



# PAKISTAN INVESTMENT CLIMATE



# Frequently Asked Questions

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## 1. Is there uniform treatment of foreign and local investors in Pakistan?

The government rates foreign investors very high. Foreign investors in relation to the establishment, expansion, management, operation, and protection of their investments are entitled to treatment “No Less Favorable” than that granted to national investors in like circumstances as per the Foreign Private Investment (Promotion & Protection) Act 1976 and Protection of Economic Reforms Act of 1992.

## 2. How big is the corporate sector in Pakistan?

The companies are registered and regulated by the Securities and Exchange Commission of Pakistan (SECP). According to SECP’s recent data, the corporate registrar incorporated 2,257 new companies and startups in February 2021, up around 40% year-on-year. Almost all of them were incorporated online, 30% were issued registration certificates the same day, and 175 new foreign businesses were also registered from overseas. The total number of registered firms rose to 137,054, according to the SECP.

## 3. Can a Foreigner own land/real property? If so, are his/her property rights protected?

Yes, foreigners can own land in Pakistan after the incorporation of a company with SECP. However, the land is a provincial subject in Pakistan and regulations for land acquisition may vary from province to province. Generally, foreign nationals can own land in individual capacity with the permission of the Government (Ministry of Interior) and respective Provincial Government.

#### **4. Are there any limitations on foreign investment entry like having a local partner?**

All Sectors are open for foreign investment unless specifically prohibited or restricted for reasons of national security and public safety. Specified restricted industries include arms and ammunition; high explosives; radioactive substances; currency and mint etc. 100% foreign ownership is allowed with the exception of a few sectors where there are limitations on majority shareholding. These include aviation, banking, engineering, agriculture, and media.

There is no minimum requirement for the amount of foreign equity investment in any sector. Foreign investors in any sector shall at any time repatriate profits, dividends, or any other funds in the currency of the country from which the investment was originated. As per clause 6 of the Foreign Private Investment (Promotion & Protection) Act 1976, and subject to procedural requirements set under the Foreign Exchange Manual 2002 of the State Bank of Pakistan.

#### **5. Does Pakistan allow free convertibility and repatriation of funds (capital, profits, royalties, and fees)?**

The prevailing foreign exchange regime in Pakistan fully encourages and facilitates foreign direct investment as well as the portfolio in the country. Non-resident investors of locally incorporated companies are allowed to repatriate profits/ dividends and disinvestments and designate authorized dealers/ banks to repatriate the dividends/ disinvestment proceeds through the banking channel.

For portfolio investment, foreign investors can invest in securities listed on Pakistan Stock Exchange by opening a Special Convertible Rupee Account (SCRA) with any bank in the country and can repatriate capital gain/ dividend and sale proceeds through the same. Further, convertibility and repatriation of royalty and other fees earned in Pakistan are also allowed subject to compliance with foreign exchange rules and regulations.

## **6. Does Pakistan have a functional financial market and banking system?**

Pakistan's financial sector is dominated by 38 banks, which held 73.9% of the PKR 15,039 billion (\$152 billion) of the financial sector's assets at the end of the fiscal year (FY) 2014. Other participants include the National Savings Schemes (NSSs), which held 16.4% of assets; development finance institutions (DFIs) and other non-bank financial institutions (NBFIs) with 4.7%; insurance companies with 4.5%; and microfinance institutions (MFIs) with 0.4%. Financial sector regulation is split between the State Bank of Pakistan (SBP), which regulates banks, DFIs and MFIs; and the Securities and Exchange Commission of Pakistan, which regulates the corporate sector, capital markets, insurance companies, other NBFIs and private pensions.

Pakistan Stock Exchange (PSX) has been among the best performing stock exchanges in Asia. With a market capitalization of \$50 billion and average growth of 25%, PSX aspires to be a leading regional hub of capital formation. More than 550 companies are traded on PSX with 11 indices. There is an active bond and Islamic Sukuk market in Pakistan.

## **7. Which are the leading accounting firms in Pakistan?**

Pakistan has over 30 credible accounting firms. The leading international accounting and auditing firms in Pakistan include A.F. Ferguson (Pwc) & Co; KPMG Taseer Hadi & Co. Chartered Accountants; Ernst & Young Ford Rhodes Sidat Hyder & Co; Deloitte Yousuf Adil & Co. Chartered Accountants and Baker Tilly Mehmood Idrees & Co.

## **8. How many multinational companies are operating in Pakistan?**

Apart from leading international banks like Standard Chartered Bank, Citibank, Deutsche Bank and Faysal Islamic Bank, major multinational companies are operating in Pakistan. Some of these include Unilever, Nestle, Procter and Gamble, Total, Shell, Microsoft, McDonalds, Pizza Hut and KFC.