

China - Pakistan Economic Corridor



Pak - China

Investment & Business Prospects

Wànsuì Bājīsītǎn Zhōngguó yǒuyì



Long Live *Pakistan* *China* Friendship

Message from the Honourable President of Pakistan



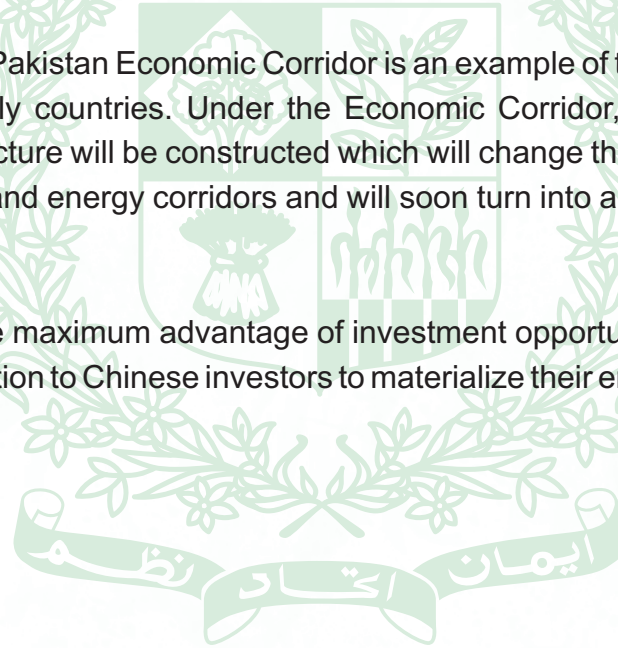
Pakistan and China enjoy all-weather and time-tested friendship and are not only good neighbors and close friends, but also strategic partners.

Pakistan and China share common interests and aspirations. Monumental projects such as the Karakorum Highway, the Chashma Power Plants, the Heavy Mechanical and Electrical Complexes, the Gwadar deep sea port, are all examples of the outstanding cooperation between our two countries.

China Pakistan Economic Corridor is an example of the strategic partnership between the two brotherly countries. Under the Economic Corridor, a network of roads, railway lines, and energy projects and transport infrastructure will be constructed which will change the entire landscape of the region. Gwadar Port will act as a nodal point for trade and energy corridors and will soon turn into a trade hub which will be comparable with Singapore, Hong Kong and Dubai.

I invite you to visit Pakistan and to take maximum advantage of investment opportunities in the country. The Government of Pakistan is committed to ensure facilitation to Chinese investors to materialize their endeavors.

Mamnoon Hussain



Message from Honourable Prime Minister of Pakistan



I sincerely emphasize that Pakistan is an ideal place for investment. The width and scope of developmental potential of Pakistan are indeed enormous. My government has initiated and rigorously follow a very liberal and friendly investment regime through which I wish to impress upon the investors the viability of investing in Pakistan.

I particularly wish to highlight that Pakistan is blessed with tremendous potential resources that are capable to generate a long term and sustainable economic development. With a contiguous 1000 kilometres long coastal line Pakistan provides opportunities for incomparable access to the widespread central Asian region. Pakistan is the repository of 6th largest human resource that is second to none in terms of its youthful vitality. The consumer base of the country is expanding by the day bringing in rich windfall to old established more than 1000 multinational companies producing and providing international brands.

Following the progressive policies of my government Pakistan has embarked upon an unprecedented infrastructure and service provision program. Very thoughtfully conceived and projected plans include exploiting millions of megawatt potential in wind, solar and hydro electric spheres. The extensive coal reserves of Pakistan estimated at 175 billion tons are planned to be utilized for increasing power capability of the country. Pakistan also possesses substantial shale gas reserves tentatively estimated to be in the region of 105 trillion cubic feet.

I very often point out that the traditional as well as non-traditional sector of our economy offer the business community great opportunities to invest in the country and to have maximum dividends. The engineering, infrastructure, power, horticulture and manufacturing sectors are some of the areas where exists great potential to be further explored for mutual benefit of all investors.

I am positive that the massive China Pakistan Economic Corridor project will be a game changer in the region. Appropriately billed as China's "Pivot to Asia", this progressive venture will positively alter the ground realities. It will lead to socio economic development of the people and integrate various sectors of economy into value addition chain. The benefits to the corridor will be extended to a population of more than three billion.

I welcome Chinese firms to invest in Pakistan and assure them that Government of Pakistan is steadfastly committed to provide all possible assistance towards attaining our common goals.

Muhammad Nawaz Sharif

Message from MOS/Chairman, Board of Investment



The China Pakistan Economic Corridor is the manifestation of our two leadership's vision to unlock our mutually beneficial potential for peace and prosperity for not only our countries but also for the region. BOI is fully cognizant of the importance of the corridor and committed to facilitate Chinese investors by creating better investment climate.

The Investment Policy in vogue offers 100% ownership and attractive incentives and generous tax concessions in Pakistan. Foreign investment is fully protected under the law and repatriation of capital and profits is freely allowed. Our mission is to pro-actively promote and generate investments for Pakistan and to facilitate local and foreign investment projects, while advocating for the continued development and enhancement of the investment environment in the country.

International think tanks and research groups have recognized Pakistan's impressive economic turnaround on the basis of the significant achievements and progress in the last few years. Moody's has recently raised our economic outlook from stable to positive.

BOI has identified potential sites for Special Economic Zones alongside the Pakistan China Economic Corridor which will play a vital role in sustainability of the corridor and to uplift socio economic development of the adjacent areas.

BOI provides one-stop shop for services to both local and foreign investors and also dutifully provides aftercare services to the existing businesses.

I assure Chinese investors and businessmen all out support and facilitation on fast track basis at every stage of their business cycle.

Dr. Miftah Ismail

Message from Secretary, Board of Investment



Pakistan offers a good environment to investors, with complete freedom of choice regarding location of activities and full repatriation of capital, profits and dividends. Generous fiscal and tax concessions are also available and these liberal economic policies has created a very favorable environment and ambience for foreign investment in diverse sectors.

There is an immense potential and prospects for foreign investors in the country with 180 million people, which have growing needs in divergent fields. Many sectors of Pakistan`s economy like energy, oil and gas, infrastructure development, minerals, agriculture etc. offer plenty of investment opportunities to investors. BOI welcomes businessmen from china to invest in any sector in Pakistan and we assure that their investments will bring rich dividends.

The bonds of friendship between China and Pakistan are expanding from Free Trade Agreement (2006) to China Pakistan Economic Corridor (2013). We have completed many important milestones. Trade has increased many folds. CPEC will open new vistas for investment in various sectors of the economy. China Pakistan Economic Corridor and Free Trade Agreement between Pakistan and China add advantages to Chinese investors to get maximum benefit from ongoing and potential future projects under these initiatives.

My team has endeavored to develop this brochure to provide updated information on regulatory framework and opportunities for investment. For any query, BOI is always there to facilitate Chinese investors.

Azher Ali Choudhry

Foreword

Pak-China relations go back to the old Silk route i.e. between China and the Mediterranean. Formal Pakistan–China relations began in 1950. Pakistan was one of the first few countries to recognize China as People's Republic. China was the world's largest purchaser of Pakistani cotton in 1963. The relations between the two countries grew steadily in the early years and since the early 1960s the two neighbors have forged an abiding close friendship. This friendship has remained constant and strong in spite of the changes within the two countries and on the regional and global scene.

Strategic alliance was formed in 1972 after construction of Karakorum Highway. PIA became the first airlines in the world to operate a service to and from China and Bilateral Investment Treaty was signed by the two countries in 1989. Joint Investment Company was established with an equal Authorized Capital of US\$200 Million in 2007.

The Economic Corridor is being developed as part of a strategic partnership between the governments of China and Pakistan, which was announced during the visit of Prime Minister of Pakistan to China in July, 2013. Pak-China Trade Corridor is around 2,700km long within the territory of Pakistan, crossing snow-capped mountains, narrow valleys, lush green fields, sand dunes and dry hills. In addition, the corridor provides Chinese traders a link to deliver their goods to the international markets through the Gwadar Port.

China-Pakistan Economic Corridor is a fusion of multiple corridors of Investment, Trade, Energy, Transport, Infrastructure and Industrial Cooperation. Projects worth over \$46 billion would be executed. During the visit of Chinese His Excellency President XI in April 2015, 51 MoUs were signed reflecting the strong commitment on the part of both sides to develop the CPEC for the benefit of both the countries and region at large.

For the sustainability and development of SEZs alongside the infrastructure corridor will ensure the economic viability & vibrancy of the Corridor. SEZs will target specific products and services while analyzing the availability of local raw material and other vital factors. This initiative will lead to an efficient transportation system that will have a very positive multiplier effect



such as better accessibility to the markets, and additional investments, job creations, technology transfer, generation of economic activity, social and economic development.

China Pakistan Economic Corridor will be a game changer in the region. It can be a China's "Pivot to Asia". It will open new avenues for trade & Investment and lead to socio economic development of the people and integrate various sectors of economy into value addition chain. The benefits of the corridor will be extended to a population of more than three billion.

The existing depth and intensity of the relations create an ideal platform to enhance mutual trade and investment. The current trade figure of US \$ 8.7 billion, which is four times more than the figure of US \$ 1.8 billion in 2002. Similarly Chinese investment has been increasing and close to US \$ 1.0 billion. We have certainly done well. But still huge potential exists between the two countries to expand it further. The potential of investment between the two countries is huge and in the years to come, we strongly hope China may become one of the leading investors in Pakistan.

This booklet is an endeavors to share information with Chinese Investors with regard to doing business in Pakistan and various incentives and trade & investment opportunities available in the country

Board of Investment is committed to support private sector led growth and attract foreign investment in to the country. BOI as an investment promotion and facilitation agency will coordinate and cooperate with Chinese companies to promote & facilitate them and materialize their investment projects.

Your success is our success





VISION

To make Pakistan an attractive Investment Destination by ensuring business friendly environment, provision of state of the art modern facilities, appealing incentives, legal protection and sizeable returns.





MISSION

**To build investors' confidence
by promotion, facilitation, coordination,
liberalization, protection and simplification of
policies and procedures to
boost local and foreign investment
so as to contribute
in social and economic development
of Pakistan.**



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VIBRANT PAKISTAN



Investment Regime of Pakistan



Board of Investment (BOI) as Investment Facilitating Agency

Board of Investment (BOI) being the premier body is mandated to promote, encourage and facilitate both local and foreign investments in the country. BOI acts as a focal point to assist investors and provides them all necessary information and assistance for speedy materialization of their projects. The BOI Board is headed by the honourable Prime Minister of Pakistan.

Mandate of BOI

BOI is an intermediary of the Government of Pakistan (GoP) between the public and the private sectors. Its mandate encompasses (a) policy reforms to frame and update business friendly policies and regulatory reforms; (b) Investment Promotion to identify and highlight promising opportunities/ projects; (c) Investment Facilitation at all the stages of the investment cycle and also provide guidance, authentic information, coordination, resolution of difficulties and security clearance for work visas & opening of liaison/branch offices; (d) To build investors' confidence, introduce legal framework for investment protection including drafting & negotiations of Bilateral Investment Treaties and (e) Establishment of Special Economic Zones through industrial clusterization.

Focus of Investment Regime in Pakistan

The first Investment Policy was framed by BOI in 1997 which opened all economic sectors including infrastructure, social, and services for foreign investment. Keeping in view the importance of investment for economic growth and fast economic globalization trends around the world, Investment Policy 2013 was formulated to further improve the investment climate in the country. Main objectives of Investment Policy 2013 are given below:

- i. Reducing the cost and processes of doing business.
- ii. Providing ease of doing business with creation of industrial clusters as Special Economic Zones (SEZs).
- iii. Developing partnership with Private Sector.
- iv. Creating linkages of trade, industrial, fiscal and monetary policies for greater convergence.
- v. Fostering close coordination with stakeholders to implement the Policy.



Highlights of Investment Policy, 2013

- i) Equal treatment to local and foreign investors.
- ii) All economic sectors open to FDI except a few specified industries like arms and ammunition, explosives, radio-active substances, security printing, currency and mint.
- iii) Foreign equity up to 100% is allowed without any minimum requirement of investment.
- iv) Remittances of royalty, technical and franchise fee, dividends, capital and profits are allowed.
- v) Foreign Investment is fully protected by following Acts:
 - i. Foreign Private Investment [Promotion & Protection] Act, 1976.
 - ii. Protection of Economic Reforms Act, 1992.
- vi) Foreign investors are allowed to exchange of the local currency into any other freely convertible currency and also access to domestic borrowing for foreign investors.

Investment Climate

Investment Policy-2013 and FDI Strategy 2013-17 focus on curtailing the cost of doing business to enhance Pakistan's international competitiveness in attracting, starting and long-term continuation of businesses, industrial, and financial operations, and cutting down the red tape, procedures and processes. It proposes liberalization of economy with emphasis on investors facilitation, investment protection, removing regulatory impediments, public-private partnership and coordination amongst stakeholders. It also covers the idea of linking trade industrial and monetary policies for greater convergence and to facilitate market entry of Small and Medium Sized Enterprises (SMEs).

Foreign investors operate in the Pakistani economy alongside with domestic investors. The Investment Policy offers equal treatment to both local and foreign investors. Efforts towards improving the investment climate in Pakistan (“policy advocacy”) are hence envisaged to stimulate both domestic and foreign investment in Pakistan while offering the level playing fields. In the same vein, sector strategies aiming at developing focal sectors are being started with a view to energizing domestic and foreign private investments in these sectors.



Facilitation regarding opening of offices and employment of workers

BOI also processes work visa cases of expatriates under the liberalized Visa Policy of Pakistan. According to this policy, company duly incorporated or registered in Pakistan can apply for the work visa of its foreign national worker for a period up to 2 years which is renewable till the time the services of the expatriate are required by the company for similar duration (1-2 years). Board of Investment also grants permission to foreign companies to setup their Branch Offices and Liaison Offices in Pakistan. The permission is issued for a period of 1-5 years.

Preferential Visa Policy for Chinese Investors

On the proposals of BOI, the Prime Minister has been pleased to approve the following to further facilitate the Chinese investors and workers:

- i. The period for grant of visa shall be reduced to seven days for all projects in public and private sectors by Chinese Companies which are approved by the Government of Pakistan.
- ii. Validity of visa shall not be restricted; it shall cover the period of the project up to maximum of five year with permission for multiple entries.

This shows the special place for Chinese investors in Pakistan.



SETTING UP A BUSINESS IN PAKISTAN

Sole proprietorship

An individual may set up the business as sole proprietorship without any registration except with tax authorities.

Partnership firm

A partnership firm can be established by executing a partnership deed on a stamp paper of Rs.500/- and getting the same Notarized by the authorized Notary Public Magistrate.

The Partnership Act, 1932 is the legal framework for partnership firms and a firm may or may not be registered with the Registrar of Firms.

Companies

The Companies Ordinance, 1984 (the Ordinance) and The Companies (General Provisions and Forms) Rules, 1985 provide the legal framework for operations of companies in Pakistan and the Securities and Exchange Commission of Pakistan (the Commission) is the regulatory authority in this regard. In Pakistan, a company may be formed with or without limited liability and the ordinance provides for the following categories of the companies:

- A company limited by shares; or
- A company limited by guarantee;

Companies formed in any of the above categories can further be classified in three types:

- a) Private company
- b) Public company
- c) Single Member Company



Any three or more persons associated for any lawful purpose may, by subscribing their names to the Memorandum of Association (document that defines the objectives of the company) and complying with the registration requirements, form a public company. There is no limitation as to the maximum number of members of such a company and after complying with the prescribed requirements; it may offer its shares and other securities to the general public. The public company may get its shares and other securities listed on the stock exchange(s). A private company can be established by any one or more persons associated in such manner as specified in the case of a public company and means a company which by its articles of association (document that defines the standard operating procedures of the company),

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

The name of every public limited company should include the word Limited as the last word of the name. And the name of every private company and a company limited by guarantee should respectively include the parenthesis and word Private and Guarantee before the last word Limited. The Commission may grant license to a non-profit association for the promotion of commerce, art, science, religion, sports, social services, charity or any other useful object to be registered as a company with limited liability without the addition of the words Limited (Private) Limited or (Guarantee) Limited as the case may be, to its name.

A single person may form a single member company on fulfillment of certain legal conditions.

Listing of Companies and Securities

There are three stock exchanges in the country, namely:

- Karachi stock exchange,
- Lahore stock exchange, and
- Islamabad stock exchange.



Karachi Stock Exchange (the Exchange) is the biggest and most liquid exchange and has been declared as one of the Best Performing Stock Markets. In 2015, it crossed the 36,000 barrier and is the most vibrant in the region. All exchanges have their own regulations which are largely similar.

The Securities and Exchange Commission of Pakistan (Commission) grants the approval for the public offer and after such approval a company may obtain listing for its equity and/or debt securities according to the regulations of the Exchange.

Foreign Investor in Pakistan

A foreign investor may establish an independent business with any of above mentioned corporate structures. He can establish a sole proprietorship, can enter into partnership with any local person or foreigner and even can establish a company with or without participation of local shareholder(s) and director(s). If a foreign enterprise wishes to establish a business in Pakistan as a part of its international operations, in addition to the said corporate structures it also has following choices:

- It can obtain registration with Board of Investment .Government of Pakistan (the Board), for opening of a branch office, marketing office or liaison office. Regulations of the Board impose certain restriction on the operations of the enterprise.
- It can appoint an agent in Pakistan. Relevant provisions of the Contract Act, 1872 shall apply in such agency arrangements.
- It can enter into joint venture with other business entities. Relevant provisions of Contract Act, 1872 and Partnership Act 1932 are applicable to these ventures.

The financial year for most of the business enterprises is from 1st July to 30th June of every year. All listed companies are required to follow the best corporate practices with special reference to financial statements and audit etc.



Taxation Regime in Pakistan

Corporate Tax Rate	31 % (To come down to 30% in the next year)
Sales Tax / VAT Rate	17 %

Direct Taxes

Direct taxation consists of Income Tax and Capital Value Tax.

Income tax

The Income Tax Ordinance, 2001 and Income Tax Rules, 2002 provide the legal framework for the levy, collection and other matter related to income tax. The levy of income tax is an annual charge on the taxable income.

Classification of assesses

The nomenclature of corporate and non-corporate structures for income tax purposes is as follows:

- Company
- Registered Firm
- Un-registered Firm
- Association of Persons (AOP)
- Individuals

The Income Tax Ordinance, 2001 provides a broader definition of the company which includes:

- A company as defined in the Companies Ordinance, 1984
- A body corporate formed by or under any law in force in Pakistan
- A body incorporated by or under the law of a country outside Pakistan relating to incorporation of companies
- A trust, a co-operative society or a finance society or any other society established or constituted by or under any law for the time being in force.
- A foreign association, whether incorporated or not, which the Central Board of Revenue has, by general or special order, declared to be a company for the purposes of this Ordinance

- A foreign association, whether incorporated or not, which the Central Board of Revenue has, by general or special order, declared to be a company for the purposes of this Ordinance

Sources of income

The Income Tax Ordinance, 2001 classifies income into the following categories (called heads of income) and prescribes the allowable deductions against each head:

- Salary
- Income from Property
- Income from Business
- Capital Gains
- Income from other Sources

Taxable income under a specific head means the income as reduced by allowable deductions. The net income from each head is added to arrive at the total income for the year, however, income from certain sources is subject to separate taxation, or is subject to presumptive tax. Under the presumptive tax regime, the income is subject to deduction of tax at source which becomes the discharge of final tax liability in respect of that income. The taxation of income from a certain source under the normal or presumptive tax regime is notified by the Government and such classification once advised may also change. At present income from following sources is taxed under the presumptive tax regime

- Dividend received from a listed company
- Prize on a prize bond or winnings from raffle, lottery, quiz or crossword puzzle, or prize offered by companies for promotion of sale.
- Travelling agents commission
- Contracts other than service contracts
- Royalty and fee for technical services of non-residents



Scope of total income for tax purposes

- The Residential status of an assessee is also an important concept as it determines the scope of total income for tax purposes. In the case of a resident assessee the total taxable income means income from all sources within and outside Pakistan subject to the provisions of double taxation treaties, while in the case of a non-resident individual it is restricted to Pakistan source income only.
- An individual is a resident individual if he is present in Pakistan for 182 days or more in a tax year or if he is an employee or official of the Federal or Provincial Government posted abroad.
- A Company is considered to be resident when either it is incorporated or formed by or under any law enforceable in Pakistan or, the control or management of which is situated wholly in Pakistan at any time during the tax year.
- A registered firm, un-registered firm and association of persons is considered resident when its management and control is situated (either wholly or partly) in Pakistan.

Tax year and filling of return

- The tax year shall be a period of twelve months ending on 30th June of every year 'hereinafter referred to as 'normal tax year'. All assessee except companies are required to file their return of income for the tax year at the latest by 30th September immediately following the close of that tax year. Companies are required to file their return of income for the tax year at the latest by 31st December immediately following the close of that tax year.
 - o Federal Board of Revenue has prescribed different period of twelve months to be the tax year for various businesses. These different periods are called special Tax Year. Accordingly the last date for filling the return of income is also different as prescribed for the normal tax year.
 - o Special rules for taxation of certain businesses The Income Tax Ordinance, 2001 provides for separate provisions for taxation of the following businesses:
 - The fourth schedule to the Ordinance provides the rules for the taxation of profits and gains of Insurance Business.
 - The fifth schedule to the Ordinance provides the rules for the taxation of profits and gains from the exploration and production of petroleum profits and gains from the exploration and extraction of mineral deposits (other than petroleum).



Withholding Tax

- o Section 148 to Section 169 of The Income Tax Ordinance, 2001 provides for deduction of tax on certain payments. The ordinance provides for a complete procedure for the withholding tax system.
- o Part I of the Second Schedule provides exemption from total income.
- o Part II of the Second Schedule provides for reduction in tax Rates).
- o Part III of the Second Schedule provides for reduction in net tax Liability.

Exemption from specific provisions

Part IV of the Second Schedule provides for exemption from specific provisions of the Ordinance.

Rates of depreciation

Third Schedule to the Income Tax Ordinance, 2001 prescribes the rates of depreciation for various assets. It also provides for the following depreciation and amortization allowances:

- o Initial depreciation Allowance @ 25%
- o Amortization of pre-commencement expenditure @ 20%

Capital Value Tax

The Capital Value Tax was introduced through the Finance Act, 1989. Initially this tax was also applicable to urban immovable properties and locally assembled/imported vehicles, but currently it is applicable to the Purchase of shares through stock exchange, Purchase of Air Tickets (Diplomats are Exempt) and Purchase of New Vehicles.

INDIRECT TAXES

General Sales Tax

The General Sales Tax has a rate of 17%



Custom Duty

- The Customs Act, 1969 (the Act) was promulgated on 8th March 1969. The Act consolidated and amended the laws relating to the levy and collection of customs duties and other allied matters. The Act along with Custom Rules, 2001 provides the legal framework for customs duties which presently are levied on the following goods
 - o Goods imported into Pakistan
 - o Goods exported from Pakistan
 - o Goods which are brought from any foreign country and are transshipped or transported, without payment of duties, from one custom station to another and Goods brought in bond from one customs station to another.
- The rates of duty vary from item to item and are provided in section 18 of the Act.

Federal Excise Duty

- The Federal Excise Act 2005 and Federal Excise Rules, 2005 provide the legal framework to address the issues related to Federal excise duty. The Federal Excise Duty is a federal charge and it is levied and collected on excisable goods and services of the following categories:
 - o Goods which are produced or manufactured in Pakistan.
 - o Goods which are imported into Pakistan.
 - o Goods which are produced or manufactured in the non-tariff areas and are brought to the tariff areas.
 - o Excisable services provided or rendered in Pakistan
 - o The rates and basis of levying the duty vary from item to item and are provided in the first schedule of the Act.



Financial Exchange Regulations

SBP allows complete freedom of investment and repatriation of profits /dividends / disinvestment proceeds to the foreign investors in line with the overall investment policy. As per the Foreign Exchange Regulations, any foreign investor can invest in shares / securities listed on Stock Exchanges in Pakistan, and can repatriate profits / dividends or disinvestment proceeds. The investor has to open a Special Convertible Rupee Account with any bank in Pakistan, in order to make such portfolio investments.

Foreign exchange dealings are regulated under the Foreign Exchange Regulation Act, 1947. Foreign currencies are made available to persons /companies doing business in Pakistan for all purposes under rules which have been clearly defined by SBP. There are no restrictions on availability of foreign currency for imports (except for import of banned items or for imports from Israel). Business houses can buy foreign currencies for all other commercial transactions like payments for export claims, commission payment to foreign agents on exports, royalty, franchise / technical fees and dividends (assubsequently described in detail), software licenses / maintenance / support fee, advertisement abroad in newspapers and magazines, business travel etc.

The important foreign exchange regulations pertaining to foreign investment are covered in detail as below.

Issuance of share certificates to foreign investors

SBP has given general permission to non-residents to purchase shares of Pakistani companies quoted on the stock exchange irrespective of the nature of their business, and shares of those private companies which are engaged in manufacturing, power generation and approved segments of service sectors. This facility is available to the following categories of non-residents, subject to payment being made in foreign currency and the price being not less than breakup value as certified by a practicing Chartered Accountant in the case of unlisted shares and the market price in case of quoted shares:

- A Pakistan national resident outside Pakistan
- A person who holds dual nationality including Pakistan nationality, whether living in or outside Pakistan



- A foreign national, whether living in or outside Pakistan
- A firm (including a partnership) or trust or mutual fund registered and functioning outside Pakistan, excluding entities owned or controlled by a foreign government

Remittance of dividend

Companies are required to nominate a bank through which they would like to make remittance of dividends to non-resident shareholders. On receipt of nomination of a bank from the company, SBP authorizes the concerned bank to effect remittance of dividends to the non-resident shareholders of the company without its prior approval.

Royalty & technical fee

Manufacturing sector

The SBP has laid down certain conditions for remittance of Royalty and Technical Fee by the manufacturing sector to facilitate the execution of agreements for transfer of technology. The local firm would designate any of the Authorized Dealers (Banks) in foreign exchange in Pakistan, through whom payments will be made.

Non-manufacturing sector

Payment of royalty, franchise / technical fee by the non-manufacturing sector opened for foreign direct investment like International Food Franchises is permissible, subject to the maximum limit of USD 100,000 as the initial lump sum payment, irrespective of number of outlets, and maximum 5% of net sales. The initial period for which such fees will be allowed should not exceed five years.

Financial sector

Remittance of royalty / franchise and technical fee or commission / service charges for the financial sector may be allowed by the SBP, on case-to-case basis, in respect of foreign collaborator' branded financial products / services. The one-time lump sum up-front royalty / technical fee / franchise fee should not exceed USD 500,000. Continuing payments should not exceed 0.25% of customers billing.



Foreign currency borrowing for plant and machinery

Private foreign currency loans

Private sector entrepreneurs are permitted to obtain foreign currency loans from banks / financial institutions abroad, parent companies of the multinationals and as suppliers' credit, not involving government guarantee, for financing foreign currency cost of the projects covered by the government' industrial and investment policies. The repayment period of such loans / credit should not be less than five years. Loan agreements and repayment schedules are registered with SBP which enables banks to allow remittance of interest and loan installments, after deduction of applicable tax, without further approval of SBP.

Other foreign private loans –any purpose

Individuals, firms, companies resident in Pakistan including foreign controlled companies and branches of foreign companies but excluding banks may obtain foreign currency loans from abroad on repatriable basis for any purpose subject to SBP –Foreign Exchange regulations.

Short term foreign private loans

Repatriable foreign currency loans by foreign controlled companies for working capital

Foreign controlled companies (i.e. branches of foreign companies and companies incorporated in Pakistan with 50% or more foreign shareholding, or 50% or more directors of foreign nationality) are allowed to contract foreign currency loans from banks / financial institutions abroad or from their HO or from other overseas branches / associates abroad for meeting their working capital requirements, subject to the conditions that the repayment period should not exceed twelve months and the interest should not exceed 1% over LIBOR. Such loans can however be rolled over for further periods not exceeding 12 months each (branches of foreign companies are not allowed to pay interest on such loans).

Foreign currency loans for working capital by Pakistani firms

Pakistani firms and companies functioning in Pakistan, excluding banks, may obtain foreign private loans on non-repatriable or repatriable basis.

Prepayment of foreign private loans

The SBP allows prepayment of foreign private loans (other than the Government guaranteed loans), on a case-to-case basis. This facility can be availed by those borrowers who have the rupee counterpart available with them or they have the capacity to generate rupee funds themselves.

Possession of foreign currency

There is no restriction on residents and non-residents on bringing in, and holding foreign currency. However, there is a ceiling of USD 10,000 on taking foreign currency out of Pakistan.

Foreign currency accounts (FCA)

Companies and individuals are allowed to maintain foreign currency accounts with banks in Pakistan, subject to certain conditions specified in the Foreign Exchange Manual.

Local borrowings by foreign controlled companies

Lending to foreign controlled companies for working capital

Authorized Dealers are allowed to grant Rupee loans and credits to foreign controlled companies for meeting their working capital requirements.

Lending to foreign controlled companies for capital expenditure

Foreign controlled companies engaged in manufacturing are allowed to obtain Rupee loans for meeting capital expenditure requirement from banks, development financial institutions and other financial institutions or by issuing Participation Term Certificate, etc. However, other foreign controlled companies require special permission to obtain medium and long-term Rupee loans.

Loans against guarantees of non-residents

Authorized Dealers have general permission under the Foreign Exchange Regulations to grant Rupee loans to their clients

(including foreign controlled companies) against guarantees of non-residents / guarantees received from banks functioning abroad subject to compliance with the Prudential Regulations of SBP.

Special Economic Zones—A Golden Opportunity

The global integration of economies has forced the developing countries to adopt liberalized policies for attraction of Foreign Direct Investment (FDI). Around the world countries have adopted proactive and liberal policies to attract FDI. Special Economic Zones (SEZs) have gained momentum in attracting FDI. To meet global competitiveness effectively and efficiently, creation of SEZs in the country had become an acute necessity. The law to establish SEZs was promulgated to implement the policy through strategic interventions

The main purpose behind this initiative is to facilitate domestic and foreign investors to invest in various sectors of Pakistan by offering them special exemptions and incentives leading to reduced cost of doing business with efficient industrial infrastructure. The basic concepts of the SEZ regime, notably the development and operation of SEZs by private or public-private or public agencies developers The act provides for duty free import of plant, machinery and equipment for zone developers as well as zone enterprises. It also provides exemption from Income Tax for a period of 10 years.

SEZs serve to facilitate site development the provision and financing of adequate business infrastructure the protection of security of business installations the alleviation of regulatory constraints (administrative enclaves the promotion of industry clusters and the creation of industrial lighthouses in underdeveloped regions. As successful examples in other countries demonstrate, SEZs offer an opportunity of overcoming investment constraints.

Being Secretariat of SEZs, BOI facilitated approvals of following SEZs:

Khair Pur SEZ (KSEZ)

The KSEZ will be a future hub for agro-processing and other related industries on a location strategically positioned for proximity to date growing areas, transportation links, and access to labour. The Zone will provide inherent benefits of essential supporting amenities to small, medium, and large enterprises to grow and flourish in a conducive environment.



Korangi Creek Industrial Park

SEZ is being developed in the Korangi Industrial Area, Karachi Sindh .Main industry to be focused is Light Engineering, Food Processing, Consumer & Pharmaceutical Products, Garments, Printing & Packaging as well as Commercial and Business Centers, Information Technology, Gems & Jewelry

Bin Qasim Industrial Park

Bin Qasim Industrial Park is being established adjacent to Arabian Sea Country Club, Bin Qasim Town, Karachi, Sindh. Main industry to be accommodated is Light Engineering, Auto & Allied, Foundry and Fabrication, Pharmaceutical & Food Processing, Warehouse in & Logistics.

Private Sector has also shown interest in development of SEZs. In this regard, Industrial & Commercial Bank of China and HBL Pakistan are jointly considering establishing SEZs in Punjab and Balochistan (Gwadar). Army Welfare Trust and G.A.T.E Germany have also signed a MoU to develop SEZ near Karachi. Work on second phase of HAIER-RUBA special economic zone is also being started.

Quaid-e-Azam Apparel Park, Sheikupura, Punjab:

The zone is located astride Lahore Islamabad Motorway at a distance of 38 KM from Lahore. The size of the zone is 1536 acres and estimated cost is PKR 40.411 billion. The zone will focus on textile and cotton Industry. The expected employment generation would be around 250,000.

M-3 Industrial City, Faisalabad, Punjab:

The zone is located in Faisalabad. The size of the zone is 4356 acres and estimated cost is PKR 38.2 billion. The zone will focus on textile, engineering & construction, chemicals, pharmaceuticals, electronics, food & beverages and I.T, etc industries. The expected employment generation would be around 500,000 to 600,000.

Value Addition City, Faisalabad, Punjab:

The zone location is Faisalabad. The size of the zone is 225 acres and estimated cost is PKR 892 million. The zone will focus

on textile, pharmaceuticals, packaging, engineering, chemicals, processing, I.T, etc Industry. The expected employment generation would be around 50,000.

Hattar Economic Zone:

The zone is located in Hattar, Haripur, KP. The size of the zone is 424 acres and cost of the zone is PKR 2.1 billion. The zone will be mixed Industry. The expected employment generation would be 100,000.

A proposal for establishing PAK-KOREA Special Economic Zone at University of Agriculture, Faisalabad is also under consideration. The SEZ will cater Agro and Dairy based industry.

Establishment of Special Economic Zones alongside Pak-China Economic Corridor

As a strategic partnership governments of Pakistan and China has initiated to develop around 2,700KM long Pak-China Economic Corridor from Khunjrab to Gwadar. This corridor will provide a link to deliver goods to the international markets through the Gwadar Port and generate business and industrial activities in Pakistan and China. This will also be a gateway to regional and middle-east countries. Special Economic Zones will be established alongside the corridor and each economic zone will target specific products and services, based on the availability of local raw material, workforce and other such factors. Areas in all provinces have been identified for establishing SEZs and feasibilities of these areas would be shared with Chinese side.

This initiative will lead to efficient transportation system that will have a very positive multiplier affect such as better accessibility to the markets, and additional investments. In brief establishment of these economic zones would attract foreign investment and create appropriate job opportunities for the local youth which would directly raise the living standard of the people residing in those areas. There is an immense potential and opportunities for investment in the country with 195 million people, which have growing needs in different fields. The potential investment areas are marble and granite, mineral processing, coal & salt, cement processing, agro based products, fruit processing, halal food products, fishing sea food processing, gems & jewelry, pharmaceutical industry and poultry farming, etc.

Other opportunities available:

The Government of Pakistan has taken several initiatives over the years to boost investment in the country. Summary of main initiatives is as under:

a. Industrial Estates

Industrial estate development and management companies are Punjab Industrial Estates Development and Management Company (PIEDMC) and National Industrial Parks Development & Management Company (NIP). Both have been incorporated under section 42 of the Companies Ordinance 1984. The former has been established by the Government of Punjab while the latter is a special initiative of the Ministry of Production, Government of Pakistan.

b. Export Processing Zones

The other initiative was specialized industrial bonded estates where special facilities and incentives are provided to produce goods under one window operation, mainly for export abroad. The Export Processing Zones Authority (EPZA) was established in Pakistan through Ordinance IV of 1980 with the mandate to plan, develop and operate Export Processing Zones in Pakistan. EPZA is an organization under the Ministry of Industries run by a Board of Directors.

c. Development of Gwadar and establishment of Economic Zones

Enhancing connectivity between China and Pakistan is of great importance to expanding economic and trade cooperation, promoting economic integration, and fostering economic development of the two countries. **The Gwadar Port and related infrastructure—rail, road, gas, oil pipelines, fiber optics link—are part of the overall concept of greater connectivity between Pakistan and China with eventual aim of developing an economic corridor.**

Gwadar port is a kind of port constructed on a Greenfield area, i.e. in a small low population density town with almost no infrastructure and port-related industry. The isolated location of Gwadar is both a strength as well as weakness as a commercial entity. The port can be a shipment hub if its own industrialization and transshipment potentials are utilized. The Port Master Plan suggests industrial zoning on a total area of 9,000-10,000 hectares. The government is also considering Gwadar as a Special Economic Zone and making the port a free port on the patterns of Shenzhen, Tianjin, and Hong Kong.



Gwadar Port projects mainly includes East bay Expressway. Gwadar International Airport, construction of Breakwater, dredging of berthing areas and channels, integrated development of Gwadar city/region and development of related infrastructure for Free Zone & EPZs, Gwadar.

At present following areas have been allocated as free zone and export processing zones in the industrial locations of Gwadar. Pieces of lands have already been earmarked/acquired for the purpose:

- a) Gwadar port free zone: 2,280 acres
- b) GIEDA industrial zone: 3,000 acres
- c) EPZA export processing zone: 1,000 acres

Infrastructure is being developed for these industrial zones, which includes access roads, internal roads, water, gas, power, custom facilities, fencing, security, some warehouses, office and other allied infrastructure, etc.

Location Map of Gwadar

Opportunities for Investment in Gwadar

Gwadar Port is being developed into a full-fledged regional hub and a trans-shipment port in the future. Government of Pakistan has declared 'Gwadar' as a Duty Free Port and a Free Economic Zone. This has not only enhanced its commercial worth manifold but has also accelerated the pace of development to an incredible extent. In fact, Gwadar enjoys the status of a third Deep Sea Port of Pakistan which has a special significance with reference to trade links with Central Asian Countries, Persian Gulf, East Africa, United Arab Emirates and North Western India. Gwadar will soon turn into a trade hub which will be comparable with Singapore, Hong Kong and Dubai. Gwadar can help China to monitor the sea-lanes from the Persian Gulf as about 60% of Chinese energy requirements come from the Persian Gulf.

In view of the promising future of Gwadar, people from Pakistan and abroad who believe in safe and sound investment, are taking keen interest in Gwadar. Chinese investors can get benefit from the Free Zones being established in Gwadar. Special Economic Zones planned to be established alongside the corridor also provides huge opportunity for Chinese Investors.

VIBRANT PAKISTAN



Investment Opportunities & Business Prospects



Incentives / amenities available under various initiatives Special Economic Zones

Fiscal Incentives

For Developers:

- ✓ one time exemption from all customs duties & taxes for all capital goods imported into the country for the dev., operation and maintenance of an SEZ entity;
- ✓ exemption from all taxes on income accruable in relation to the development and operation of the SEZ for a period of five years

For Zone Enterprises

- ✓ One time exemption from custom duties and taxes on imports of capital goods into the SEZ for installation therein;
- ✓ Exemption from all taxes on income for a period of ten years till June 30, 2020 and for five years beyond.

Facilitation Services

- ✓ BOI to provide one-window facility within the Zones
- ✓ Dry port facility in the Zone to facilitate imports and exports

General Incentives

- ✓ Gas, electricity and other utilities will be provided at the zero-point of the Zones
- ✓ Captive power generation permissible to Developers of the Zones
- ✓ Incentives granted cannot be withdrawn midway
- ✓ Incentives cannot be modified to the disadvantage of an enterprise
- ✓ SEZ Act encourages transparent procedures for establishment of SEZs
- ✓ Best practices for building codes, environment protection and workforce
- ✓ Security arrangements by the respective provincial government
- ✓ For dispute resolution, administrative and alternate dispute resolution mechanism
- ✓ Rules have been framed to simplify the procedures

Export Processing Zones

- Developed land on competitive rates for 30 years
- Duty-free import of machinery, equipment and materials
- Freedom from national import regulations/ custom duties
- Repatriation of capital and profits
- No sales tax on input goods including electricity/gas bills
- Duty-free vehicles allowed under certain conditions
- Domestic market available to the extent of 20%. (Exceptions may be available under special circumstances)
- Sales to domestic market are liable for payment of custom duties
- Presumptive tax @ 1%. Only EPZA is authorized to collect Presumptive Tax at the time of export of goods which would be final tax liability
- Obsolete/old machines can be sold in domestic market after payment of applicable duties & taxes
- Defective goods/waste can be sold in domestic market after payment of applicable duties, maximum upto 3% of total value

Industrial Estates

- Reinforced Concrete Road Network
- Underground Sewerage System
- Underground Electricity Distribution System
- Walled industrial estate with limited entry/exit points.
- High Pressure Gas Pipelines
- Telecommunications System
- Estate Managed Electrical Distribution System.
- Fully Equipped Fire Station
- Computerized Weigh Station
- Technical Training Facilities
- Estate Owned Security Arrangements
- Hospital / Emergency Medical Services (Social Security)
- Potable Water

Gwadar Export Processing Zone

Exemptions Granted for the development of Gwadar in Finance Bill 2016-17

Income Tax:

- Tax Exemption for 23 years effective 01 July 2016 on profits and gains from businesses set up in the Gwadar Free Zone Area.
- Tax exemption for 23 years effective 06 February 2007 for specified Chinese companies working on the Gwadar Port.
- Tax exemption for 20 years effective 01 July 16 for contractors and sub-contractors of specified Chinese companies working at the Gwadar Port.

Sales Tax:

Imports by or supplies of materials and equipment to China Overseas Ports Holding Company Limited and its operating companies, their contractors and sub-contractors for construction and operation of the Gwadar Port and development of the Free Zone for the Gwadar Port and ship bunker, oils bought and sold to the ship calling on/visiting the Gwadar Port having concession agreement with the Gwadar Port Authority for period of 40 years and for supplies made by the businesses to be established in the Gwadar Free Zone for a period of 23 years, subject to fulfillment of certain conditions and procedures.

Federal Excise:

Exemption on imports by or supplies of materials and equipment to the China Overseas Ports Holding Company Limited and its operating companies, their contractors and sub-contractors for construction and operation of the Gwadar Port and development of the Free Zone for the Gwadar Port and ship bunkers, oils bought and sold to ship calling on/visiting the Gwadar Port having concession agreement with the Gwadar Port Authority for period of 40 years and for supplies made by the businesses to be established in the Gwadar Free Zone for a period of 23 years, subject to fulfillment of certain conditions and procedures.

Exemptions to entities working at Gwadar – Clauses: (126A) to (126AD)

- Income derived by following companies from Gwadar port operations starting from 6 February 2007 for a period of 23 years [Clause (126A)]:
- China Overseas Port Holding Company Limited (already existed);
- China Overseas Port Holding Company Pakistan (Private) Limited;
- Gwadar International Terminal Limited;
- Gwadar Marine Services Limited; and
- Gwadar Free Zone Company Limited.
- Profit and gains derived by a taxpayer from business set up in Gwadar Free Zone for a period of 23 years from 1

- July 2016 - Clause (126AA);
- Profit on debt derived under a financing agreement with China Overseas Port Holding Company Limited by any foreign lender or local bank having more than 75 per cent shareholding of the Government or State Bank of Pakistan - Clause(126AB)
- Income derived by contractors and sub-contractors of the following companies from Gwadar Port operations for a period of 20 years with effect from 1 July 2016 [Clause (126AC)]:
 - China Overseas Port Holding Company Limited;
 - China Overseas Port Holding Company Pakistan (Private) Limited;
 - Gwadar International Terminal Limited;
 - Gwadar Marine Services Limited; and
 - Gwadar Free Zone Company Limited.

Exemption from minimum tax under section 113:

- Exemption on following entities from application of section 113 regarding minimum tax under clause (11A):
 - i) China Overseas Port Holding Company Limited, China Overseas Port Holding Company Pakistan(Private) Limited, Gwadar International Terminal Limited, Gwadar Marine Services Limited; and Gwadar Free Zone Company Limited for 23 years from 6 February 2007. [sub-clause (xxvi)]
 - ii) Companies qualifying for exemption under clause (126M) of Part-I of Second Schedule in respect of profits and gains derived from a transmission line project. [sub-clause (xxvii)]

Exemption from withholding tax on dividend – Clause (38AA):

Exemption on withholding tax on dividend under section 150 to China Overseas Port Holding Company Limited, China Overseas Port Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited, Gwadar Marine Services Limited and Gwadar Free Zone Company Limited for 23 years.

Opportunities for Chinese Investors

Pakistan offers a big market for investment in energy, automobile, textile, surgical equipment, infrastructure, engineering, agriculture, minerals and SMEs. Our focus is also on renewable energy sources such as solar, wind, thermal, and biogas. There exist an immense potential and prospects for Chinese Investors in the country with 180 million people, which has a growing middle class (75 million) with increasing needs in different products. Pakistan welcomes Chinese investment in all the sectors to take advantage of liberal and forward looking investment policy.



Our Resolve

Board of Investment as per its mandate will ensure all facilitation and support to Chinese Investors to materialize their projects in Pakistan on fast track basis for good rate of returns, profitability and to mitigate any risks involved.



Annexures

Pak – China Existing Frameworks

Pak-China bilateral economic cooperation is undertaken through following frameworks

Pak-China Free Trade Agreement

Negotiations on bilateral Free Trade Agreement were completed in 2006 and during the visit of the President of China to Pakistan, it was signed in Islamabad on 24th November, 2006. FTA is a framework for preferential arrangements on goods and services. The Agreement on Trade in Services was signed in China during the visit of President of Pakistan on 21st February 2009.

The 2nd phase of negotiations on Pak-China FTA is underway for enhanced negotiations on Trade in Services.

Service sector policy and regulation are domestic matters. Nonetheless, service policies have effects on the ability of foreign firms to contest markets. The trade in services accounts for over a quarter of global trade flows and has been expanding rapidly in the last two decades because of technological changes. As a result, services are now squarely on the agenda in trade negotiations and trade agreements. Trade negotiations can play a complementary role in promoting beneficial policy reforms, as well as improving market access opportunities for exporters and contributing to the competitiveness and trade diversification strategies of countries. Service regulation is generally sector specific, implying that sectoral regulators and ministries be part of the negotiating process.

5th meeting of the 2nd Phase of negotiations was held on 4th August, 2015 in M/o commerce and on their request, BOI gave a presentation on Investment Climate and Business Opportunities in Pakistan with special reference to trade and investment in service sector.



Bilateral Investment Treaty (BIT)

Bilateral Investment Treaty (BIT) between Pakistan and China was signed on 12th February, 1989 for investors 'confidence and their investment protection.

Joint Ministerial Commission (JMC)

Joint Ministerial Commission (JMC) was established to discuss the investment and trade matters. So far 18 meetings of JMC are held.

Five-year Development Program on Trade and Economic Cooperation

During the visit to the Islamic Republic of Pakistan by H.E. Hu Jintao, President of the People's Republic of China on 23-26 November 2006 a Five-Year Development Program on Trade and Economic Cooperation, 2006 was signed to develop economic and trade ties between the two countries in the areas of manufacturing, developing infrastructure, mineral development, energy, telecom and other services.

China Pakistan Economic Corridor Framework, 2013

MOU on Pak-China Economic Corridor Framework, 2013 was signed and based on this agreement, a comprehensive framework outlining a roadmap to upgrade and expand the economic, trade, and strategic ties between Pakistan and China.

The China–Pakistan Economic Corridor (CPEC) is an ongoing development mega project which aims to connect Gwadar Port in southwestern Pakistan to China's northwestern autonomous region of Xinjiang, via a network of highways, railways and pipelines to transport oil and gas. China-Pakistan Economic Corridor and its connectivity with Central Asia will help to shape entire region and project will provide greater economic opportunities. The economic corridor is considered central to China–Pakistan relations and will run about 2700 km from Gwadar to Kashghar. Overall construction costs are estimated at over \$46 billion, with the entire project expected to be completed in several years. The Corridor is an extension of China's proposed 21st century Silk Road initiative. This is the biggest overseas investment by China announced yet and the corridor is expected to be operational within three years and will be a strategic game changer in the region, which would go a long way in

making Pakistan a richer and stronger entity than ever before.

Other than transport infrastructure, the economic corridor will provide Pakistan with telecommunications and energy infrastructure. The proposed investment will transform Pakistan into a regional economic hub as well as further boost the growing ties between Pakistan and China.

A separate division named “Special Security Division” has been established to ensure the security of Chinese working on CPEC and other projects.

Joint Cooperation Committee (JCC)

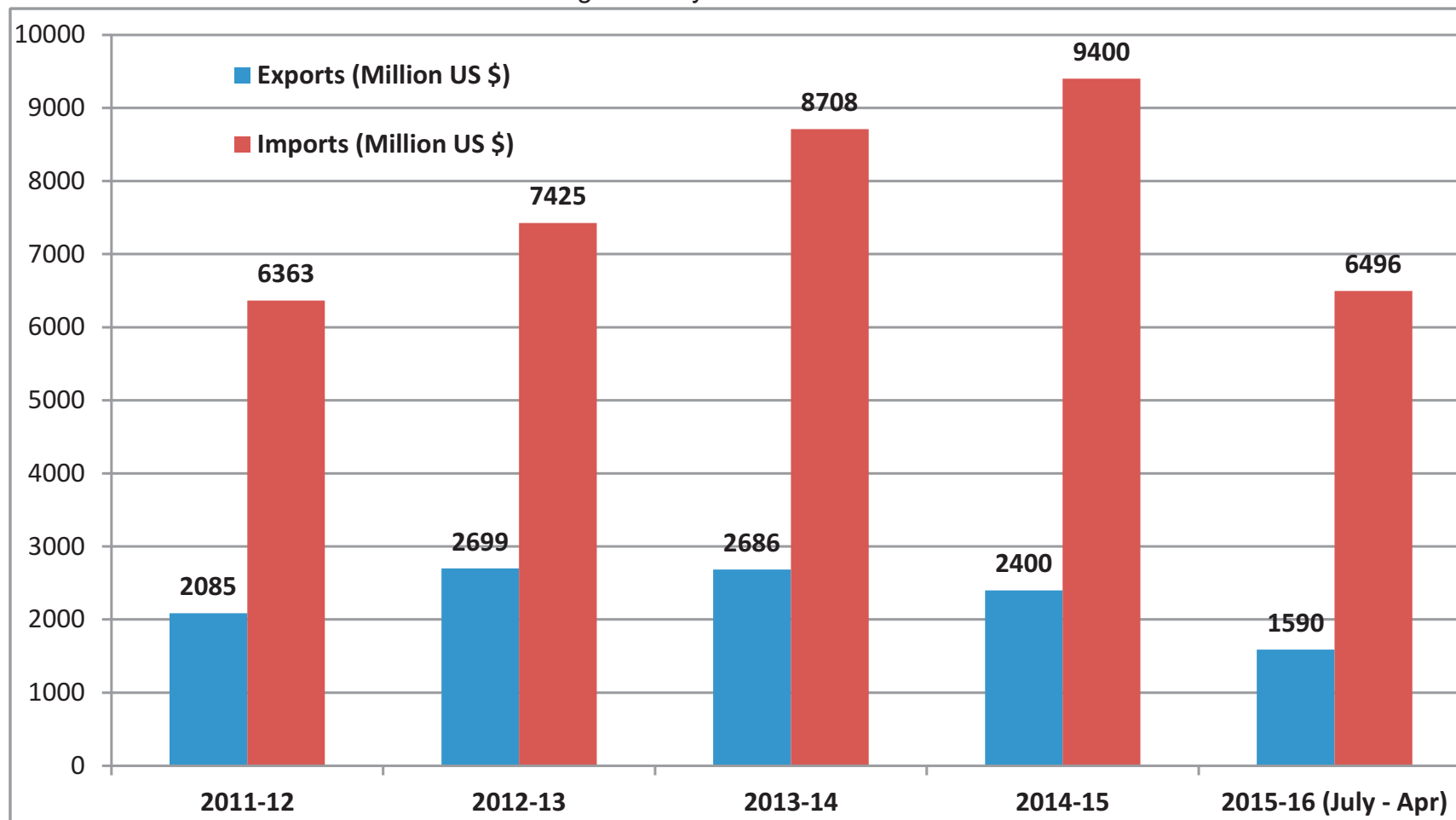
Joint Cooperation Committee (JCC) of Pak-China Economic Corridor established head by Minister for Planning & Reforms from Pakistani side and Vice Chairman, Chinese Development Reforms Commission from Chinese side. Four meetings of JCC have been held so far. The 5th meeting is likely to be held in November 2015.



Pak-China Trade and Investment Relations

Trade relations between Pakistan and China

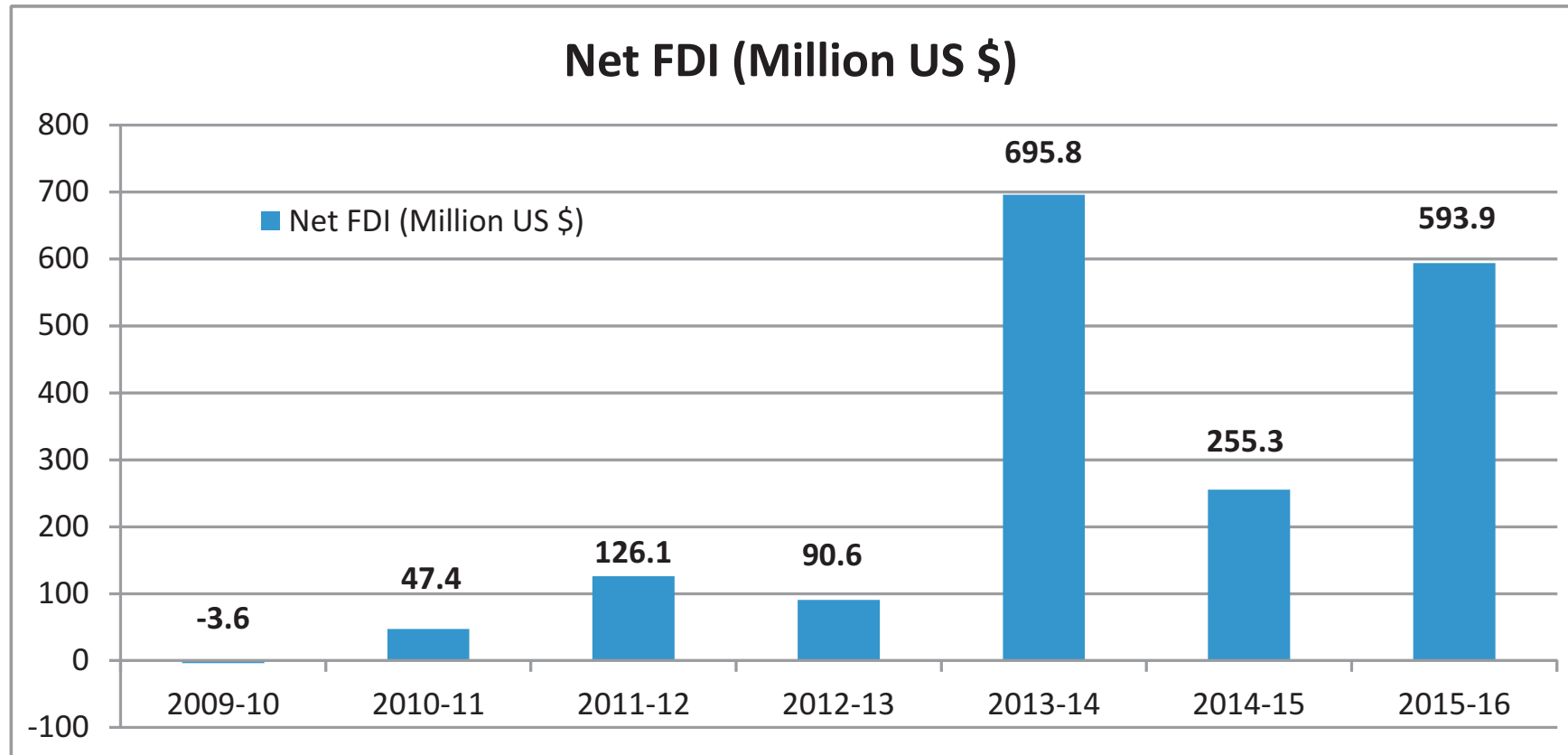
Trade Volume between Pakistan and China during last few years:



Source: SBP

Chinese Investment in Pakistan

Chinese investment in Pakistan has positive trend and other than Telecom sector, Chinese investment also coming in trade, power and electrical machinery. Year wise net FDI inflows of China are as under:



Source: SBP

QUALIFICATION AND APPROVAL CRITERIA FOR APPROVAL OF ZONE APPLICATION

1. SEZ shall have a minimum size of at least fifty acres;
2. The SEZ, upon development, shall generate economic activity in terms of exports, employment and other performance indicators at least equal or more than total overall capital cost incurred over a period of 15 years.
3. SEZ will provide import substitution and generate direct and indirect exports.
4. SEZ will not target any industry or product which is being banned in the world.
5. SEZ will not target any industry material/input of which is being protected by other countries in the larger national interest.
6. The respective Federal and Provincial Governments have committed corresponding resource on the time line to materialize the SEZ under consideration.
7. Zone Application shall be in conformity with the provisions of the Act, any applicable regulations issued under the Act and other applicable provisions of law.
8. 70% of the SEZ land area will be used for purpose of operations of zone enterprises.
9. Developer will be obliged to undertake to comply with all the environmental, labor and other applicable legislation in force in Pakistan.
10. Developer will be obliged to undertake to take all necessary approvals to start construction activities within six months of signing of development agreement.
11. Developer to be engaged for the particular SEZ shall be a body incorporated under the laws of Pakistan.
12. Articles of Association of the developer shall be approved by the Provincial/Capital SEZ Authority
13. Developer shall ensure that the zone enterprises start construction of facilities within six months and assume regular production within twenty four months after receipt of all required licenses and permits.
14. Developer will be obliged to undertake that title of land shall only be registered in the name of zone enterprises after they have performed business operations in the SEZ concerned for at least six months;
15. There shall be no real estate activities in the zone.

DOCUMENTS REQUIRED WITH ZONE APPLICATION

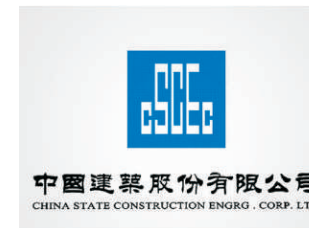
1. A basic business concept or model for the proposed SEZ.
2. Master Plan
3. A preliminary zone development plan which shall:
 - a) Define the geographic boundaries of the proposed SEZ;
 - b) Set out the basic infrastructure development requirements, both inside and outside the proposed SEZ necessary for the proper functioning of the proposed SEZ;
 - c) Set out the land requirements of the proposed SEZ;
 - d) Set out the details of the current ownership of the proposed land;
 - e) A detail analysis of prices as per sale deeds executed & registered within last five years as per official record;
 - f) Set out the manner in which land required shall be procured, including specifically whether land will need to be acquired under the Land Acquisition Act 1984;
 - g) Set out a geotechnical study and topographical survey of the proposed land;
 - h) SEZ Plan encompassing Development Plan, Marketing Plan, Financing Plan and Management Plan;
 - i) Cost of preparing the land based on the basis of technical estimates including but not limited to geotechnical and topographical survey etc.
 - j) Set out what criteria shall be applicable to the admission of zone enterprises into that SEZ.
4. Execution plan developed in Primavera.
5. Industrial mix and authorized commercial activities;

6. Parameters for zone admission criteria;
7. In case of zone application is being forwarded on the behest of non-recourse developer who already owns the land, proof of title/ownership land.
8. Feasibility Study containing the following minimum components:
 - a) A market assessment of demand of targeted industries;
 - b) Assessment of the market price for industrial land and analysis for land pricing strategy;
 - c) Assessment of the suitability of the local area to support the targeted industries and the required infrastructure and amenities;
 - d) Financial model of the costs and revenue streams of the SEZ, along with sensitivity analysis; and
 - e) Economic impact analysis including estimates for job creation, export generation, and other benefits.
9. Infrastructure commitments for road, electricity, gas, water, sewerage/drainage, waste water treatment, communication, security, fire-fighting, hospital and school as provided in Rule 14 of Special Economic Zones Rules, 2013.
10. Criteria and plan for selection of developer.
11. Draft Development Agreement.

Chinese Companies

Major Chinese companies working in Pakistan:

- o ZTE (Communication)
- o CM Pak Ltd (Telecom)
- o Huawei Technologies Co. Ltd (Communication)
- o BGP (Pakistan) International (Petroleum)
- o Metallurgical Construction Corporation of China (Petroleum)
- o China Harbor Engineering (Port & Shipping)
- o China Petroleum (Petroleum)
- o Dong Feng Electric Cor. Intl (Electric Machinery)
- o Haier Pakistan Pvt Ltd (Electronics)
- o Pak-China Investment Company Pvt Ltd (Financial Business)
- o China State Construction Engineering Co. (Construction)
- o Sinohydro Corp (Power)
- o Three Gorges (Power)
- o China Overseas Port Holding Company Limited (Port & Shipping)



LIST OF ESTABLISHED INDUSTRIAL ESTATES

Province	Name of Industrial Estate	Location	Size (in acres)	Utilities/ Infrastructure	Type of industry	No of plots	Available Plots	
Punjab	1	National Industrial Zone	Rawat, R/Pindi	1250	Roads, Power, Water, Telephone	Chemical Engineering, Food	1500	156
	2	Quaid-e-Azam Industrial Estate	Lahore	565	-do-	Food processing, light engineering, paper & packaging, embroidery & printing	512	--
	3	Sundar Industrial Estate	Lahore	1750	Roads, Power, water, Telephone, Sewerage	Food processing, light engineering, paper & packaging, textile, printing, footwear & pharmaceuticals	702	--
	4	Multan Industrial Estate (Phase-I)	Multan	743	Roads, Power, Water, Telephone	Fertilizer, pesticides, packaging, textile, food processing, leather, engineering	574	--
	5	Multan Industrial Estate (Phase-I)	Multan	667	-do-	Fertilizer, pesticides, packaging, textile, food processing, leather, engineering	349	--
	6	R.Y.Khan Industrial Estate	Rahim Yar Khan	400	-do-	Food processing, Pharmaceuticals, dairy, cotton, ginning, livestock	341	--
	7	Bhalwal Industrial Estate	Bhalwal, Sargodha	450	-do-	Pharmaceutical, engineering, textile, packaging, cold storage	277	--
	8	Vehari Industrial Estate	Vehari	277	-do-	Engineering, textile, packaging, cold storage	202	--
	9	Chunnian Industrial Estate	Chunian	200	-do-	Food processing, Light engineering, paper & packaging, textile, printing, footwear, pharmaceuticals.	200	--
	10	Value Addition City	20 km from Faisalabad city	225	-do-	Value added	36	--
	11	M-3 Industrial City	35 km from Faisalabad	4415	-do-	Multiple (dry + wet)	200	--
Balochistan	1	Hub Industrial & Trading Estate	18 km from Karachi Distt:Lasbella	1189	-do-	Power generation, plastic industries	1440	--
	2	Uthal Industrial Estate-I	Along main road, RCD Highway	2585	-do-	Food, Beverages, Handicrafts, Light Engineering	152	--
	3	Uthal Industrial Estate-II	Along main road, RCD Highway	1000	-do-	Not specific		--
	4	Windher Industrial & Trading Estate	80km from SITE, Karachi, Lasbella	230	-do-	Audio video, chemical industry, engineering, textile, home appliances	240	--
	5	DeraMuradJamali Industrial Estate	5 km from DeraMuradJamali	100	-do-	Food, Beverages, Handicrafts, light engineering	238	7
	6	Quetta Industrial Estate	Sariab Bye Pass 13 km from Quetta	650	-do-	Food, Beverages, Handicrafts, light engineering	317	--
	7	Gaddani Industrial Estate	Gaddani, DisttLasbella	50	-do-	Ship breaking	250	--
	8	Marble City, Gaddani	Gaddani	600	-do-	Ship breaking	184	--
	9	Gwadar Industrial Estate	Gwadar	3000	-do-	All type of industries.	Not quoted.	
Islamabad Capital Territory	1	I-9 Industrial Area	Sector I-9/2 & 3	3730	-do-	Engineering, steel, food, textile, garments, electronics, pharmaceuticals	244	--
	2	I-10 Industrial Area	Sector I-10/3	249	-do-	Engineering, steel, food, textile, garments, electronics, pharmaceuticals	202	--
	3	Zone-5 Kahuta Road	Islamabad	400	-do-	Engineering, food, pharmaceuticals, chemicals, slaughter house, construction, fabrication.	230	--

LIST OF ESTABLISHED INDUSTRIAL ESTATES

Province		Name of Export Processing Zones	Location	Size (in acres)	Utilities/ Infrastructure	Type of industry	No of plots
Punjab	1	Export Processing Zone	Sialkot	238	Roads, Power, Water, Telephone	Sports & surgical goods, leather products, garments, furniture, artificial jewelry and friendly environmental units	233
	2	Export Processing Zone	Gujranwala	113	Road, Power, Water, Telephone	Light engineering, ceramics, sanitary fittings, cutlery, garments, fruit & vegetable processing and environmental units.	11
Sindh	1	Export Processing Zone	Karachi	305	Road, Power, Water, Telephone	Garments, textile products, germs & jewelry, chemicals, plastic goods, food processing, stuff toys, engineering, tobacco products, furniture & friendly environment.	261
Khyber Pukhtunkhwa (KPK)	1	Risalpur Export Processing zone	50 km from Peshawar near Mardan	92	Road, Electricity, Telecommunication	Tobacco products, furniture, food & sweets, oil & ghee mills, tiles, mineral processing, textile, blanket, video cassettes, tape, plastic and friendly environmental units.	65
Balochistan	1	Saindak Export Processing Zone	Noshki	1284		Extraction of blister, copper & gold	Not Quoted
	2	Duddar Export Processing Zone		1500		Extraction of zinc & lead	Not Quoted
	3	Gwadar Export Processing Zone	Gwadar	1000			Not Quoted

***Availability is Nil in Export Processing Zones of Punjab, Sindh and KPK.**

LIST OF EXISTING SPECIAL ECONOMIC ZONES

Province	Name of Special Economic Zone	Location	Size (in acres)	Utilities/ Infrastructure	Type of industry	No of plots
Sindh	1	Bin Qasim SEZ	Pakistan Steel Mills, Bin Qasim, Karachi	930 Power: Initial 4MW arranged from Karachi Electric, additional 8-10 MW will be obtained from KE as needed. Gas: Not available. Phase-I in progress, completion time=April, 2015	Motorcycle assembly & manufacturing, re-rolling, chemical processing, auto parts & pet bottles.	500
	2	Korangi Creek SEZ	Korangi Creek Industrial Area, Karachi	250 Power: 48MW power plant, BOO operator finalized, phase one 6MW, commissioning will take 1.5 year. Gas: Available 5MMCFD. Infrastructure=90% completed.	Pharmaceutical, oil packaging, paint chemical, printing press, warehousing, value added, garments, AC ducting, tubes and auto parts.	222
	3	Khairpur SEZ	Khairpur	140 Power: 20MW waste-to-energy captive power plant.	Non Food, Agro & Food Processing, Light Engineering	
Punjab	1	Quaid-e-Aza, Apparel Park	Sheikhupura	1536 Power: 132 KV grid station	Textile & Cotton Industry	
	2	M-3 Industrial City	Faisalabad	4356 Power: 40MW + 40 MW already in place. 10 more sub-stations will be constructed Gas: Available	Textile, Engineering & Construction, Chemicals, Pharmaceuticals, Electronics, Food & Beverages and I.T Industry, etc.	
	3	Valuse Addition City	Faisalabad	225 Power: Sub-station (1 x 132/11.5 KV 20/26 MVA, 3-Phase power transformer in place) Gas: Available. Agreement has been signed with SNGPL.	Textile, Pharmaceuticals, Packaging, Engineering, Chemicals, Processing I.T Industry etc.	
KP	1	Hattar Economic Zone	Hattar, Haripur	424 Power: 132 KV grid station construction included in master plan. Moreover, KPEZDMC will also ensure provision of power supply. Gas: Available	Mixed Industry	

Incentives under various Initiatives

Special Economic Zones	Export Processing Zones	Industrial Zones	Incentives in Gwadar
<p>For Developers:</p> <ul style="list-style-type: none"> • One time exemption from all custom-duties and taxes on plant and machinery imported into Pakistan except the items listed under chapter 87 of the Pakistan Customs Tariff, for the setting up of an SEZ subject to verification by the BOI. • Exemption from all taxes on income accruable in relation to the development and operation of the SEZ for a period of five years, starting from the date of signing of the development agreement. <p>For Zone Enterprises:</p> <ul style="list-style-type: none"> • one time exemption from custom-duties and taxes on import of plant and machinery into SEZ except items listed under Chapter 87 of the Pakistan Customs Tariff, for installation in that zone enterprise subject to verification by the BOI; and • exemption from all taxes on income for enterprises commencing commercial production by the 30 June, 2020, in the SEZs for the next 10 years and for five years there after. 	<ul style="list-style-type: none"> • Developed land on competitive rates for 30 years • Duty-free import of machinery, equipment and materials • Freedom from national import regulations/ custom duties • Repatriation of capital and profits • No sales tax on input goods including electricity/gas bills • Duty-free vehicles allowed under certain conditions • Domestic market available to the extent of 20%. (Exceptions may be available under special circumstances) • Sales to domestic market are liable for payment of custom duties • Presumptive tax @ 1%. Only EPZA is authorized to collect Presumptive Tax at the time of export of goods which would be final tax liability • Obsolete/old machines can be sold in domestic market after payment of applicable duties & taxes • Defective goods/waste can be sold in domestic market after payment of applicable duties, maximum upto 3% of total value <p>Gwadar Export Processing Zone</p> <ul style="list-style-type: none"> • Tax holiday for 10 years from the commencement of commercial operation of the project; • Permission to export upto 50% of the production from zone to tariff area of the Country on payment of usual duties and taxes; • Incentives for exports available to projects established anywhere in the country shall be applicable to exports from the Projects in the Zone; • The plots to be provided to investors on lease (as per existing EPZA procedure) at a reasonable rate to be determined in consultation with Government of Balochistan, keeping in view the size of investment; • Zero rated sales tax on the supply of construction material to Gwadar Export Processing Zone for development of zone infrastructure; • Exemption from Stamp Duty; and • In addition to above incentive package, the incentives already approved for the Hotel Industry may remain unaffected. 	<ul style="list-style-type: none"> • Reinforced Concrete Road Network • Underground Sewerage System • Underground Electricity Distribution System • Walled industrial estate with limited entry/exit points. • High Pressure Gas Pipelines • Telecommunications System • Estate Managed Electrical Distribution System. • Fully Equipped Fire Station • Computerized Weigh Station • Technical Training Facilities • Estate Owned Security Arrangements • Hospital / Emergency Medical Services (Social Security) • Potable Water 	<p>Income Tax:</p> <ul style="list-style-type: none"> • Tax Exemption for 23 years effective 01 July 2016 on profits and gains from businesses set up in the Gwadar Free Zone Area. • Tax exemption for 23 years effective 06 February 2007 for specified Chinese companies working on the Gwadar Port. • Tax exemption for 20 years effective 01 July 16 for contractors and sub-contractors of specified Chinese companies working at the Gwadar Port. <p>Sales Tax:</p> <p>Imports by or supplies of materials and equipment to China Overseas Ports Holding Company Limited and its operating companies, their contractors and sub-contractors for construction and operation of the Gwadar Port and development of the Free Zone for the Gwadar Port and ship bunker, oils bought and sold to the ship calling on/visiting the Gwadar Port having concession agreement with the Gwadar Port Authority for period of 40 years and for supplies made by the businesses to be established in the Gwadar Free Zone for a period of 23 years, subject to fulfillment of certain conditions and procedures.</p> <p>Federal Excise:</p> <p>Exemption on imports by or supplies of materials and equipment to the China Overseas Ports Holding Company Limited and its operating companies, their contractors and sub-contractors for construction and operation of the Gwadar Port and development of the Free Zone for the Gwadar Port and ship bunkers, oils bought and sold to ship calling on/visiting the Gwadar Port having concession agreement with the Gwadar Port Authority for period of 40 years and for supplies made by the businesses to be established in the Gwadar Free Zone for a period of 23 years, subject to fulfillment of certain conditions and procedures.</p> <p>Exemptions to entities working at Gwadar – Clauses: (126A) to (126AD)</p> <ul style="list-style-type: none"> • Income derived by following companies from Gwadar port operations starting from 6 February 2007 for a period of 23 years [Clause (126A)]: • China Overseas Port Holding Company Limited (already existed); • China Overseas Port Holding Company Pakistan (Private) Limited; • Gwadar International Terminal Limited; • Gwadar Marine Services Limited; and • Gwadar Free Zone Company Limited. • Profit and gains derived by a taxpayer from business

Incentives under various Initiatives

Special Economic Zones	Export Processing Zones	Industrial Zones	Incentives in Gwadar
			<p>set up in Gwadar Free Zone for a period of 23 years from 1 July 2016 - Clause (126AA);</p> <ul style="list-style-type: none"> • Profit on debt derived under a financing agreement with China Overseas Port Holding Company Limited by any foreign lender or local bank having more than 75 per cent shareholding of the Government or State Bank of Pakistan - Clause(126AB) • Income derived by contractors and sub-contractors of the following companies from Gwadar Port operations for a period of 20 years with effect from 1 July 2016 [Clause (126AC): • China Overseas Port Holding Company Limited; • China Overseas Port Holding Company Pakistan (Private) Limited; • Gwadar International Terminal Limited; • Gwadar Marine Services Limited; and • Gwadar Free Zone Company Limited. <p>Exemption from minimum tax under section 113:</p> <ul style="list-style-type: none"> • Exemption on following entities from application of section 113 regarding minimum tax under clause (11A): <ol style="list-style-type: none"> i) China Overseas Port Holding Company Limited, China Overseas Port Holding Company Pakistan(Private) Limited, Gwadar International Terminal Limited, Gwadar Marine Services Limited; and Gwadar Free Zone Company Limited for 23 years from 6 February 2007. [sub-clause (xxvi)] ii) Companies qualifying for exemption under clause (126M) of Part-I of Second Schedule in respect of profits and gains derived from a transmission line project. [sub-clause (xxvii)] <p>Exemption from withholding tax on dividend – Clause (38AA):</p> <p>Exemption on withholding tax on dividend under section 150 to China Overseas Port Holding Company Limited, China Overseas Port Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited, Gwadar Marine Services Limited and Gwadar Free Zone Company Limited for 23 years.</p>

Energy Projects – Under Execution / Planning				
Project Name	Additional Generation (MWs)			
	2016	2017	2018	Beyond
CPEC Projects	1100	1650	3270	2250
	8270 MWs			
Neelum Jehlum		969		
Chashma Nuclear (C3 & C4)	340	340		
Wind (Other than CPEC)	350	500		
Hydel (Tarbela IV and 2 others)		1679		
Gas based projects at GENCOs	1600			
LNG (3*1200)		3600		
Jamshoro Coal Power Plant			660	660
K2 & K3				2200
CASA 1000				1000
Dasu 1 & 2				4280
DiamerBasha				4800
Others				15000+
Total	3390	8738	3960	30190
	43278 MWs			

DIRECTORY OF RELEVANT MINISTRIES / DEPARTMENTS

Board of	Designation	Phone	Fax	Email
Investment	Executive Director General	(92-51)9244528	(92-51)9244557	raania.raania@gmail.com
	Director(SEZ/Policy & Planning)	(92-51)9244553	(92-51)9218325	zuhfranqasim@gmail.com
	Deputy Director (SEZ)	(92-51)9203281	(92-51)9218325	samiemanzoor786@gmail.com
	Deputy Director (China)	(92-51)9224102	(92-51)9244556	azhar.hafeez@hotmail.com

Ministry / Department	Designation	Phone	Fax	Email
Ministry of Industries & Production	Deputy Secretary EPZA	(92-51)9211709	(92-51)9207748	-
Ministry of Ports and Shipping	Deputy Secretary GPA	(92-51)9245336	(92-51)9215349	-
Ministry of Planning and Development	Project Director / CPEC Coordinator	(92-51)9208952	(92-51)9212792	-
Export Processing Zones Authority (EPZA)	Director (Investment Promotion)	(92-21)99208030	(92-51)99208020	mdchakrani@epza.gov.pk
Gwadar Port Authority (GPA)	Director General	(92-312)9389123	(92-86)4210075	info@gwadarport.gov.pk
Gwadar Development Authority (GDA)	Director General	(92-333)2035588	(92-51)9201020	info@gwadarport.gov.pk
Balochistan Development Authority (BDA)	Director	(92-81)9203127, 9203967	(92-81)9202844	-

SEZA'S AUTHORITIES

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2.	The Chairman Sindh Board of Investment, 1 st Floor, Block-B, FTC Building, Shahrah-e-Faisal, Karachi Tel: 021-99207512-4 Fax: 021-99207515 email: info@sbi.gos.pk
3.	The Chairman Khyber Pakhtunkhwa Board of Investment LCB Building, 1 st Floor, Plot no. 33, Street no. 13, Sector E-8, Phase 7, Hayatabad, Peshawar, Tel: Phone: +92 91 9217635 +92 91 9217655 Fax: +92 91 9217765 Email: invest@kpboit.com.pk Web: www.kpboit.com.pk
4.	The Secretary Industries and Commerce Gilgit-Baltistan Secretariat, Homer, Jutial Gilgit. Ph: 5811 /920512 Fax: 5811/ 920574
5.	Mr. Noor Muhammad Jomezai Secretary, Industries & Commerce Department, Govt. of Balochistan, Civil Secretariat, Quetta Tel (O) 081/9201881 Fax: 081/9201903 Cell No. 0321/8038447 E-mail noorjomezai_74@yahoo.com = noorjomezai74@gmail.com

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2	Mr. Naveed Mushtaq Gill, PIEDMC, Commercial Area (North) Sundar Estate Sundar, Raiwind Road, Lahore, Tel # 042/35297203-6 Fax # 042/35297207 E-mail: colnaveedgill@pie.com.pk
3.	Mr. Mohsin Syed, CEO, KPEZDMC, 120-Industrial Estate, Jamrud Road, Hayatabad, Peshawar, PKP Tel # 0915810155 e-mail: mohsin.syed@pezdmc.org.pk
4.	National Industrial Parks, Development & Management Company, 2nd Floor, Block-C, Finance & Trade Center, Shahrah-e-Faisal, Karachi. Tel: (92-21) 9922 5035-9 : (92-21) 3563 1046-8 Fax: (92-21) 3563 1069 UAN: 111 -647-111 Email: info@nip.com.pk



OUR RESOLVE

Board of Investment as per its mandate will ensure all facilitation and support to Chines Investors to materialize their projects in Pakistan on fast track basis for good rate of returns, profitability and to mitigate any risks involved.

VIBRANT PAKISTAN



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