



Pakistan Trade and Investment Seminar, Osaka

“Investment Regime & Business Opportunities”



BOARD OF INVESTMENT
MARCH 1, 2019



SEQUENCE

1. Pakistan : An Introduction
2. Investment Regime
3. Investment Trends
4. Incentive Structure & Potential Sectors

1. PAKISTAN: AN INTRODUCTION



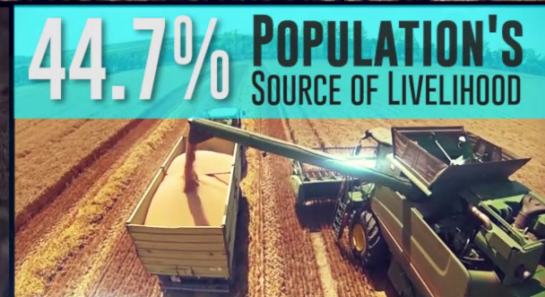
4TH LARGEST
COTTON PRODUCER



4TH LARGEST
MILK PRODUCER

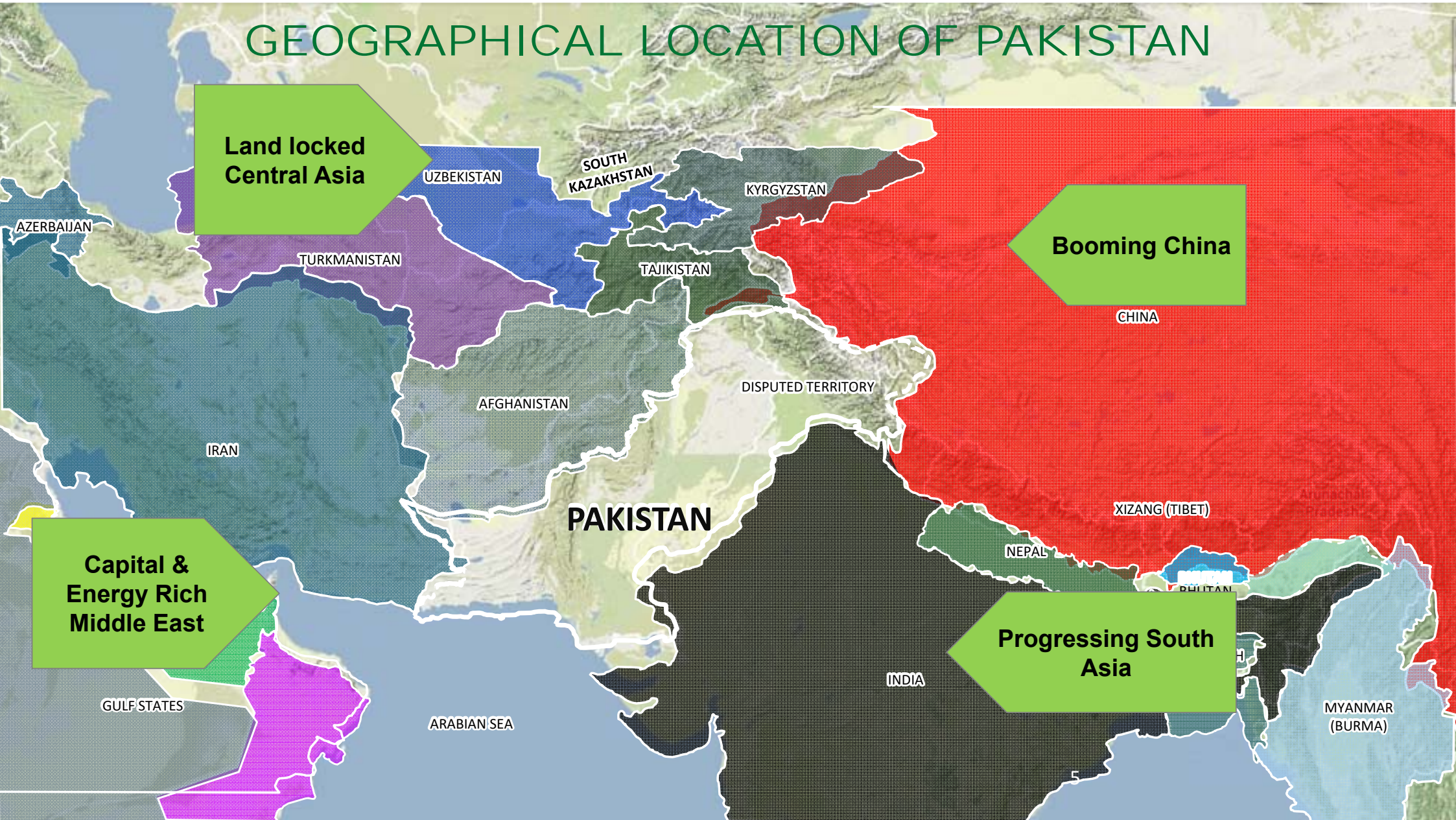


8TH LARGEST
WHEAT PRODUCER



44.7% POPULATION'S
SOURCE OF LIVELIHOOD

GEOGRAPHICAL LOCATION OF PAKISTAN



POTENTIAL OF PAKISTAN

- Population of over **200 Million** – **6 th** largest nation of world
- **7 th** largest pool of **scientists** and **engineers**
- Sky touching mountains (**K.2 2nd** and **Nanga Parbat 9th** highest peak)
- **2 nd** largest **salt mine** of the world (khewora)
- World's **largest deep sea port** (GAWADAR)
- Land of old culture and modern civilization
- Pleasant green valleys and hot deserts



PAKISTAN AT A GLANCE

Economic Indicator

| Indicators | 2017/18 |
|---------------------------------|---|
| GDP | 34,396,491 million PKR 313,139 Million US\$ (1US\$=PKR 109.844) |
| GDP per Capita (US\$) | 1,641 |
| GDP Growth Rate | 5.8% |
| Inflation Rate | 3.6% |
| Exports (Million US\$) | 24,772 |
| Imports (Million US\$) | 55,846 |
| FDI (Net) (Million US\$) | 3,092 |

Source: SBP

Infrastructure

| | |
|--|---|
| Major International Airports | Islamabad, Karachi, Lahore, Peshawar, Multan, Sialkot, Faisalabad, Quetta, Rahim Yar Khan, Turbat, Gwadar, D.G.Khan |
| Major Ports | Karachi Port, Port Qasim, Gwadar Port |
| Highways/Motorways Total Road Network | 12,131 KM (NHA) 263,775 KM |
| Railway Network | Broad-gauge: 11,492 KM Meter-gauge: 389 KM (MoR) |

Telecommunication

Source: PTA

| | |
|------------------------------------|--|
| Cellular Subscribers | 151 million (Teledensity: 72.83%) |
| Basic Telephony Subscribers | 3 million (Teledensity: 1.30%) |
| 3G/ 4G Subscribers | 57 million (Penetration: 27.73%) |
| Broadband Subscribers | 60 million (Penetration: 28.81%) |

2. INVESTMENT REGIME

BOI – AN INVESTMENT PROMOTION ARM



- Investment Promotion
- Investment Facilitation (One Window – for Investors)
- Improve Legislative/Regulatory/Policy Environment for Investment
- Secretariat for PM's Steering Committee on Doing Business Reforms
- Lead Agency for Industrial Cooperation under CPEC
- Secretariat for Board of Approvals/Approvals committee meant to grant permission for SEZs

LIBERAL INVESTMENT REGIME

- All Sectors Open for Investment (except arms, explosives, radioactive substances, securities, mint/currency and consumable alcohol.)
- Up to 100% Foreign Ownership allowed
- No minimum investment is required
- No restrictions on currency convertibility and repatriation of capital
- No discriminatory regulations between domestic and foreign investors and between foreigners of different countries (including taxation)
- Investment Protection through laws of the Parliament

FINANCE ACT 2018-19

| Tax Year | Corporate Tax Rate | Small Company Tax Rate |
|----------|--------------------|------------------------|
| 2018 | 30 % | 25 % |
| 2019 | 29 % | 24 % |
| 2020 | 28 % | 23 % |
| 2021 | 27 % | 22 % |
| 2022 | 26 % | 21 % |
| 2023 | 25 % | 20 % |

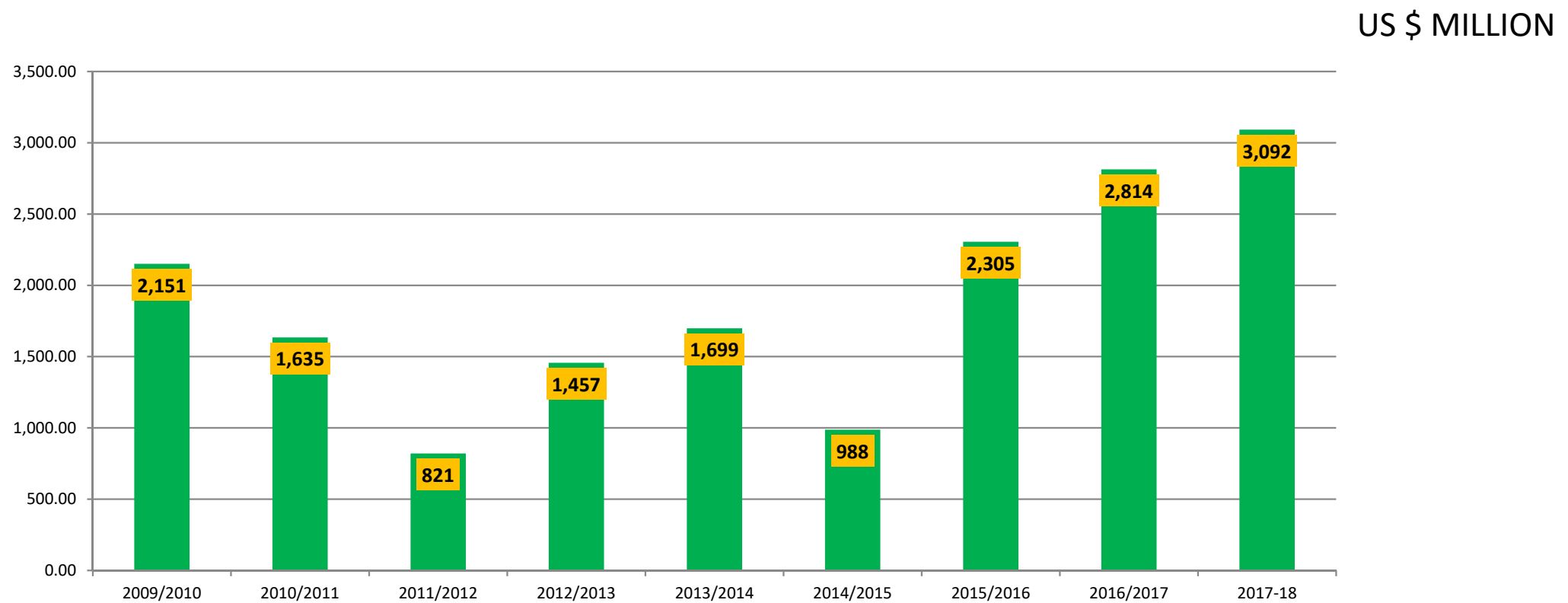
- Withholding tax on bank transactions waived off for tax filers.
- Small businesses exempted from submitting withholding tax returns every month; will do so only twice every year.
- Machinery for greenfield projects (including renewables) to be exempted of customs duty, sales tax and income tax (for five years)

HOME TO AROUND 1000 MULTINATIONAL BUSINESSES

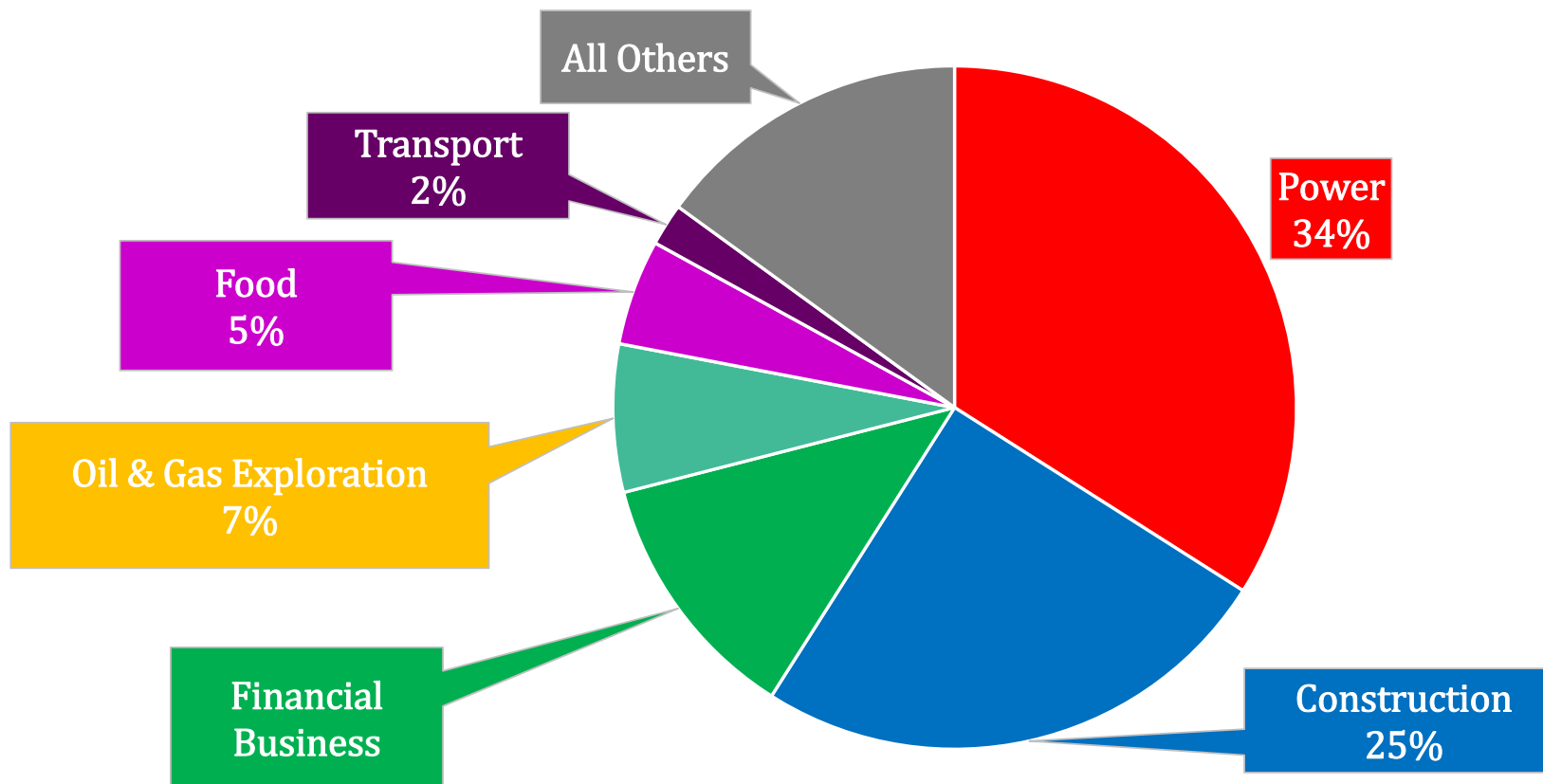


3. INVESTMENT TRENDS

INVESTMENT TRENDS – FLOW OF FDI (net)

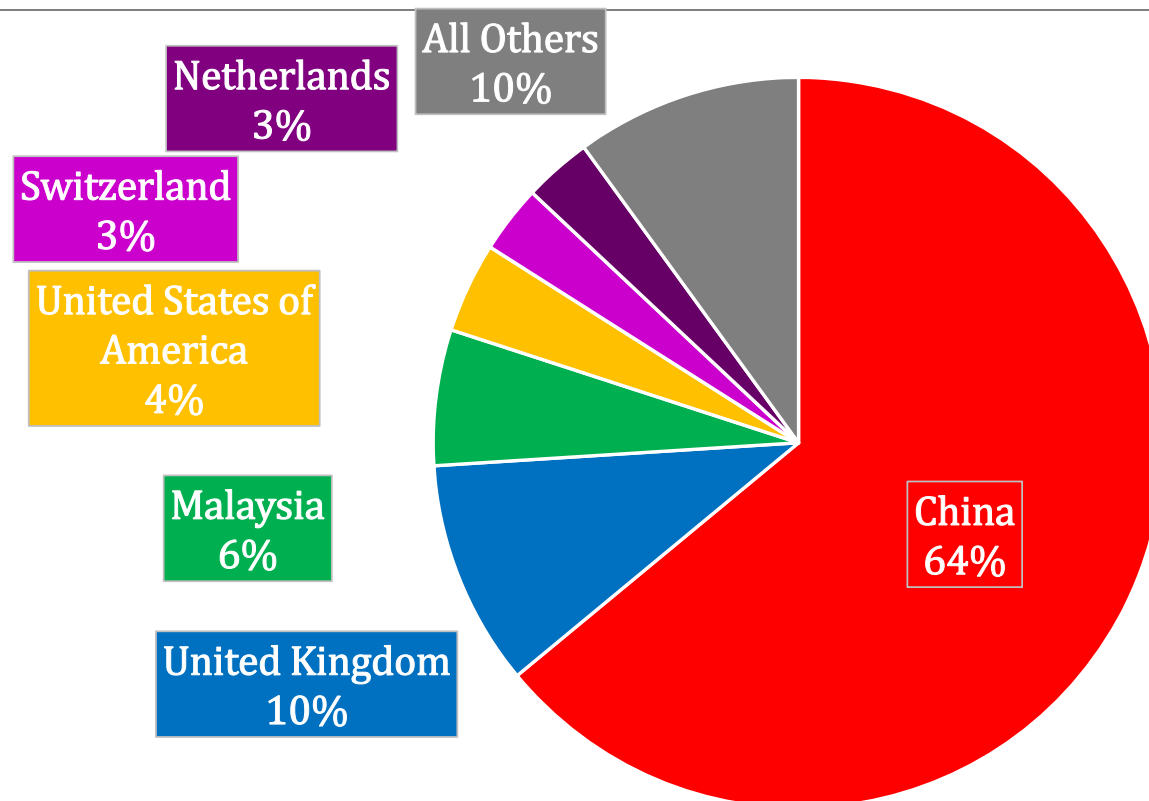


SECTOR-WISE FDI IN PAKISTAN: FY2017-18



Source: *Pakistan Economic Survey 2017-18*

COUNTRY-WISE FDI IN PAKISTAN: FY2017-18



Source: *Pakistan Economic Survey 2017-18*

TRENDS OF JAPANESE INVESTMENT

Japanese Investment (FY2009-2018)



Japanese Companies in
Pakistan: over **80**

Many JVs with local partners
found in manufacturing sector

| | |
|---------------------------|--|
| Manufac turing | Suzuki, Toyota, Honda, Hino, Yamaha, Sanden, GS Yuasa, Toyota Boshoku, MIDP, Kansai Paint, YKK, Morinaga, Fujiwara, Idemitsu Lubricants, etc. |
| Non- manufac turing | Mitsubishi, Mitsui, Sumitomo, Itochu, Marubeni, Toyota Tsusho, Sojitsu, MUFG Bank, Nippon Express, NEC, Tobishima, etc. |

4. INCENTIVES STRUCTURE & POTENTIAL SECTORS

SPECIAL ECONOMIC ZONES

- Utilities and land connectivity ensured by law
- One time duty exemption on import of plant & machinery
- Income tax holiday for developers (5 years) and enterprises (10 years)
- Captive power generation allowed
- Single window facility

EXPORT PROCESSING ZONES

- Developed land on competitive rates for 30 years (as per existing policy)
- Duty-free import of machinery, equipment, materials
- Freedom from national import regulations
- Exchange control regulations of Pakistan not applicable
- Repatriation of capital and profits
- No sales tax on inputs including electricity/gas bills
- Duty-free vehicles allowed under certain conditions
- Domestic market available to the extent of 20%.
- Obsolete/old machinery can be sold in domestic market of Pakistan after payment of applicable duties & taxes

AUTO SECTOR

- Duty free import of plant and machinery
- Import of 100 vehicle of the same variant in CBU at 50% of the prevailing duty tariff
- Import of non-localized parts reduced from 35% to 10% and localized parts 45% to 25% duty for a period of 5 years for manufacturing of cars and LCVs
- Tariff for Import of localized parts has been reduced from 35% to the rate of non localized (0-10%) for manufacturing of buses, trucks and prime movers.
- Tariff for import of motorcycle parts (non- localized and localized) has been reduced to 10% from 35 and 45%

RENEWABLE ENERGY

- No customs duty or sales tax on import of equipment
- No Income Tax / withholding tax / turnover tax
- Repatriation of Equity along with dividends freely allowed
- Convertibility of PKR into USD
- Mandatory purchase of electricity by power purchaser
- Government's Sovereign Guarantee

OIL & GAS SECTOR

- 20 years income tax holiday
- Exemption from all duties, taxes, surcharges and levies on import, by the Refinery Project
- Provision of a pricing mechanism which shall be no less favorable than the prevailing mechanism.
- Facilitation in infrastructure such as Single Point Mooring (SPM), Jetties, subsea/land pipelines etc
- Waiver of Development Surcharge on the value of exports under the EPZA Rules 1981
- The imported crude oil transportation pipelines and its storages will be integrated part of the refinery project and will also avail all incentives as given above

ICT SECTOR

- Income Tax Holiday till 2025 to IT/ITES Co's.
- 3 Years Tax Holiday for IT Startups
- 5% Sales Tax on domestic Revenues of IT/ITES Co's. in ISB
- National Pavilions in International Exhibition
- Capability Maturity Model Integration (CMMI) & ISO Certification Support

PRIORITY SECTORS FOR INVESTMENT IN PAKISTAN

- ① Agriculture & Food Processing
- ② Logistics
- ③ IT & IT Enabled Services
- ④ Textiles (Value Addition)
- ⑤ AUTOMOTIVE
- ⑥ Construction & Housing
- ⑦ Tourism
- ⑧ Mining
- ⑨ Petroleum & Petrochemicals
- ⑩ Light Industry & Engineering

POTENTIAL SECTORS FOR JAPAN APART AUTO SECTOR

- ① Petroleum & Petrochemicals
- ② Mines & Minerals
- ③ Electrical & Mechanical Machinery

Etc.

PRIME MINISTER'S MESSAGES ON INVESTMENT

“The economy is on the upswing.

We are pursuing a reform agenda to develop Pakistan on modern lines, which include facilitating ease of doing business, changing tax laws, and encouraging investments. Pakistan has the greatest tourism potential and the government was focusing on that sector.

This is the time to invest in the country – Don't miss the opportunity!”

WAY FORWARD – WHAT WE EXPECT FROM JAPAN?

- *Japan among TOP 5 investors in Pakistan.*
- *More Small and Medium Enterprises of Japan in Pakistan*
- *Pakistan needs diversification in exports and the same can be done through investment in various sectors. Japan can contribute a lot*
- *Japanese companies/ investors to establish their own exclusive/branded SEZ.*



Pakistan

The Preferred Investment Destination



**Japanese investors are welcomed to avail
profitable business opportunities in Pakistan!**

