Government of Pakistan.

Name Availability

The first step in Company registration in Pakistan is to make an application to the registrar of companies for the availability of the name. The application can be made both online and in offline mode and normally takes a period of 3 to 4 days before confirmation of the name applied for a new Company registration in Pakistan. Before making an application to the

Securities & Exchange Commission of Pakistan, for Company registration please do not forget to do Company Name Search as available on the Securities & Exchange Commission of Pakistan's official website. Once the name is confirmed you can proceed with the process of Company registration in Pakistan.

Preparation of Documents

The second step in Company registration in Pakistan is to start preparing documents necessary for the process of Company registration. The following are the set of documents need to be prepared in order to successfully complete the process of Company registration in Pakistan:

Memorandum of Association

Memorandum of Association is the basic document where all the objectives of the Company registration are stated e.g. the basic objective of the Company registration is to engage in the business of general order supplier or trading Company or any other business. All the business the Company is planning to undertake must be stated in the memorandum in order to get the process of Company registration in Pakistan to complete. Four copies of Memorandum of Association must be prepared for Company registration in Pakistan.

Articles of Association

Articles of Association is the basic document where all the rules of the Company to operate are stated e.g. how directors are going to operate, when how General Meetings of the Company undergoing the process of Company registration in Pakistan is to be conducted etc. Four copies of Articles of Association must be prepared as well.

Form 1

Form I for Company registration is the basically a declaration of one of the directors of the Company about to be registered. Form 1 can be downloaded from the Securities & Exchange Commission of Pakistan website. This is another compulsory component of Company registration process in Pakistan.

Form 21

Form 21 is the form whereby the address of the Company undergoing the process of Company registration in Pakistan is notified to the registrar.

Form 29

Form 29 contains information about the particulars of the directors of the Company that is undergoing the process of Company registration in Pakistan. Form 29 is submitted in duplicate.

Power of Attorney

Power of Attorney in favour of any person authorised to submit documents and liaison with the Company registration office about different issues during Company registration in Pakistan.

Copies of CNIC's of Directors

Copies of CNIC are of Directors and witness who signed the Memorandum & Articles of Association of the Company that is undergoing the process of Company registration in Pakistan.

Name Availability Letter / E-mail Original from SECP

Letter received from the Securities & Exchange Commission of Pakistan, confirming the name applied for the Company that is undergoing the process of Company registration in Pakistan.

Submission of Documents and Collection of Certificate

The last step in the process of Company registration in Pakistan is to submit all the above mentioned certificates to the registrar of the companies. Once satisfied with the documents incorporation certificate of the new Company registered is issued by Securities & Exchange Commission of Pakistan within 3 to 5 working days and the process of Company registration in Pakistan completes with the issue of this certificate.

Single Member Company (SMC)

Additional Requirements for incorporation of a Single Member Company

Any person may form a Single Member Company and would file with the registrar at the time of incorporation a nomination in the form as set out in Form S1 indicating at least two individuals to act as nominee director and alternate nominee director, of the Company in the event of his death. All the other requirements for incorporation of a private limited company shall *mutatis mutandis* apply to a Single Member Company.

Transfer of membership of Single Member Company to a new member

If the membership of a Single Member Company is transferred to a new member, the Company shall, within fifteen days from such transfer, also file with the registrar, a nomination in the form as set out in Form S1.

Change in status of a Single Member Company

A single member Company can be converted into a Private Company on increase of the number of its members to more than one. The Company shall pass a special resolution for change of status and alter its articles accordingly within thirty days and transfer the shares within seven days. The Company shall appoint and elect one or more additional directors within fifteen days of passing the special resolution and notify the appointment on Form 29 prescribed under the Companies (General Provisions and Forms) Rules, 1985 (the Rules) within fourteen days.

Further, the Company is required to file a notice of the fact in writing in the form as set out in Form S2, with the registrar within sixty days from the date of passing of special resolution.

Company becoming a Single Member Company

A private Company having two or more members shall convert its status into Single Member Company by passing a special resolution for change of its status, making necessary alteration in its articles and obtaining the approval of the Commission. An application for seeking Commission's approval shall be submitted by the Company in the form as set out in Form S4 within thirty days of passing the special resolution for change of status to Single Member Company. The Company shall transfer shares in the name of single member within fifteen days of the approval of the Commission and notify change in the board of directors on Form 29 within fourteen days from date of transfer of shares. A certified copy of the order containing the approval together with a notice in the form as set out in Form S5 and a nomination of nominee directors in the form as set out in Form S1 shall be filed with the registrar concerned within fifteen days.

TAXATION OF NON-RESIDENTS IN PAKISTAN

RECOGNIZED BUSINESS ENTITIES

There are various forms of business organisations working in Pakistan. The most popular of these entities in prospect of foreign investors are Branch office or Liaison office of a Foreign Company, Joint Venture, Domestic Limited Liability Company which may be wholly owned by foreign individuals or Foreign Company or Companies by holding majority of its shares.

An entity is said to be resident if it is registered under the laws of Pakistan such as Company, Branch Office or its management and control is situated wholly in Pakistan such as workshop, premises for soliciting orders, warehouse etc. Resident entities are taxed on worldwide business income subject to Avoidance of Double Taxation Treaties with the specific Country whereas non-residents pay tax only on Pakistan source income.

As Liaison Office has not to do any commercial activity thus, there is no tax liability upon it so far.

GENERAL TAX STRUCTURE FOR BRANCH OFFICE AND COMPANY

Corporate Taxation
An income tax is a tax levied on the income of individuals or other legal entities which are known as Companies and permanent establishments. When the tax is levied on the income of Companies, it is called as Corporate Tax or Corporate Income Tax.

If business people form a domestic / subsidiary Company and registered the same under the laws of Pakistan then it becomes a resident entity and will have to pay the Income Tax @ 34% on the net taxable business income, amount / earning left after deducting expenses including depreciation and payment of royalty and technical fee to the principal office.

Business income of a resident entity i.e. Company or permanent establishment of a non-resident entity is either taxed on a presumptive / final taxation basis for specified types of income or on a net taxable income basis. The normal mode of taxation is based on net taxable income, although for non-residents without a Permanent establishment, the final tax regime applies on royalty, technical service fees and shipping and air transport income.

Capital Duty
Capital authorisation fee is levied at varying rates depending upon the authorised capital prior to and after incorporation. There is no capital duty for Branch Office.

Capital Gain
The Capital Gain is one of the heads of income and is taxed at the normal corporate rate. The Tax rate for Capital Gain on sale of securities and Capital Gain derived from the sale of immoveable property as per their respective holding period is given hereunder:

CAPITAL GAINS ON SECURITIES

HOLDING PERIOD	RATE %
Less than 6 months	10
Six months or more but less than twelve months	8
Twelve months or more but less than twenty four months	0
Twenty four months or more	0

CAPITAL GAINS ON IMMOVEABLE PROPERTY

HOLDING PERIOD	RATE %
Up to one year	10
More than one year but not more than two years	5
More than two years	0

LOSSES

Business Losses (expect speculative business) may be set off against taxable income earned during the same tax year. Excess losses can be carried forward for up to six years following the tax year.

Filing of Tax Returns
In Pakistan the tax year is period of twelve months ending on 30th June. For companies with tax year ending between 1st July and 31st December the filing due date is 30th September following the end of tax year. However; for companies with tax year ending between 1st January and 30th June the filing due date is 31st December following the end of tax year. The penalty for failure to file a tax return is 0.5% of the amount of the tax payable for each day of default. The min penalty is PKRs. 5,000 and max is 25% of the amount of tax payable.

OTHER TAXES

Custom Duty
Goods imported into Pakistan are liable to customs duties at the prescribed rates, however, zero-rating and concessionary rates of customs duty are generally applicable for industrial raw materials, semi-finished goods and capital goods, particularly if these are not being manufactured in Pakistan, machinery for power projects, oil and gas projects, plant, machinery

and equipment imported for setting up fruit processing and preservation industrial units in Gilgit-Baltistan, Baluchistan and Malakand Division and for setting up industries in FATA.

Excise Duty
Federal Excise duty is levied on specified goods imported or manufactured. Specified services provided and rendered in Pakistan, at prescribed rates. Generally, FED is charged on the value or retail price basis. Zero percent FED rate is applicable for exported goods or specified goods. Presently Federal Excise Duty is abolished on locally manufactures motor vehicles of cylinder capacity exceeding 1800 cc. Items typically subject to FED include (amongst others); edible oils, aerated waters and concentrates, tobacco and cigarettes, cement, lubricants and fuel oils and transportation vehicles.

Professional Tax
It is a provincial levy on trade, professions, calling and employment generally payable on the basis of paid-up capital. The rates differ between provinces.

Stamp Duty
For transfer of shares: 1.5% of the face value of the share;
It is levied on gross sales price of the property or goods sold by auction; 5% tax is levied.

INCENTIVES

In order to encourage investment in alternative energy power generation there is a first year allowance of 90% of the cost of plant, machinery and equipment is available. In certain cases, the profits and gains from electricity power generation projects may be exempt from tax.

Foreign exchange regulations are administered by the State Bank of Pakistan and generally there is no restriction on the repatriation of the income or capital.

A credit equal to 15% of the tax liabilities is grant to the companies which opt to be listed on a registered stock exchange in Pakistan.

Tax credit equal to 100% of the tax payable is available to 100% equity financed new corporate industrial undertakings established between 01-07-2011 to 30-06-2016 on certain conditions.

In Pakistan a holding company and its wholly owned subsidiary company may opt to be taxed as one fiscal unit, subject to certain conditions.

100% deduction is allowed for research and development expenditure incurred in Pakistan but is restricted to the extent of research which has been undertaken in Pakistan.

Non-residents operating through a branch in Pakistan can claim a deduction for head office expenses (including regional head office costs) which should be in the nature of executive and general administration expenses. Such expenses can be remitted to the head office without payment of withholding taxes, subject to approval from the State Bank of Pakistan. Other tax incentives include:

a. 50% initial allowance (tax depreciation/ capital allowances) on plant and machinery.
b. 90% first year allowance (tax depreciation/ capital allowances) for specified companies
c. 90% accelerated tax depreciation for alternative energy projects.
d. Tax credit of 10 – 20 % of the investment made for balancing, modernization and replacement
e. Tax Credit of 100% of tax payable for five years to newly established industrial undertakings subject to meeting specified conditions.
f. Tax Credit of 100% of tax payable for five years attributable to expansion projects or new projects by an existing industrial undertaking, subject to meeting specified conditions..
g. Rate of Tax reduced to 20% for a period of 5 years for companies setting up industrial undertakings between 01 July 014 to 30 June 2017; subject to 50% cost of the project including working capital financed by owner's equity as direct foreign investment.
h. Tax exemptions, subject to meeting specified criteria, may be available in following sectors:
    1. Power generation;
    2. Coal mining projects in Sindh, supplying coal exclusively to power generation projects;
    3. Information technology;
    4. Agriculture; and
    5. Fruit processing units set up in Baluchistan, Gilgit Baltistan, Malakand Division and FATA.

ACTING AS AN WITHHOLDING AGENT

The domestic limited liability Company / subsidiary Company and Branch Office also acts as withholding agent. It has to deduct tax and submit it in the Govt. Treasury, non-compliance of duty would result into fine and heavy penalty.

Royalty and Technical Service
Royalties and fee for technical services paid to non-residents are subject to withholding tax of 15%. Unless the rate is reduced under a tax treaty.

Sr. No	TAXABLE INCOME	APPLICABLE RATE
1.	Up to 400,000	
2.	400,001 to 750,000	5% of the amount exceeding Rs. 400,000
3.	750,001 to 1,400,000	Rs. 17,500 + 10% of the amount exceeding Rs. 750,000
4.	1400,001 to 1,500,000	Rs. 83,500 + 12.5% of the amount exceeing Rs. 1,400,000
5.	1,500,001 to 1,800,000	Rs. 95,0000 +15% of the amount exceeding Rs. 1,500,000
6.	1,800,001 to 2,500,000	Rs. 140,000 + 17.5% of the amount exceeding Rs. 1,800,000
7.	2,500,001 to 3,000,000	Rs. 262,500 + 20% of the amount exceeding Rs. 2,500,000

8.	3,000,001 to 3,500,000	Rs. 362,500 + 22.5% of the amount exceeding Rs. 3,000,000
9.	3,500,001 to 4,000,000	Rs. 475,000 + 25% of the amount exceeding Rs.Rs. 475,000 + 25% of the amount exceeding Rs. 3,500,000
10.	4,000,001 to 7,000,000	Rs. 600,000 +27.5% of the amount exceeding Rs. 4,000,000
11.	Exceeding 7,000,000	Rs. 1,425,000 + 30% of the amount exceeding Rs. 7,000,000

Interest
A 20% withholding tax is levied on interest paid to a non-resident unless the rate is reduced under a tax treaty. Interest paid to a non-resident that does not have a Permanent establishment in Pakistan is subject to withholding tax of 10% of the gross amount paid.

Dividends
10% withholding tax is levied on dividends unless the rate is reduced under a tax **treaty**. It is pertinent to mention here that in case of dividend received form a company setup for power generation or supplying coal exclusively to power generation project 7.5% withholding tax is leviable.

Salaries
While remitting the salaries to the employees the employers are required to withhold from employee's salary certain amount of tax. Employer has to withhold the tax on different slabs. The Slab rate is given hereunder:

Branch Profit remittance tax
The remittance of profits to a head office abroad are treated as dividends, attracting a 10% withholding tax on the remittance.

Other:

The rate of the withholding tax is as under:

- Construction contracts 6%
- Advertisement services relaying from outside Pakistan 10%
- Contract for advertisement services rendered by TV satellite channel 6%

TAX PLANNING PROCESS

Tax planning is a process of looking at various tax options in order to determine when, whether, and how to conduct business and personal transactions so that taxes are eliminated or reduced.

There are countless tax planning strategies available, particularly if you own a small business. Some are aimed at your individual tax situation, some at the business itself. But regardless of how simple or how complex a tax strategy is, it will be based on structuring the transaction to accomplish one or more of these often overlapping goals:

- Provide last year's tax return;
- Analyse situation and project tax savings;
- Deliver contract outlining fees;
- Gather additional information;
- Research and analysis; and
- Implement tax saving strategies.

An Essential Component for Your Overall Financial Plan

Careful planning throughout the year can assist you in reducing the taxes you pay – as well as help you achieve your financial goals. The following guide provides an overview of tax rates, credits, deductions and related considerations that may apply to you.

Tax planning should not be done in isolation, but instead should be driven by your overall financial goals and integrated with your total financial plan. By developing and implementing appropriate strategies to lessen or shift current and future tax liabilities, you can improve your prospects of meeting long- and short-term objectives. For example, accurately projecting your income taxes can help you determine the cash flow available to you in the coming year.

Keep in mind that tax laws are often complex and frequently change. As a consequence, you should consult your tax advisor before making investment and tax decisions.

Agreements as to Avoidance of Double Taxation

The Government of Pakistan has so far signed agreements to avoid double taxation with 39 countries including almost all the developed countries of the world. These agreements lay down the ceilings on tax rates applicable to different types of income arising in Pakistan. They also lay down some basic principles of taxation which cannot be modified unilaterally. The list of countries with which Pakistan has concluded tax treaties is given below:

Austria	Belgium	Bangladesh	Canada
China	Denmark	Egypt	France
Finland	Germany	Greece	India
Indonesia	Iran	Ireland	Italy
Japan	South Korea	Lebanon	Libya
Malta	Mauritius	Saudi Arabia	Singapore
Poland	Romania	Switzerland	Thailand
Sri Lanka	Sweden	Turkmenistan	UK
Turkey	Tunisia	Kazakhstan	UAE
USA			

LABOUR LAWS APPLICABILITY - BRIEF INTRODUCTION

Pakistan is one of the largest labour and manpower resource in the world due to its large population. The labour section which is generally known as “workmen” are not governed under the Rule of Master and Servant which is founded on the theories of "hire and fire" and "supply and demand" but under Constitution of Pakistan and various enactment passed thereunder. The Constitution of Pakistan contains a range of provisions with regards to labour rights found in Part II: Fundamental Rights and Principles of Policy.

- Article 11 of the Constitution prohibits all forms of slavery, forced labour and child labour which is ensured through Bounded Labour System (Abolition) Act, 1992, Bounded Labour System (Abolition) Rules 1995, Employment of Children Act, 1991 and Rules passed thereunder;
- Articles 17 provides for a fundamental right to exercise the freedom of association and the right to form unions which is implemented vide the provisions of Industrial Relations Act;
- Article 25 lays down the right to equality before the law and prohibition of discrimination on the grounds of sex alone; and
- Articles 37 (e) make provision for securing just and human conditions of work, ensuring that children and women are not employed in vocations unsuited to their age or sex and for maternity benefits for women in employment.

The labour laws are applicable upon all industrial and commercial establishments. The list of certain laws and its brief description as to its application is provided herein:

Title of Law	Application
Factories Act, 1934	Regulates the working conditions in factories, employing 10 or more workers.
Payment of Wages Act, 1936	Determines the mode of payment of salaries and wages to the industrial workers.
Minimum Wages Ordinance, 1961	Specifies the minimum wage to be paid to different categories of workers.

West Pakistan Industrial & Commercial Employment (S.O.) Ordinance, 1968	Provides the framework and guidelines for the service rules of industrial and commercial workforce.
Punjab Fair Price Shops Ordinance, 1971	Provides criteria for the establishment of fair price shops at industrial units where 100 or more workers are employed.
Employment Record of Service Act, 1951	Provides guidelines for the maintenance of service records of workers in industries.
Canteen Rules, 1959	It envisages provision of a canteen facility, where 250 or more workers are employed.
Industrial Relations Ordinance, 2002	It provides framework for the industrial relations between management and the workers. It regulates trade union activities.
Hazardous Occupations Rules, 1978	Gives guidelines for protection of workers against certain hazardous occupations in the factories.
Employment of Children Act, 1991	Regulates the employment of children.
Maternity Benefit Ordinance, 1959	Provides certain facilities to those female employees, who are expectant.
Shops & Commercial Establishments Ordinance, 1969	Regulates the employment and working conditions of workers in shops as well as commercial establishments (such as banks, offices etc.).
Road Transport Workers Ordinance, 1961	Provides guidelines for welfare of transport workers.

Workman and Employees

The labour laws define workman as ***Workman means any person employed in any establishment or commercial establishment to do any skilled or unskilled, manual or clerical work for hire or reward.***

There are six categories of workmen as enunciated by W.P. Industrial & Commercial Employment (Standing Orders) Ordinance, 1968, the brief definition of each is as under:

Permanent Workman: is a workman:

- who has been engaged on a work of permanent nature
- likely to last more than nine months; and
- has satisfactorily completed a probationary period of three months.

Temporary Workman: is a workman:

- who has been engaged for a work which is of an essentially temporary nature; and
- likely to be finished within a period not exceeding nine months.

Probationer: is a workman who is provisionally employed to fill a permanent vacancy in a post and has not completed three months service therein. If a permanent employee is employed as a probationer in a higher post he may, at any time during the probationary period of three month, be reverted to his old permanent post.

Badli: is a workman who is appointed in the post of a permanent workman or probationer, who is temporarily absent.

Apprentice: is a person who is an apprentice within the meaning of the Apprenticeship Ordinance, 1962.

Contract Worker: means a workman who works on contract basis for a specific period on remuneration to be calculated on piece rate basis.

There is general misconception that workman and employee are the same but this is not the case. Although there is no specific definition given under any law pertaining to employee, however under the various reported judgments of superior and labour Courts, the employee is a person who has to do some managerial, administrative and supervisory work and may have the power of hire and fire. Any person who has to use mental faculties during the performance of his duties and have to take decisive steps is considered and interpreted as an employee.

ENGAGEMENT OF WORKMAN – DIRECTLY OR THROUGH CONTRACTORS

Labour laws in Pakistan recognise no difference in the liabilities of employer towards workman who have been hired either directly or through contractors. However there are certain exception to this rule, the workman hired through contractors would not be considered as workman of the employer if:

- They are under the control and management of the contractor and not that of the employer;
- They are not on the pay-roll of the employer and the management of the company is not even aware of the number of the workers employed by the contractor or about the terms and conditions of their appointment or service;
- The contractor has the power of hiring and firing the workman, and assigns works to them and the employer company has no concern with it;
- The workman has not been engaged by the contractor for running the affairs of the

Company but for some other independent work which has no concern with the main business or production of the employer company;

- The workman are not working within a department of the employer's company which constituted one of the principle organs of the company, i.e. the machines belong to the company, the raw material is supplied by the company and the said department is controlled by the supervisors of the company; and
- The employees must not perform function for the benefit of the employer.

EMPLOYMENT CONTRACT – RIGHT AND LIABILITIES

Generally when the employer hire the services of workman and that of the employee, he usually enters into an Employment Contact with him, said contract defines the post / work against which the services of workman and employee are hired, duration for which he has been engaged, probationary period and amount of salary payable by the employer. Besides that there are various incentives which an employer can offer to his workman at his own whim and whimsical such as travelling allowance, food and accommodation allowance, along with the statutory benefits i.e. employee old age benefit, social security, provident Fund / gratuity, bonus and insurance etc.

MINIMUM WAGES

The minimum wages rate for the workman varies as per provinces of Pakistan. There are four categories of staff working in any organization. For clerical staff generally known as workman the law has fixed the minimum wage rate of Rs. 12,000 per month, which can be increased by employer up to any extent as per his own discretion. However there are no salary rates defined for the employees doing supervisory, managerial and administrative works.

Serial No.	Category of Staff	Salary slab rate
1.	Clerical	Rs. 12,000 per month – Rs. 35,000 per month
2.	Supervisory staff	Rs. 20,000 per month – Rs. 40,000 per month
3.	Managerial	Rs. 25,000 per month-Rs. 50,000 per month
4.	Administrative	Rs. 51,000 per month- Rs. 2,50,000 per month

WORK HOURS AND OVERTIME

According to the law, the normal working hours per day are 8 hours and these should not be more than 48 hours per week. By including the lunch and prayer time in hours of work, working hours should not be greater than 9 hours a day. However, keeping in mind the overtime obligations, the workman / employee may be required to work 60 hours in a week. The daily spread over of working hours for adult workers will be 12 hours as shown below:

		Spread Over
Normal working time	8 hours/day	Total Spread over of working hours can't be greater than 12 hours a day
Lunch/prayer time	1 hour/day	
Rest interval	1hours/day	

Overtime	2 hours/day	

If the employer wants the employee to work overtime, then employee must be given a rest interval of 1 hour (after 8 normal working hours+1 hour for lunch and prayer). Employee / workman can't be compelled to work more than 2 hours overtime a day, total yearly overtime work hours should also not exceed 624 hours. If the employee is a young person (between the age of 14 to 17 years), he can be required to work 1.5 hours a day overtime but his total overtime hours in a year can't exceed 468 hours.

In case of transport service the employee can't be required to work for more than eight (8) hours in a day and forty-eight (48) hours in a week. Moreover, after five (5) hours of work, you are to be given at least half an hour break and if you are required to work for over seven (7) hours, you must have availed at least two such half an hour intervals.

The mine workers (above or below ground) can't be required to work more than eight hours a day and forty-eight hours a week. The spread over for workers working above ground is 12 hours however for the workers below ground the spread over is fixed at 8 hours which also means that they can't be required to work overtime.

During the month of Ramadan, the working hours are reduced in all establishments.

LEAVES - ANNUAL, SICK, CASUAL, MATERNITY

The workman is entitled for 14 days consecutive annual leaves if the employee has completed 12 months of continuous services in an establishment. The leaves would be available to him in the following year. The annual leaves are fully paid leaves, in case the workman does not avail the leaves in any year then he can either take the pay of un availed leaves or can carry forward the leaves to subsequent year in such a way that the total of carried forward leaves in no way exceed 14 days.

The workman is entitled to casual leaves with full pay for ten (10) days in a year and to sixteen (16) days sick leaves on half average pay in a year.

Further the workman are allowed holidays with pay on all days declared by the Provincial Govt. to be festival holidays. Generally the festival holidays are as under:

- Prophet's Birth Day (One Day);
- Kashmir day (1 day);
- Pakistan Independence Day (August 14th);
- Labour Day (1st May);
- Eid-ul-Fitr Festival (Three Days);
- Eid-ul-Adha Festival (Three Days);
- Aashora (Two Days);
- Birth Day of Father of the Nation (December 25)

Maternity leaves are allowed for period of twelve weeks with full pay. However, she would not be entitled to pay if she has been employed in the establishment for a period of less than four months immediately preceding the day on which she delivers the child.

DEDUCTIONS ALLOWED FROM WAGES

The deductions which are allowed form the wages of workmen are as follows:

- Fines;
- Deductions for absence from duty;
- Deductions for damages to or loss of goods expressly entrusted to the employed person for custody; or for loss of money for which he is required to account, where such damage or loss is directly attributable to his neglect or default;
- Deductions for house-accommodation supplied by the employer;
- Deductions for such amenities and services supplied by the employer as the Provincial Government may, by general or special order authorises;
  Explanation.--The word 'services' in this sub-clause does not include the supply of tools and raw materials required for the purposes of employment.
- Deductions for recovery of advances or for adjustment of overpayments of wages;
- Deductions of income-tax Payable by the employed person;
- Deductions required to be made by order of a Court or other authority competent to make such order;
- Deductions for subscriptions to, and for re-payment of advances from any provident fund to which the Provident Funds Act, 1925 (XIX of 1925) applies or any recognised provident fund, or any provident fund approved in this behalf by the Provincial Government during the continuance of such approval;
- Deductions for payments to co-operative societies approved by the Provincial Government or to a scheme of insurance maintained by the Pakistan Post Office; and
- Deductions, made with the written authorization of the employed person, in furtherance of any war Savings scheme, approved by the Provincial Government, for the purchase of securities of the Government of Pakistan.

REGISTRATION OF EMPLOYEES WITH CERTAIN INSTITUTIONS

It may please be noted, that the employer is liable to register its employees with the EOBI Institution and to pay contribution @ 5% of his monthly salary on monthly basis. The Employees Old Age Benefits Act, 1976 is applicable to every industry or establishment where five or more persons are employed directly or indirectly. This statute intends to provide security and benefit for old age to employees of industrial, commercial or other organizations covered by it. It deals with pensions, invalidity pension, widow's pensions, old age grants and other benefits, out of contribution.

However so far registration with Social Security Institution is concerned, the employer is liable to register only those employee whose monthly salary does not exceed Rs. 15,000 per month. The benefits provided by this scheme are medical care, maternity benefit, death grant, pre-natal and post-natal care, injury benefit, disablement pension, disablement gratuity. Employer's Social Security contribution has been capped at 6%.

Gratuity or Provident fund are retirement benefits which you've to pay to the workers, you can either choose to pay them gratuity or provident fund.

TRADE UNION AND EMPLOYER'S ASSOCIATION

The right to association is guaranteed by Article 17 of the Pakistani Constitution imparting on every citizen the right to form associations or unions, subject to any reasonable restrictions imposed by law in the interest of sovereignty or integrity of Pakistan, public order or morality. Under Article 3 of the Industrial Relations Ordinance 2002, workers as well as employers in any establishment or industry have the right to establish and to join associations of their own choosing, subject to respect of the law.

Both workers' and employers' organisations have the right to establish and join federations and confederations and any such organisation, federation and confederation shall have the right to affiliate with international organisations and confederations of workers' and employers' organisations.

Registration of a trade union is to be made under the Industrial Relations Ordinance. Workers' trade unions are registered with the Registrar Trade Unions in the Province, and if the industry or establishment is nationwide with the National Industrial Relations Commission, after fulfilling a number of requirements, listed in Article 6 of the IRO 2002. Through its registration, the trade union obtains certain benefits: registration confers a legal existence as an entity separate from its members. Trade unions in Pakistan generally function on plant-wide basis, with their membership contingent on the size of the industry/trade to which they belong. Once established, the trade unions and employers' associations have the right to draw up their constitutions and rules, to elect their representatives in full freedom, to organize their administration and activities and to formulate their programmes.

TERMINATION, DISMISSAL AND REMOVAL

Termination on account of misconduct

Under labour laws, the following acts and omissions are treated as misconduct:

a) wilful insubordination or disobedience, whether alone or in combination with others, to any lawful and reasonable order of a superior;
b) theft, fraud, or dishonesty in connection with the employer's business or property;
c) wilful damage to or loss of employer's goods or property;
d) taking or giving bribes or any illegal gratification;
e) habitual absence without leave or absence without leave for more than ten days;
f) habitual late attendance;
g) habitual breach of any law applicable to the establishment;
h) riotous or disorderly behaviour during working hours at the establishment or any act subversive of discipline;
i) habitual negligence or neglect of work;
j) frequent repetition of any act or omission referred to in clause ();--

k) striking work or inciting others to strike in contravention of the provisions of any law, or rule having the force of law;
l) Go-slow.

In case any workman, whether temporary, permanent is found guilty of misconduct then the employer is liable to issue him show cause notice, conduct an inquiry and to give him an opportunity to explain the circumstances alleged against him. After said proceedings, if the guilt of employee got established then the employer can terminate his services forthwith.

During the proceedings the employer if consider necessary may suspend the workman concerned for a period of max. 4 days at a time through written order, so however that the total period of such suspension shall not exceed four weeks.

Termination of workman on ground other than misconduct

In order to terminate the services of Permanent for any reason other than misconduct, the employer has to specify the reason and has to give notice of one month's notice prior to termination. The employer can terminate the services of permanent employee forthwith by paying him one month salary in lieu of notice.

LABOUR DISPUTE AND ITS RESOLUTION

Individual Grievances

Under Industrial Relations Act, 2010 a worker may first bring his grievance into the notice of his employer in writing, who would decide the same and communicate his decision in writing to the worker.

In case the worker is not satisfied with the decision or the employer got failed to communicate his decision within the specified time line then the ultimate remedy and forum available for workman is labour court.

Collective Labour Disputes

Commencement of a dispute
Under the Industrial Relations Ordinance 2002, if an employer or a Collective Bargaining Agent finds that an industrial dispute has arisen or is likely to arise, they may communicate their views in writing to the other party. Upon receipt of the communication, the other party has fifteen (15) days (or more if agreed) to try and settle the dispute by bilateral negotiations.

Conciliation
If the parties do not manage to reach a settlement, the employer or the CBA may, within fifteen further days, serve a notice of conciliation on the other party, with a copy to the Conciliator and to the Labour Court.

If the dispute is settled before the Conciliator, or a tripartite Board of Conciliators, a report is sent to the Provincial or Federal Government, with the memorandum of settlement.

Arbitration
If the conciliation fails, the Conciliator tries to persuade the parties to refer their dispute to an arbitrator. If they agree, the parties make a join request in writing to the arbitrator they have agreed upon.

The arbitrator gives his or her award within a period of 30 days or a period agreed upon by the parties. The award of the arbitrator is final and valid for a period not exceeding two years.

A copy of the award is sent to the provincial or Federal Government, for publication in the official Gazette.

PAYMENT OF COMPENSATION

The Workers Compensation Act, 1923 makes an employer liable for compensation if the injury is caused to a worker by an accident "arising out of and in the course of his employment" (Section3). The worker claiming compensation under the act must prove that the accident arose out of his employment i.e. his employment was the main cause of his injury and that this accident occurred in the course of his employment.

However, the employer shall not be liable:

a. If the injury that results in total or partial disablement for a period of less than four days;
b. If the worker was drunk at the time of total or partial disablement;
c. If the worker wilfully disobeyed the orders or safety rules and if he wilfully disregarded the safety guard or other device provided for safety of workers.

WITHHOLDING TAX

The employer is liable to deduct tax out of the income of the employees as per the table given underneath and to submit the same in Govt. treasury:

	TAXABLE INCOME	APPLICABLE RATE
1.	Upto 400,000	
2.	400,001 to 750,000	5% of the amount exceeding Rs. 400,000
3.	750,001 to 1,400,000	Rs. 17,500 + 10% of the amount exceeding Rs. 750,000
4.	1400,001 to 1,500,000	Rs. 83,500 + 12.5% of the amount exceeing Rs. 1,400,000
5.	1,500,001 to 1,800,000	Rs. 95,0000 +15% of the amount exceeding Rs. 1,500,000
6.	1,800,001 to 2,500,000	Rs. 140,000 + 17.5% of the amount exceeding Rs. 1,800,000
7.	2,500,001 to 3,000,000	Rs. 262,500 + 20% of the amount exceeding Rs. 2,500,000
8.	3,000,001 to 3,500,000	Rs. 362,500 + 22.5% of the amount exceeding Rs. 3,000,000

9.	3,500,001 to 4,000,000	Rs. 475,000 + 25% of the amount exceeding Rs.Rs. 475,000 + 25% of the amount exceeding Rs. 3,500,000
10.	4,000,001 to 7,000,000	Rs. 600,000 +27.5% of the amount exceeding Rs. 4,000,000
11.	Exceeding 7,000,000	Rs. 1,425,000 + 30% of the amount exceeding Rs. 7,000,000

However, Finance Bill proposes that n case of disabled persons (holding CNIC as such) the tax liability is proposed to be reduced by 50% in case the taxable income does not exceeds Rs. One million.

INTELLECTUAL PROPERTY RIGHTS

Intellectual Property Rights (IPR) refer to the legally recognized exclusive rights to creations of the mind. In other words, owners are granted certain exclusive rights to a diversity of intangible assets, such as musical, literary and artistic works, inventions, and words, phrases, symbols, and designs. Common types of Intellectual Property Rights include Copyrights, Trademarks, Patents, and Industrial Designs Rights.

The first reason for which countries adopt laws to protect Intellectual Property is to enhance creativity and innovation, with the exception of trademarks laws that principally find their *ratio legis* in fair competition. Safeguarding creators and other producers of intellectual goods and services by granting them time-limited rights on their creations stimulates investments of time, efforts and capital. The other reason of the existence of IP laws is to balance the rights of creators on their creations and the rights of the public to access these creations.

It is without saying that Intellectual property issues are critical to the success of any business, regardless of its size or location. Nowadays, Intellectual Property undoubtedly constitutes an important for not saying indispensable asset for firms and companies in search of increase in market share and investors as well as infiltration of new markets.

Well aware of this global evolution in commerce and business strategy and set on keeping in line with the international regulations, Pakistan regularly adapts its intellectual property legislation in order to ensure a protection as effective as possible of the Intellectual Property Rights on its territory.

TRADEMARKS

There exist two different trademarks regulations presently in force, namely the *Trademarks Ordinance, 2001* – related to the protection and registration of trademarks – and the *Trademarks Rules, 2004* – having for purpose to frame the proper working of the above mentioned Ordinance.

Within the meaning of the Trademarks Ordinance, 2001, a trademark is any mark capable of being represented graphically which is capable of distinguishing goods or services of one enterprise from those of other enterprises, which implies that a trademark may be a word, a logo, a shape, a colour, a sound or a combination of these elements.

Aforementioned laws protect trademarks, both registered and unregistered. Nevertheless, it is highly advised to register a trademark as the Trademark Registration Certificate presents the non-negligible advantage to serve as prima facie evidence in case of litigation related to the ownership of a trademark. If a trade mark is not registered and infringement is suspected, the owner must establish by extensive evidence that as a result of the use and reputation of the trademark the other person's use is likely to cause deception or confusion among the general public. Finally, it must be underlined that if the genuine owner of a trademark does not register its trademark, mala fide third parties inevitably will, which may lead to the interdiction for the genuine owner to use its own trademark.

In the event of fraudulent application for registration of a trademark, remedies before the Trademarks Registrar are available to the genuine owner of the infringed trademark, whether registered or not. The Trademarks Ordinance protects the genuine owner whether the malicious application is pending registration – in which case the owner may file a notice of Opposition against registration of the trademark – or already registered – in that case an application for rectification or revocation may be filed before the same authority for seeking invalidity or revocation of the impugned trademark from the Trademarks Register.

Additionally to remedies available before the Trademarks Registrar, other options exist in case of infringement of a trademark. The genuine owner of a trademark may indeed seek the grant by a court of a Temporary Restraining Order and a Preliminary or Permanent Injunction to prevent and/or stop further infringement of said trademark.

It is moreover possible to restrain third parties from infringing a trademark through legal action leading to seizure at the Customs of goods bearing impugned trademark, confiscation of counterfeited goods by the Police/FIA and /or criminal prosecution.

COPYRIGHTS

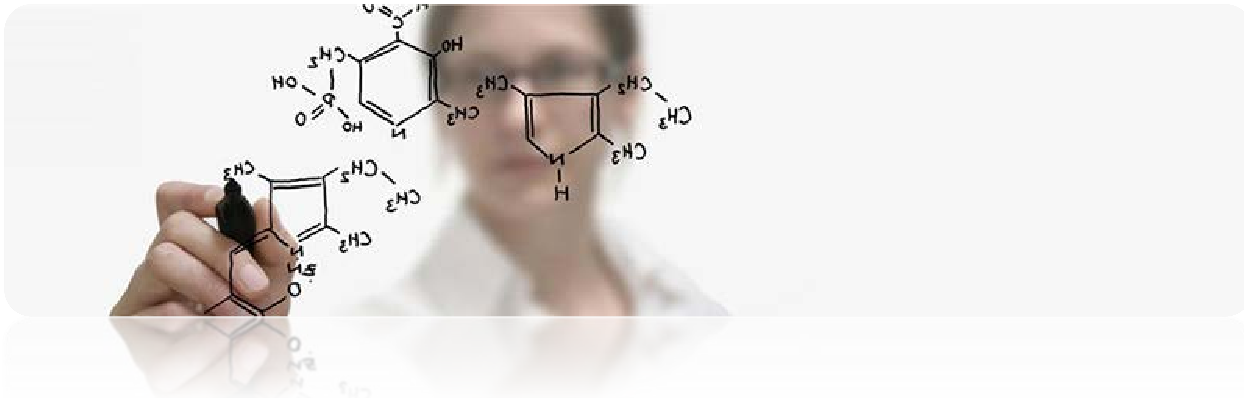
In Pakistan, Copyrights are governed by the *Copyright Ordinance, 1962* - related to the protection and registration of copyrights – which was modelled on the *Copyright Act, 1911* passed by the Parliament of the United Kingdom. The *Copyright Rules, 1967* were adopted with the purpose of completing the legal arsenal and framing the proper working of the above mentioned Ordinance.

Protection granted by the *Copyright Ordinance, 1967* covers various original types of works, namely literary works (including computer programmes), dramatic works, musical works, artistic works (including drawings, maps, photographs and architectural works), cinematographic works and records.

Registration of copyright in Pakistan, although not mandatory, is however highly recommended since the registration certificate issued by the Copyright Office may prove to be extremely useful in case of litigation. The registration certificate may indeed be used in court to subsequently establish ownership on a work. In other words, such document is fully enforceable in a court of law and is prima facie evidence that copyright subsists in the work and that the registrant is the owner thereof.

In the event of a malicious application for registration of a work, the genuine owner of the original work may file a Copyright Objection in the Copyrights Office against registration of said application. Should the infringing work be already registered at the time the above mentioned owner comes to know about the existence of the infringing work, a legal remedy, namely Application for Rectification, is nonetheless available for seeking invalidity of the registration of the infringing work in the Copyrights Register.

Besides, there also exist civil and criminal remedies. Whereas civil remedies include injunction, damages, accounts, delivery of infringing copies and damages for conversion, criminal remedies provide imprisonment, imposition of a fine, seizure of infringing copies and delivery of infringing copies to the owner of the copyright.



PATENTS

Prior to year 2000, the protection and registration of patents and designs were regulated by the *Pakistan Patents and Designs Act, 1911*. This Act was repealed and contents related to patents and designs were embodied in two distinct laws, respectively the *Patents Ordinance, 2000* – related to the registration and protection of patents – and the *Registered Designs Ordinance, 2000* – related to the registration and protection of Industrial Designs. These Ordinances were adopted for bringing Pakistani law relating to Patents and Designs into conformity with the *Agreement on Trade-Related Aspects of Intellectual Property Rights*, more commonly known under the acronym *TRIPS*. In order to complete the legal framework for patents, the *Patent Rules, 2003* was introduced for carrying out the purposes of the Patents Ordinance 2000.

In the event of application for registration of an infringing patent, the genuine proprietor of the patent is given the possibility to file a notice of Opposition before the Patent Office for seeking rejection of the application for registration of the impugned patent. As regards other infringements of a patent, it is the sole responsibility of the patent's owner to protect its rights vested in its patent. If the latter thinks its patent has been infringed, an infringement suit may be filed against the infringer before the relevant courts of law. The reliefs which are usually awarded in such a suit are injunctions whether interim or final, and damages or account of profits.

For more information, please browse http://law.zafcointl.com and http://zallp.com