



# Pakistan Trade and Investment Seminar, Tokyo

“Investment Regime & Recent Reforms”



**BOARD OF INVESTMENT**  
**MARCH 4, 2019**



# SEQUENCE

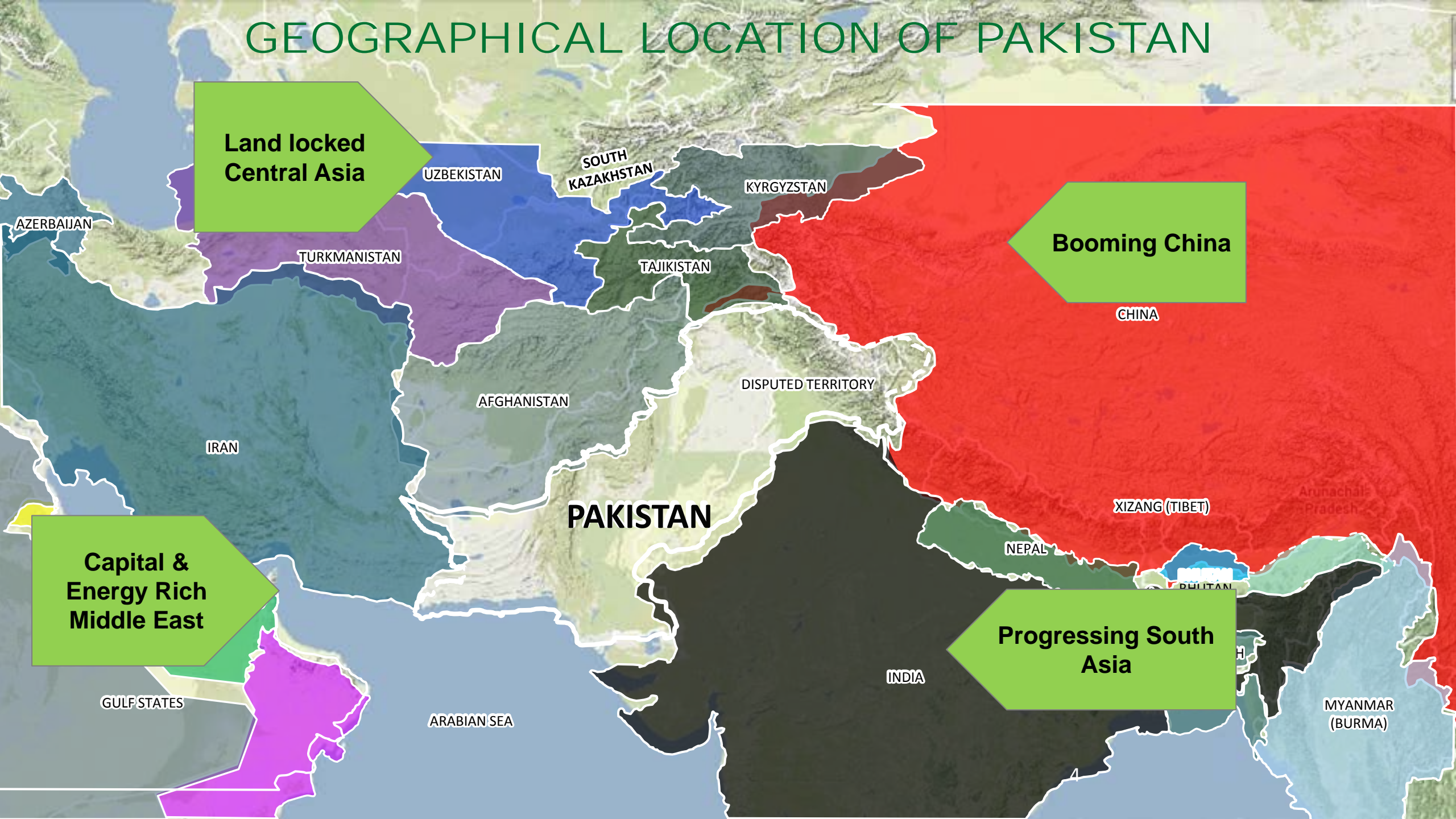
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1. Pakistan : An Introduction
2. Investment Regime
3. Investment Trends
4. Ease of Doing Business – Key Reforms
5. Incentive Structure & Potential Sectors

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# **1. PAKISTAN: AN INTRODUCTION**

# GEOGRAPHICAL LOCATION OF PAKISTAN



**Land locked  
Central Asia**

**Booming China**

**Capital &  
Energy Rich  
Middle East**

**Progressing South  
Asia**

**PAKISTAN**

CHINA

IRAN

AFGHANISTAN

DISPUTED TERRITORY

XIZANG (TIBET)

NEPAL

BHUTAN

INDIA

MYANMAR  
(BURMA)

ARABIAN SEA

GULF STATES

UZBEKISTAN

SOUTH  
KAZAKHSTAN

KYRGYZSTAN

TAJIKISTAN

TURKMENISTAN

AZERBAIJAN

Arunachal  
Pradesh



**4TH LARGEST**  
COTTON PRODUCER



**4TH LARGEST**  
MILK PRODUCER



**8TH LARGEST**  
WHEAT PRODUCER



**44.7%** POPULATION'S  
SOURCE OF LIVELIHOOD

**7<sup>TH</sup> LARGEST POOL OF  
SCIENTISTS AND ENGINEERS**



**60% YOUTH POPULATION**



**2<sup>ND</sup> LARGEST SALT MINE OF  
THE WORLD ( Khewra )**



# GWADAR - WORLD'S LARGEST DEEP SEA PORT



# TOURISM

Pakistan is rich in natural resources and historical treasures

It is a traveler's paradise





# K.2 2ND HIGHEST PEAK



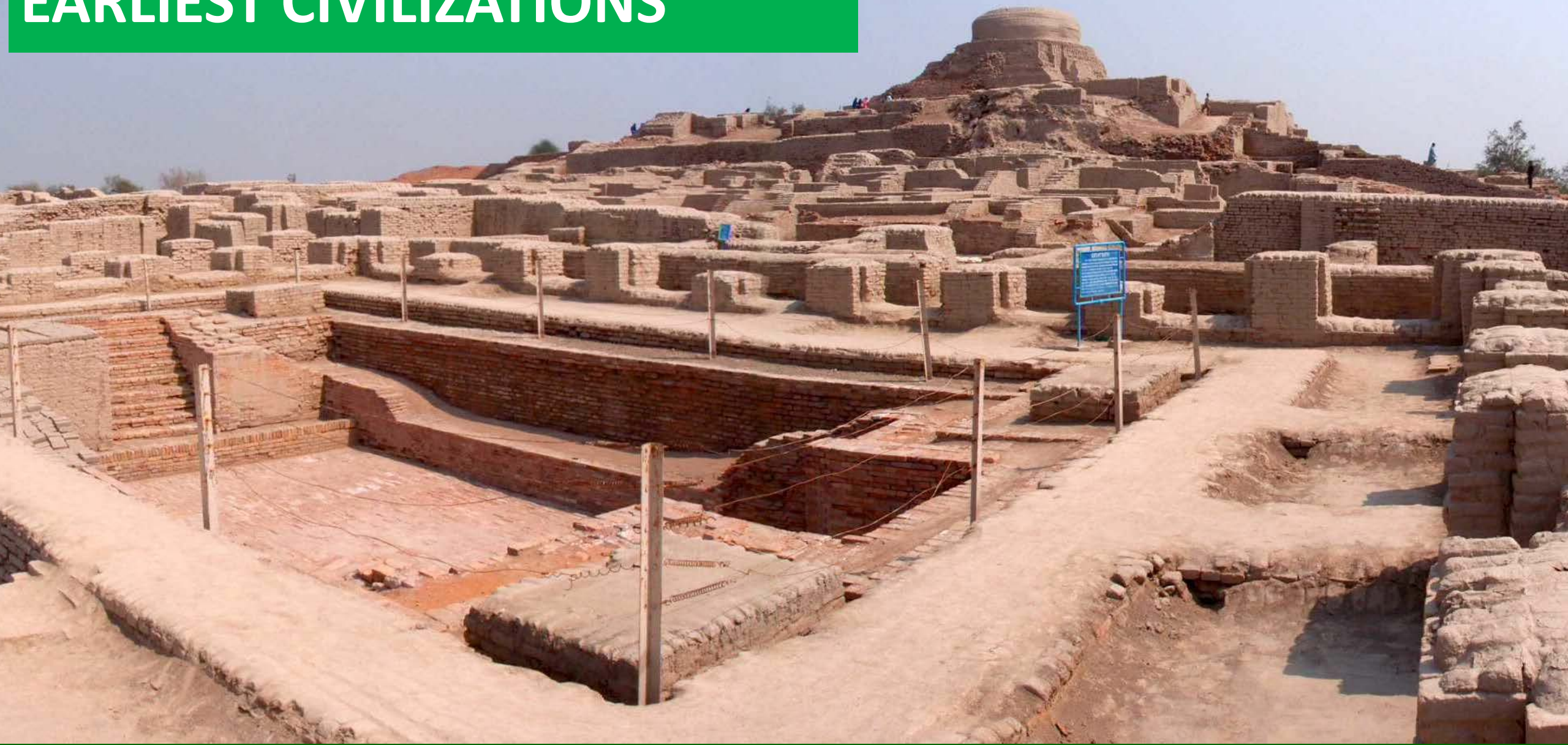
An aerial photograph of a massive mountain range. The peaks are jagged and covered in snow, extending far into the distance under a clear blue sky. In the foreground, a wide, winding dirt road or path cuts through a valley, surrounded by rocky terrain and patches of snow. The overall scene is one of a high-altitude, rugged landscape.

# **MIGHTY MOUNTAIN RANGES**

# PICTURESQUE LANDSCAPES



# HOME TO ONE OF THE EARLIEST CIVILIZATIONS





# HOT DESERTS



# PAKISTAN AT A GLANCE

## Economic Indicator

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

Source: SBP

## Infrastructure

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

## Telecommunication

Source: PTA

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

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## **2. INVESTMENT REGIME**



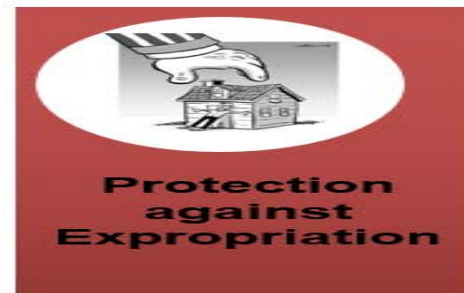
# BOI – AN INVESTMENT PROMOTION ARM



- 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
- 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

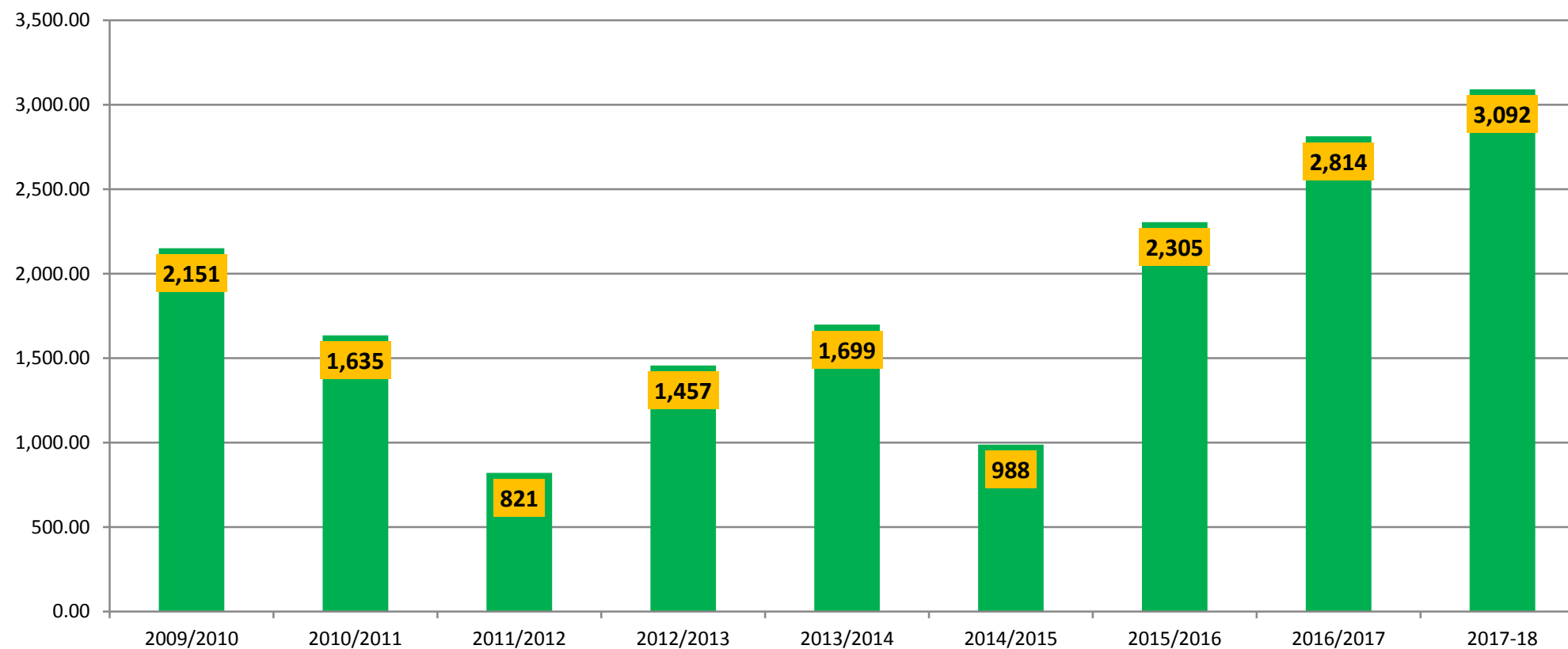


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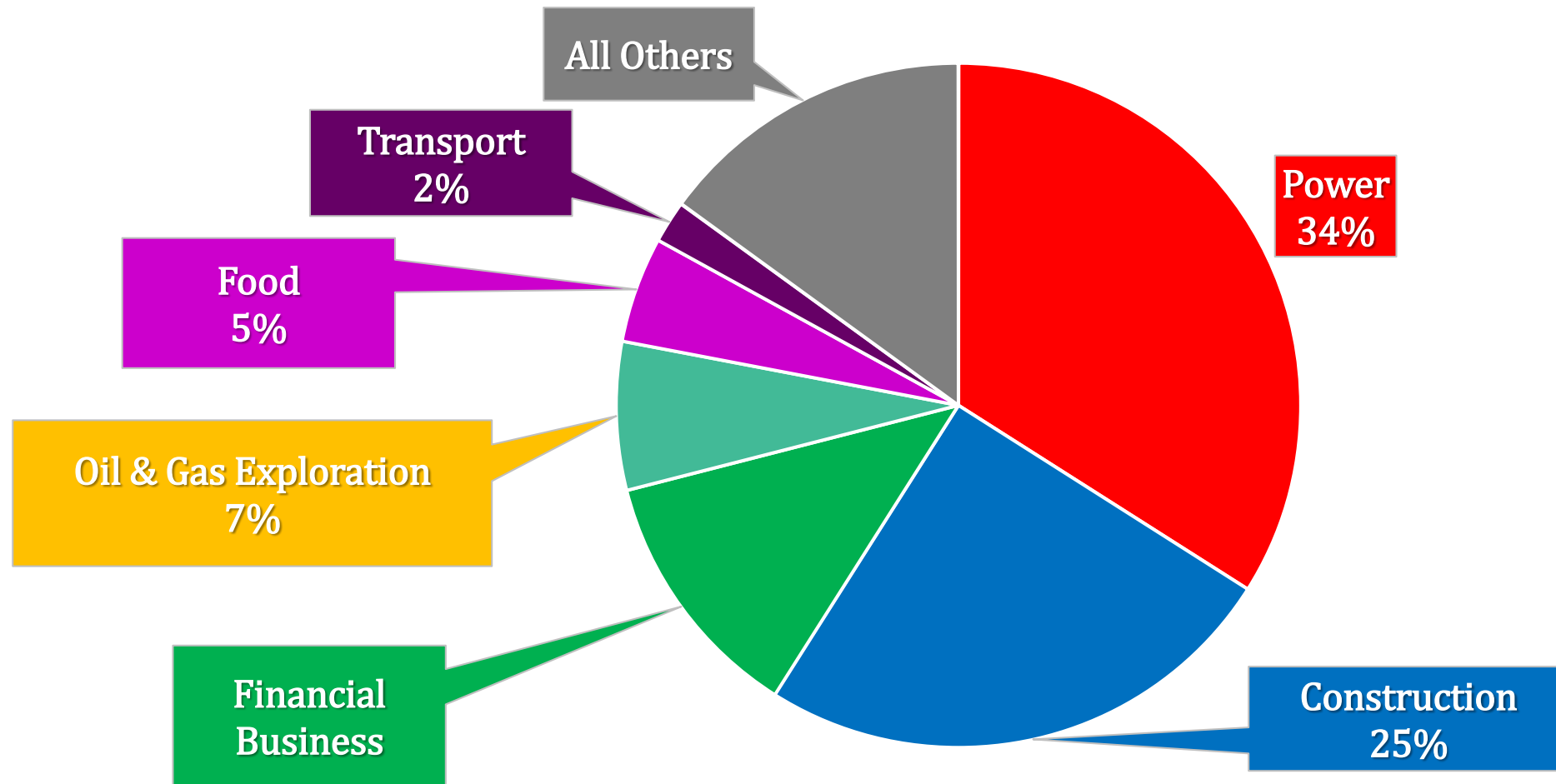
# **3. INVESTMENT TRENDS**

# INVESTMENT TRENDS – FLOW OF FDI (net)

US \$ MILLION

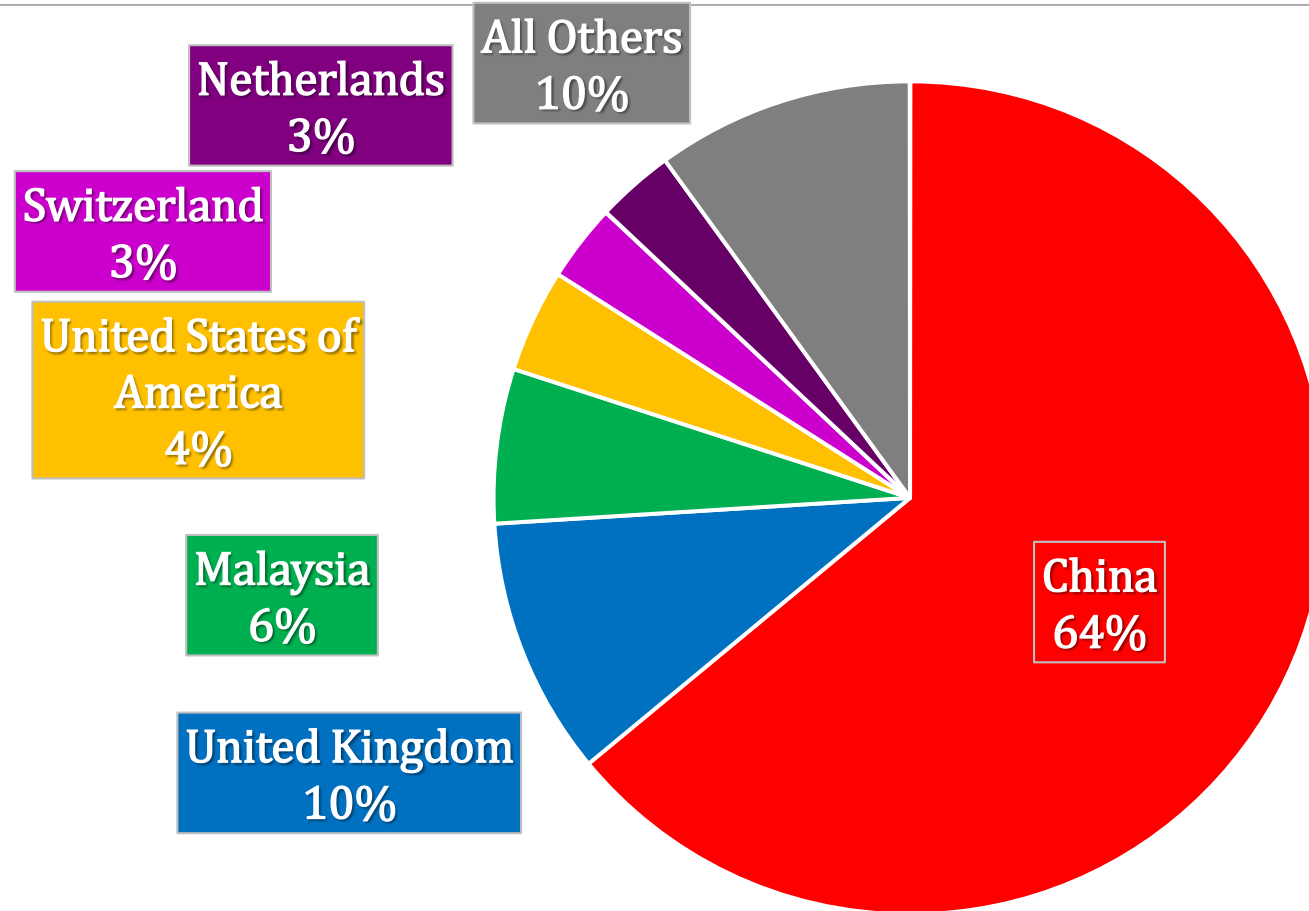


# SECTOR-WISE FDI IN PAKISTAN: FY2017-18



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

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

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## **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
- Exchange control regulations of Pakistan not applicable
- No sales tax on inputs including electricity/gas bills
- Domestic market available to the extent of 20%.



# INCENTIVES IN AUTO SECTOR



- ✓ Duty free import of plant and machinery
- ✓ Import of 100 vehicle of the same variant in CBU form at 50% of the prevailing duty
- ✓ Tariff for Import of non-localized parts reduced from 35% to 10% and localized parts from 45% to 25% duty for a period of 5 years for manufacturing of cars and LCVs
- ✓ Tariff for Import of localized 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



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## **4. EASE OF DOING BUSINESS – KEY REFORMS**

# starting a business made easier

**SIMPLIFIED company registration through  
SINGLE online procedure within Just 4 hours**



#### Company registration made Easier

- Introduction of **single online application form** for name reservation with 3 options, company incorporation and intimation of CEO.
- **Payment through online mode.**
- Company registration in **JUST 4 hours** through adoption of model memorandum and articles of association.



#### Company registration made Less Costly

- **Filing fee** has been reduced from Rs. 1,000 to **ONLY Rs. 250** for small company.
- Single member / small company having paid up capital upto Rs. 100,000 can be incorporated online in **ONLY Rs. 1,550** instead of Rs. 2,300 previously.
- Digital signatures substituted with **simple user registration** with 90 % fee reduction from Rs. 1,500 to **ONLY Rs. 100.**
- **Free Certified True Copies** of company formation documents for opening of bank account provided at the time of incorporation.



SECP Achieves Another Milestone for

**Ease of Doing Business**

Securities and Exchange Commission of Pakistan  
[www.secp.gov.pk](http://www.secp.gov.pk)

Helpline: 0800-88008



**PAY TAXES ANYTIME, ANYWHERE WITH  
FBR ONLINE PAYMENT FACILITY**

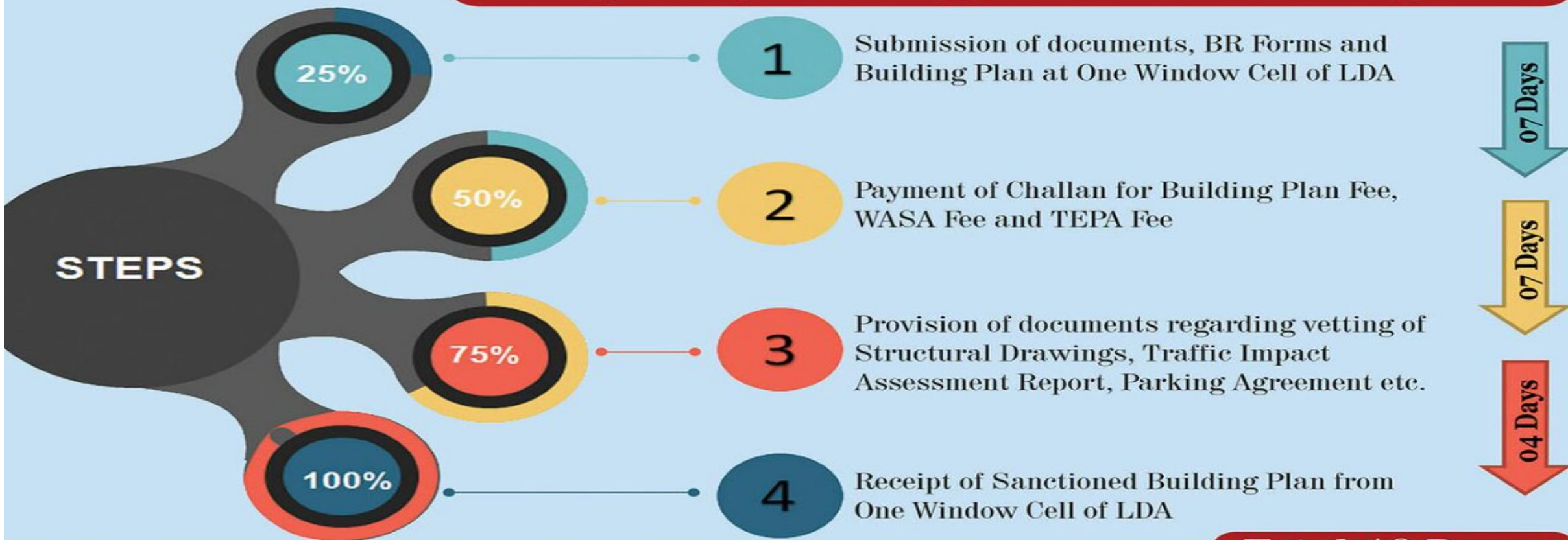


**FBR**, **SBP** and **1-Link** jointly  
make tax payments easy.

**Now you can pay taxes directly  
from your internet bank account  
or using debit card  
at ATM machine**

# Construction of Warehouses

## 4 Easy Steps for Approval of Building Plan



**Total 18 Days**



Planning Unit, One Window Cell,  
**Lahore Development Authority**

467-D/II Main Boulevard M.A Johar  
Town Lahore. Ph: 042-99262413

# GETTING CONSTRUCTION PERMITS IN SINDH

QUICKER AND EASIER  
THAN EVER BEFORE

- Number of procedures to obtain Construction Permits reduced from 15 to 7.
- SBCA waives Floor Certificate requirements from selected projects.
- SBCA reduces time to grant construction permits from 60 to 30 days and for completion certificates from 45 to 30 days.
- 3 NOCs exempted by SBCA.
- Karachi Water & Sewerage Board (KWSB) reduces timeframe for commercial water and sewerage connections from 61 to 21 days.
- Environmental Approval waived for 9 selected projects by Sindh Environmental Protection Agency (SEPA).
- Environmental Checklist approval time reduced from 30 to 15 days.



WORLD BANK GROUP



# PROPERTY REGISTRATION



## Automation of property registration in Karachi

Reduction in time (**56 to 21 days**) and improvement in transparency and quality of land administration

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## 5. PRIORITY SECTORS FOR INVESTMENT

# PRIORITY SECTORS FOR INVESTMENT IN PAKISTAN

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- 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

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- ① Automotive
- ② Energy
- ③ Mines & Minerals
- ④ Electrical & Mechanical Machinery

Etc.

# PRIME MINISTER'S MESSAGES ON INVESTMENT

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*“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?

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- *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!**

