



Doing Business in Pakistan 2010

COMPARING REGULATION IN 13 CITIES AND 183 ECONOMIES

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Doing Business in Pakistan 2010 and other subnational and regional *Doing Business* studies can be downloaded at no charge at <http://subnational.doingbusiness.org>.

Additional copies of the *Doing Business* global reports: *Doing Business 2010: Reforming through Difficult Times*; *Doing Business 2009*; *Doing Business 2008*; *Doing Business 2007: How to Reform*; *Doing Business in 2006: Creating Jobs*; *Doing Business in 2005: Removing Obstacles to Growth*; and *Doing Business in 2004: Understanding Regulations*, may be obtained at www.doingbusiness.org.

About the Investment Climate Advisory Services of the World Bank Group

The Investment Climate Advisory Services of the World Bank Group helps governments implement reforms to improve their business environment, and encourage and retain investment, thus fostering competitive markets, growth, and job creation. Funding is provided by the World Bank Group (IFC, MIGA, and the World Bank) and over fifteen donor partners working through the multi-donor FIAS platform.

Contents

Doing Business in Pakistan 2010 is the first country-specific subnational report of the *Doing Business* series in Pakistan. The report builds on the regional *Doing Business in South Asia 2005-7* series, which created quantitative indicators on business regulations for 6 Pakistani cities. *Doing Business in Pakistan 2010* documents progress in the previously measured cities and extends the analysis to a total of 13 cities.

Comparisons with Karachi and the rest of the world are based on the indicators in *Doing Business in 2010: Reforming Through Difficult Times*, the seventh in a series of annual reports published by the World Bank and the International Finance Corporation. The indicators in *Doing Business in Pakistan 2010* are also comparable with the data in other subnational *Doing Business* reports. All *Doing Business* data and reports are available at <http://subnational.doingbusiness.org>.

Doing Business investigates the ways in which government regulations enhance or restrain business activity. The cities covered in *Doing Business in Pakistan 2010* were selected jointly with Pakistan's Ministry of Finance and are the following: Faisalabad (Punjab), Gujranwala (Punjab), Hyderabad (Sindh), Islamabad (Islamabad Capital Territory—ICT), Karachi (Sindh), Lahore (Pun-

jab), Multan (Punjab), Peshawar (Khyber Pakhtunkhwa), Quetta (Balochistan), Rawalpindi (Punjab), Sheikhupura (Punjab), Sialkot (Punjab), and Sukkur (Sindh). Regulations affecting six stages of the life of a business are measured at the subnational level in Pakistan: starting a business, dealing with construction permits, registering property, enforcing contracts, trading across borders, and paying taxes. These indicators have been selected because they cover areas of local jurisdiction or practice. The data in *Doing Business in Pakistan 2010* are current as of December 2009. The exchange rate is the same as in *Doing Business 2010* to allow comparisons across economies.

This report was prepared by the World Bank Group. The Economic Reform Unit of the Pakistan's Ministry of Finance was the national government counterpart. Governments of Balochistan, Khyber Pakhtunkhwa, Punjab and Sindh provided support in their provinces. The project was funded by the United States Agency for International Development, the UK AID from the Department for International Development, and the World Bank Group. The Government of Switzerland, through the State Secretariat for Economic Affairs (SECO), also contributed in-kind to the project.

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About *Doing Business* and *Doing Business in Pakistan 2010*

In 1664 William Petty, an adviser to England's Charles II, compiled the first known national accounts. He made 4 entries. On the expense side, "food, housing, clothes and all other necessities" were estimated at £40 million. National income was split among 3 sources: £8 million from land, £7 million from other personal estates and £25 million from labor income.

In later centuries estimates of country income, expenditure and material inputs and outputs became more abundant. But it was not until the 1940s that a systematic framework was developed for measuring national income and expenditure, under the direction of British economist John Maynard Keynes. As the methodology became an international standard, comparisons of countries' financial positions became possible. Today the macroeconomic indicators in national accounts are standard in every country.

Governments committed to the economic health of their country and opportunities for its citizens now focus on more than macroeconomic conditions. They also pay attention to the laws, regulations and institutional arrangements that shape daily economic activity.

The global financial crisis has renewed interest in good rules and regulation. In times of recession, effective business regulation and institutions can

support economic adjustment. Easy entry and exit of firms, and flexibility in redeploying resources, make it easier to stop doing things for which demand has weakened and to start doing new things. Clarification of property rights and strengthening of market infrastructure (such as credit information and collateral systems) can contribute to confidence as investors and entrepreneurs look to rebuild.

Until very recently, however, there were no globally available indicator sets for monitoring such microeconomic factors and analyzing their relevance. The first efforts, in the 1980s, drew on perceptions data from expert or business surveys. Such surveys are useful gauges of economic and policy conditions. But their reliance on perceptions and their incomplete coverage of poor countries constrain their usefulness for analysis.

The *Doing Business* project, launched 8 years ago, goes one step further. It looks at domestic small and medium-sized companies and measures the regulations applying to them through their life cycle. *Doing Business* and the standard cost model initially developed and applied in the Netherlands are, today, the only standard tools used across a broad range of jurisdictions to measure the impact of government rule-making on business activity.¹

The first *Doing Business* report, published in 2003, covered 5 indicator sets in 133 economies. This year's report, *Doing Business 2010*, covers 10 groups of indicators in 183 economies. The project has benefited from feedback from governments, academics, practitioners and reviewers. The initial goal remains: to provide an objective basis for understanding and improving the regulatory environment for business.

In the *Doing Business* report, each economy is represented by its largest business city—Karachi for Pakistan, for example, or Mumbai for India. Business regulation and their enforcement,

particularly in federal states and large economies present marked differences within a single country. In recognizing the interest of governments in these variations, the *Doing Business* report has complemented its global indicators with subnational studies in India, Indonesia, Philippines, China, Kenya, Brazil, Mexico, Colombia and others. *Doing Business* has also begun a program on small islands that are independent states.

WHAT DOING BUSINESS IN PAKISTAN 2010 COVERS

Doing Business in Pakistan 2010 provides a quantitative measure of the national, and local regulations for starting a business, dealing with construction permits, registering property, paying taxes, trading across borders and enforcing contracts—as they apply to domestic small and medium-sized companies.

A fundamental premise of *Doing Business* is that economic activity requires good rules.

These include rules that establish and clarify property rights and reduce the costs of resolving disputes, rules that increase the predictability of economic interactions and rules that provide contractual partners with core protections against abuse. The objective is: regulations designed to be efficient, to be accessible to all who need to use them and to be simple in their implementation. Accordingly, some *Doing Business* indicators give a higher score for more regulation, such as stricter disclosure requirements in related-party transactions. Some give a higher score for a simplified way of implementing existing regulation, such as completing business start-up formalities in a one-stop shop.

Doing Business in Pakistan 2010 encompasses 2 types of data. The first come from readings of laws and regulations. The second are time and motion indicators that measure the efficiency in achieving a regulatory goal (such as

granting the legal identity of a business). Within the time and motion indicators, cost estimates are recorded from official fee schedules where applicable. Here, *Doing Business* builds on Hernando de Soto's pioneering work in applying the time and motion approach first used by Frederick Taylor to revolutionize the production of the Model T Ford. De Soto used the approach in the 1980s to show the obstacles to setting up a garment factory on the outskirts of Lima, Peru.²

WHAT DOING BUSINESS IN PAKISTAN 2010 DOES NOT COVER

It is important to know the scope and limitations of *Doing Business in Pakistan 2010* in order to interpret the results of this report.

LIMITED IN SCOPE

Doing Business in Pakistan 2010 focuses on 6 topics, with the specific aim of measuring the regulation and red tape relevant to the life cycle of a domestic small to medium-sized company. Accordingly:

- *Doing Business in Pakistan* does not measure all ten indicators covered in the general *Doing Business* report. The report covers only those 6 areas of business regulation that are the provenance of the municipal or district governments and where local differences exist—starting a business, dealing with construction permits, registering property, enforcing contracts, trading across borders and paying taxes. Four of the *Doing Business* indicators—employing workers, protecting investors, getting credit and closing a business—are based solely on the provisions contained in national laws.
- *Doing Business in Pakistan 2010* does not measure all aspects of the business environment that matter to firms or investors—or all factors that affect competitiveness. It does not, for example, measure security, macroeconomic

stability, corruption, labor skills of the population, the underlying strength of institutions or the quality of infrastructure. Nor does it focus on regulations specific to foreign investment.

- *Doing Business in Pakistan 2010* does not assess the strength of the financial system or market regulations, both important factors in understanding some of the underlying causes of the global financial crisis.
- *Doing Business* does not cover all regulations, or all regulatory goals, in any city. As economies and technology advance, more areas of economic activity are being regulated. For example, the European Union's body of laws (*acquis*) has now grown to no fewer than 14,500 rule sets.
- *Doing Business in Pakistan 2010* measures just 6 phases of a company's life cycle, through 6 specific indicators. The indicator sets also do not cover all aspects of regulation in the particular area. For example, the indicators on starting a business do not cover all aspects of commercial legislation.

BASED ON STANDARDIZED CASE SCENARIOS

The indicators analyzed in *Doing Business in Pakistan 2010* are based on standardized case scenarios with specific assumptions, such as that the business is located in one of the 13 cities in Pakistan. Economic indicators commonly make limiting assumptions of this kind. Inflation statistics, for example, are often based on prices of consumer goods in a few urban areas. Such assumptions allow global coverage and enhance comparability, but they inevitably come at the expense of generality.

In areas where regulation is complex and highly differentiated, the standardized case used to construct each *Doing Business in Pakistan 2010* indicator needs to be carefully defined. Where relevant, the standardized case assumes

a limited liability company. This choice is in part empirical: private, limited liability companies are the most prevalent business form in most economies around the world. The choice also reflects one focus of *Doing Business*: expanding opportunities for entrepreneurship. Investors are encouraged to venture into business when potential losses are limited to their capital participation.

FOCUSED ON THE FORMAL SECTOR

In defining the indicators, *Doing Business in Pakistan 2010* assumes that entrepreneurs are knowledgeable about all regulations in place and comply with them. In practice, entrepreneurs may spend considerable time finding out where to go and what documents to submit. Or they may avoid legally required procedures altogether—by not registering for social security, for example.

Where regulation is particularly onerous, levels of informality are higher. Informality comes at a cost: firms in the informal sector typically grow more slowly, have poorer access to credit and employ fewer workers—and their workers remain outside the protections of labor law.³ *Doing Business in Pakistan 2010* measures one set of factors that help explain the occurrence of informality and give policy makers insights into potential areas of reform. Gaining a fuller understanding of the broader business environment, and a broader perspective on policy challenges, requires combining insights from *Doing Business in Pakistan 2010* with data from other sources, such as the World Bank Enterprise Surveys.⁴

WHY THIS FOCUS

Doing Business in Pakistan 2010 functions as a kind of cholesterol test for the regulatory environment for domestic businesses. A cholesterol test does not tell us everything about the state of our health. But it does measure something important for our health. And it puts us

on watch to change behaviors in ways that will improve not only our cholesterol rating but also our overall health.

One way to test whether *Doing Business* serves as a proxy for the broader business environment and for competitiveness is to look at correlations between the *Doing Business* rankings and other major economic benchmarks. The indicator set closest to *Doing Business* in what it measures is the Organization for Economic Co-operation and Development's indicators of product market regulation; the correlation here is 0.75. The World Economic Forum's Global Competitiveness Index and IMD's World Competitiveness Yearbook are broader in scope, but these too are strongly correlated with *Doing Business* (0.79 and 0.72, respectively). These correlations suggest that where peace and macroeconomic stability are present, domestic business regulation makes an important difference in economic competitiveness.

A bigger question is whether the issues on which *Doing Business* focuses matter for development and poverty reduction. The World Bank study *Voices of the Poor* asked 60,000 poor people around the world how they thought they might escape poverty.⁵ The answers were unequivocal: women and men alike pin their hopes above all on income from their own business or wages earned in employment. Enabling growth—and ensuring that poor people can participate in its benefits—requires an environment where new entrants with drive and good ideas, regardless of their gender or ethnic origin, can get started in business and where good firms can invest and grow, generating more jobs.

Small and medium-sized companies are key drivers of competition, growth and job creation, particularly in developing countries. But in these economies up to 80% of economic activity takes place in the informal sector. Firms may be prevented from entering the formal sector

by excessive bureaucracy and regulation.

Where regulation is burdensome and competition limited, success tends to depend more on whom you know than on what you can do. But where regulation is transparent, efficient and implemented in a simple way, it becomes easier for any aspiring entrepreneurs, regardless of their connections, to operate within the rule of law and to benefit from the opportunities and protections that the law provides.

In this sense *Doing Business* values good rules as a key to social inclusion. It also provides a basis for studying effects of regulations and their application. For example, *Doing Business 2004* found that faster contract enforcement was associated with perceptions of greater judicial fairness—suggesting that justice delayed is justice denied.⁶

In the current global crisis policy-makers face particular challenges. Both developed and developing economies are seeing the impact of the financial crisis flowing through to the real economy, with rising unemployment and income loss. The foremost challenge for many governments is to create new jobs and economic opportunities. But many have limited fiscal space for publicly funded activities such as infrastructure investment or for the provision of publicly funded safety nets and social services. Reforms aimed at creating a better investment climate, including reforms of business regulation, can be beneficial for several reasons. Flexible regulation and effective institutions, including efficient processes for starting a business and efficient insolvency or bankruptcy systems, can facilitate reallocation of labor and capital. And regulatory institutions and processes that are streamlined and accessible can help ensure that, as businesses rebuild, barriers between the informal and formal sectors are lowered, creating more opportunities for the poor.

DOING BUSINESS IN PAKISTAN 2010 AS A BENCHMARKING EXERCISE

Doing Business in Pakistan 2010, in capturing some key dimensions of regulatory regimes, can be useful for benchmarking. Any benchmarking—for individuals, firms or economies—is necessarily partial: it is valid and useful if it helps sharpen judgment, less so if it substitutes for judgment.

Doing Business in Pakistan 2010 provides 2 approaches on the data it collects: it presents “absolute” indicators for each city for each of the 6 regulatory topics it addresses, and it provides rankings of cities, both by indicator and in aggregate. Judgment is required in interpreting these measures for any city and in determining a sensible and politically feasible path for reform.

Reviewing the *Doing Business* rankings in isolation may show unexpected results. Some cities may rank unexpectedly high on some indicators. And some cities that have had rapid growth or attracted a great deal of investment may rank lower than others that appear to be less dynamic.

But for reform-minded local governments, how much their indicators improve matters more than their absolute ranking. As cities develop, they strengthen and add to regulations to protect investor and property rights. Meanwhile, they find more efficient ways to implement existing regulations and cut outdated ones. One finding of *Doing Business*: dynamic and growing economies continually reform and update their regulations and their way of implementing them, while many poor economies still work with regulatory systems dating to the late 1800s.

DOING BUSINESS— A USER'S GUIDE

Quantitative data and benchmarking can be useful in stimulating debate about policy, both by exposing potential challenges and by identifying where policy makers might look for lessons and good practices. These data also provide a basis for analyzing how different policy approaches—and different policy reforms—contribute to desired outcomes such as competitiveness, growth and greater employment and incomes.

Seven years of *Doing Business* data have enabled a growing body of research on how performance on *Doing Business* indicators—and reforms relevant to those indicators—relate to desired social and economic outcomes. Some 405 articles have been published in peer-reviewed academic journals, and about 1,143 working papers are available through Google Scholar.⁷ Among the findings:

- Lower barriers to start-up are associated with a smaller informal sector.
- Lower costs of entry encourage entrepreneurship, enhance firm productivity and reduce corruption.
- Simpler start-up translates into greater employment opportunities.

HOW DO GOVERNMENTS USE DOING BUSINESS?

A common first reaction is to doubt the quality and relevance of the *Doing Business* data. Yet the debate typically proceeds to a deeper discussion exploring the relevance of the data to the economy and areas where reform might make sense.

Most reformers start out by seeking examples, and *Doing Business* helps in this. For example, Saudi Arabia used the company law of France as a model for revising its own. Many countries in Africa look to Mauritius—the region's

strongest performer on *Doing Business* indicators—as a source of good practices for reform. In the words of Egypt's Minister of Investment, Dr. Mahmoud Mohieldin:

What I like about Doing Business... is that it creates a forum for exchanging knowledge. It's no exaggeration to say that we checked the top ten in every indicator and we just asked them, "How did you do it?" If there is any advantage to starting late in anything, it's that you can learn from others.

Over the past 7 years there has been much activity by governments in reforming the regulatory environment for domestic businesses. Most reforms relating to *Doing Business* topics were nested in broader programs of reform aimed at enhancing economic competitiveness. The same can be said at the subnational level.

In structuring their reform programs, governments use multiple data sources and indicators. And reformers respond to many stakeholders and interest groups, all of whom bring important issues and concerns into the reform debate. World Bank support to these reform processes is designed to encourage critical use of the data, sharpening judgment and avoiding a narrow focus on improving *Doing Business* rankings.

METHODOLOGY AND DATA

Doing Business in Pakistan 2010 covers 13 cities. The data are based on national and local laws and regulations as well as administrative requirements. (For a detailed explanation of the *Doing Business in Pakistan 2010* methodology, see the Data notes section at the end of this report).

INFORMATION SOURCES FOR THE DATA

Most of the indicators are based on laws and regulations. In addition, most of the

cost indicators are backed by official fee schedules. *Doing Business* respondents both fill out written surveys and provide references to the relevant laws, regulations and fee schedules, aiding data checking and quality assurance.

For some indicators part of the cost component (where fee schedules are lacking) and the time component are based on actual practice rather than the law on the books. This introduces a degree of subjectivity. The *Doing Business* approach has therefore been to work with legal practitioners or professionals who regularly undertake the transactions involved. Following the standard methodological approach for time and motion studies, *Doing Business* breaks down each process or transaction, such as starting and legally operating a business, into separate steps to ensure a better estimate of time. The time estimate for each step is given by practitioners with significant and routine experience in the transaction.

The *Doing Business* approach to data collection contrasts with that of enterprise or firm surveys, which capture often one-time perceptions and experiences of businesses. A corporate lawyer registering 100–150 businesses a year will be more familiar with the process than an entrepreneur, who will register a business only once or maybe twice. A bankruptcy judge deciding dozens of cases a year will have more insight into bankruptcy than a company that may undergo the process.

DEVELOPMENT OF THE METHODOLOGY

The methodology for calculating each indicator is transparent, objective and easily replicable. Leading academics collaborate in the development of the indicators, ensuring academic rigor. Seven of the background papers underlying the indicators have been published in leading economic journals.

Doing Business uses a simple aver-

aging approach for weighting sub-indicators and calculating rankings. Other approaches were explored, including using principal components and unobserved components. The principal components and unobserved components approaches turn out to yield results nearly identical to those of simple averaging. The tests show that each set of indicators provides new information. The simple averaging approach is therefore robust to such tests.

IMPROVEMENTS TO THE METHODOLOGY AND DATA REVISIONS

The methodology has undergone continual improvement over the years. Changes have been made mainly in response to country suggestions. In accordance with the *Doing Business* methodology, these changes have been incorporated into the *Doing Business in Pakistan 2010*.

For starting a business, for example, the minimum capital requirement can be an obstacle for potential entrepreneurs. Initially, *Doing Business* measured the required minimum capital regardless of whether it had to be paid up front or not. In many economies only part of the minimum capital has to be paid up front. To reflect the actual potential barrier to entry, the paid-in minimum capital has been used since 2004.

All changes in methodology are explained in the Data notes section of this report as well as on the *Doing Business* website. In addition, data time series for each indicator and city are available on the website. The website also makes available all original data sets used for background papers.

Information on data corrections is provided on the website. A transparent complaint procedure allows anyone to challenge the data. If errors are confirmed after a data verification process, they are expeditiously corrected.

1. The standard cost model is a quantitative methodology for determining the administrative burdens that regulation imposes on businesses. The method can be used to measure the effect of a single law or of selected areas of legislation or to perform a baseline measurement of all legislation in a country.
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3. Schneider, Friedrich. 2005. "The Informal Sector in 145 Countries." Department of Economics, Linz University.
4. <http://www.enterprisesurveys.org>
5. Narayan Deepa, Chambers Robert, Kaul Shah Meera, Petesch Patti. 2000. *Voices of the Poor: Crying Out for Change*. Washington D.C.: World Bank Group.
6. World Bank. 2003. *Doing Business in 2004: Understanding Regulation*. Washington D.C.: World Bank Group.
7. <http://scholar.google.com>

Overview

The success of its industrial growth made Pakistan a model of economic development around the world during the 1960s. Since then, Pakistan has been swept more than once by strong winds of change: the transition from civilian to military rule, the secession of Bangladesh, the Bhola cyclone of 1970. Despite the profound impact of these events, and thanks to economic reforms implemented in late 1990s and early 2000s, the country successfully transformed itself to become again one of the most promising South Asian economies. Between 2000 and 2007, Pakistan boasted an average annual GDP growth of 5.16% and GNI per capita of US\$ 2,042 compared to 3.99% and US\$ 1,493 from 1990 to 1999.¹ Today, Pakistan is once again facing several storms: external shocks such as the global financial crisis, rising oil and food prices, and ongoing conflicts combined with internal security issues and political tensions. For citizens caught in the maelstrom, the certainty of a job, the guarantee of an income, or the security of a business are more important than ever.

There is no blueprint for how to grow and prosper in a challenging environment, but one factor is creating an investment climate conducive to starting and running a business, where complying with regulations brings more benefits than costs, and where an entrepreneur with an innovative

idea can test the waters and succeed or fail. Where commercial regulations are simple, efficient, and accessible to all, entrepreneurs can focus on what they do best—running their businesses. This is important for Pakistan, where small and medium-size firms constitute nearly 90% of all enterprises, employ 80% of the nonagricultural labor force, and contribute 40% of annual GDP.²

Doing Business studies business regulations from the perspective of a small to medium-size domestic company. Karachi, the most populous city in Pakistan, represents the country in the annual *Doing Business* report, which compares commercial regulations and their enforcement in 183 economies. However, in large countries like Pakistan, local business regulations and the enforcement of national legislation differ across locations. The regional *Doing Business in South Asia 2005–2007* series built benchmarks for 5 cities beyond Karachi—Faisalabad, Lahore, Peshawar, Quetta, and Sialkot. *Doing Business in Pakistan 2010* updates the information presented in these reports and tracks the progress of the implementation of reforms. It also expands the analysis to 7 additional cities to provide a more representative map of the ease of doing business in Pakistan. The cities are compared against each other, and with over 180 economies

worldwide. The results of the extended 13-city comparison are presented here (table 1.1). Doing business is easier in Faisalabad and Multan, and more difficult in Quetta and Hyderabad.

Three things stand out. First, consistent reformers outperform others. Since the publication of *Doing Business in South Asia 2007*, Faisalabad and Lahore have both maintained their high ranking by introducing reforms in more than 1 area measured in this report. Both cities are now using e-Services for business start-up and have adopted new uniform building and zoning regulations for construction permits. Other cities—like Karachi or Sialkot—dropped, relative to their peers. Some of these changes can be attributed to the addition of 7 new cities—some of them, like Multan, with competitive regulatory frameworks.

Second, no single city does well on all indicators. For example, Islamabad ranks well on the ease of starting a business and ease of paying taxes but lags behind on enforcing contracts and trading across borders. Karachi ranks ninth overall on the ease of doing business. While it is efficient in trading across borders and contract enforcement, Karachi lags behind other cities on the ease of obtaining a construction permit, transferring a property title, and paying taxes. These results can guide policy makers regarding areas

TABLE 1.1
Where is it easier to do business in Pakistan?

City, Province	Ease of doing business (rank)	Starting a business (rank)	Dealing with construction permits (rank)	Registering property (rank)	Paying taxes (rank)	Trading across borders (rank)	Enforcing contracts (rank)
Faisalabad, Punjab	1	2	6	1	3	4	2
Multan, Punjab	2	6	1	7	3	5	4
Lahore, Punjab	3	3	3	4	3	13	8
Islamabad, ICT	4	1	8	3	1	11	10
Sheikhupura, Punjab	5	9	8	5	3	7	6
Gujranwala, Punjab	6	13	2	6	3	10	4
Sukkur, Sindh	7	10	4	10	11	3	1
Peshawar, Khyber Pakhtunkhwa	8	3	6	9	10	8	8
Karachi, Sindh	9	3	10	11	11	1	3
Rawalpindi, Punjab	10	8	5	7	3	12	10
Sialkot, Punjab	11	12	11	1	3	5	10
Quetta, Balochistan	12	6	12	13	2	9	13
Hyderabad, Sindh	13	11	13	11	11	2	7

Note: The ease of doing business is calculated as the ranking on the simple average of city percentile rankings on each of the 6 topics covered. The ranking on each topic is the simple average of the percentile rankings on its component indicators. See the Data notes section for details.

Source: *Doing Business* database.

where improvements are possible. Cities can learn from each other and adopt the good practices that already exist elsewhere in Pakistan. For example, Sukkur can look to Faisalabad for ways to improve starting a business and registering property.

Third, size does not determine ranking. Cities can compare themselves both with their peers and their larger and smaller neighbors. Both smaller cities, such as Multan and Sheikhupura, and larger cities, like Faisalabad and Lahore, are ranked in the upper half. Smaller cities may be more competitive by promoting the use of technology, while maintaining low costs. Government offices in large business centers deal with a high volume of operations, which can lead to bottlenecks and higher costs for professional services. On the other hand, these cities benefit from economies of scale and may have more resources at their disposal to invest in administrative modernization than their smaller neighbors.

The government of Pakistan has long recognized the importance of smart regulations. The country, as represented by Karachi, became one of the top 10 reformers in *Doing Business 2006: Cre-*

ating Jobs by introducing reforms in the areas of starting a business, registering property, protecting investors, and trading across borders. Since then, Pakistan introduced 5 major regulatory reforms to make it easier for firms to start up and operate.

In 2008, the Securities and Exchange Commission of Pakistan (SECP) and the e-Government Directorate developed an e-Services website to enable online company registration. Now entrepreneurs can submit the documents to the registrar office to reserve a company name and register electronically. In addition, the Securities and Exchange Commission signed an agreement with the National Institute of Facilitation Technologies to provide online digital signatures. The company start-up is twice cheaper for an entrepreneur, if she registers online. While she still must pay the fees at a designated bank in person, the option of online payment is being implemented by the SECP. In the first 12 months after the introduction of e-Services, almost 30% of companies registered online in Karachi.³ Thanks to these reforms, business start-up became 4 days faster, requires 1 less

procedure, and costs half as much. As a result, Pakistan moved up 17 positions to rank 63 on the ease of starting a business in *Doing Business 2010: Reforming through Difficult Times*.

Other reforms are underway. In the area of paying taxes, the government initiated an overhaul of the Federal Board of Revenue. It set up 3 taxpayer units and 16 regional tax offices in the large cities. It also introduced a Universal Self Assessment Scheme and conducts taxpayer satisfaction surveys.

A new National Judicial Policy was introduced in 2009. The purpose of the policy is to focus on justice at the grass-roots level by ensuring the judiciary's independence, clearing the backlog of cases in the superior and subordinate courts, and setting a time limit for disposal of civil and criminal cases. It provides short-term and long-term measures to address these issues, includes steps to check for corrupt practices, and directs the courts to prepare plans for effective implementation of the new policy.

Despite the hardship imposed by the economic crisis on businesses globally, June 2008 to May 2009 was a record

TABLE 1.2
National and local level reforms implemented in all cities benchmarked in 2006

City, Province	Provincial or municipal reforms			Implementation of national reforms*			
	Starting a business	Dealing with construction permits	Registering property	Starting a business**	Dealing with construction permits	Registering property	Trading across borders***
Faisalabad, Punjab	✓	✓		△	△	✘	△
Karachi, Sindh				△	△	✘	△
Lahore, Punjab	✓	✓	✓	△	△	✘	△
Peshawar, Khyber Pakhtunkhwa				△	△	✘	△
Quetta, Balochistan					△	✘	△
Sialkot, Punjab		✓	✓		△	✘	△

✓ Local level △ National level ✘ Negative reform

* National reforms reflected in *Doing Business in Pakistan 2010* by city.

** Reform counted for cities where high numbers of entrepreneurs register online.

*** Reform affecting all cities trading through the ports of Karachi.

Note: The reforms were implemented between April 2006 and December 2009.

Source: *Doing Business* database.

year for regulatory reforms. *Doing Business 2010* recorded 287 reforms in 131 of 183 economies—20% more than in the previous year. In South Asia, 6 of the 8 economies introduced reforms. Such reforms are timelier than ever. Firms in developing countries have been affected by lower demand for their exports and a drop in capital flows and remittances. At the same time, businesses in low-income economies still face twice as many regulatory burdens as their counterparts in high-income economies when starting a business, transferring property, filing taxes, or resolving a commercial dispute through the courts. There is more work to be done at both the national and local level.

REFORMS IMPLEMENTED AT THE LOCAL LEVEL

Doing Business in South Asia 2007 pointed out bottlenecks and provided recommendations for reforms in 5 Pakistani cities and Karachi. Three years later, this report tracks progress over time. The results are presented here. Three cities show improvements in at least 2 of the three areas where local level reforms were measured.⁴ All 6 cities implemented 2 or more national-level

reforms (table 1.2).

All cities benefited from the rollout of nation-wide reforms, although results on the ground vary, as not all national reforms have been implemented and taken full effect at the local level yet. In starting a business, the introduction of e-Services cut 1 day from the time needed to register a company with the SECP in Faisalabad, Lahore, and Peshawar—now it takes a total of only 2 days to incorporate a new business in these cities. Islamabad is another city where the number of online registrations is growing.

Across Pakistan, dealing with construction permits became easier thanks to improvements in telephone services following the privatization of the Pakistani Telecommunication Company Limited. Currently, applications for new connections can be submitted either by phone or online. As a result, this report finds that since *Doing Business in South Asia 2007*, average processing times for obtaining a new telephone connection have been considerably reduced and costs have dropped by 64.8%.

Importing and exporting has also become easier since *Doing Business in South Asia 2007*. The most important reforms include the implementation of an

advanced electronic data interchange system and ongoing efforts to improve domestic transport and port infrastructure. In Karachi, the time needed to import was reduced by half from 2006 to 2009.

Registering property in Pakistan recently got more expensive. The Finance Law enacted on July 1, 2009 raised the federal capital value tax from 2% to 4% across Pakistan. This reform contributed to the increase in the average cost of registering property, which jumped from 5% to 8.6% of the property value since *Doing Business in South Asia 2007*.

Provincial- or municipal-level reforms can be found across *Doing Business* areas: Punjab made it easier to start a business by reforming registration with the Employees Social Security Institution. As part of the 2003 Punjab Industrial Policy, the authority to register with the Punjab Employees Social Security Institution was delegated to the local district level. As a result, the verification of documents became faster by 4 days in both Faisalabad and Lahore.

Local governments also reformed their processes for dealing with construction permits. Over the last 3 years, the Development Authorities and Town Municipal Administrations in Lahore, Faisalabad, and Sialkot adopted uniform

building and zoning regulations that provide a clear reference for building companies, architects, and entrepreneurs.⁵ As a result, the time needed to obtain a building permit in Sialkot and Lahore has been reduced by 22 and 15 days, respectively.

To make it easier to register property, Lahore and Sialkot are continuing to computerize land records. When land titles can be accessed with the click of a mouse, local officials can more easily check the ownership, register the transaction, and transfer the property title. The pilot program in Sialkot led to a reduction in registration time by half: from 13 days in 2006 to 6 days in 2009.

Despite these recent and ongoing reforms, Pakistan needs to improve the doing business environment further to make it easier to set up and operate a business.

COMPARING BUSINESS REGULATIONS ACROSS 13 CITIES

Young entrepreneurs with innovative ideas and ambitious dreams would need 24 days to start their businesses in Gujranwala. The same process would be at least 1 week faster in Islamabad. Obtaining all clearances and permits to build a new warehouse and hook it up to utilities would take 4 months in Peshawar, which is faster than the OECD average of 157 days. It takes 3 months longer in Karachi to achieve the same. In Sheikhpura, the cost of a construction permit amounts to 380.3% of income per capita—but it is more than twice as expensive in Islamabad (797.9%). If an entrepreneur chose to purchase a property in Lahore, she would need only 30 days to have it registered, three times faster than the South Asia average of 106 days. Resolving a commercial dispute through the courts would take 6 years in Peshawar, but only 2 years in Faisalabad.

The above examples highlight widespread differences in the way local

conditions restrict or encourage businesses across Pakistan. Different local requirements and practices and different levels of efficiency drive the variations in procedures, time, and cost across cities. Some cities have used the benefits of technology to simplify procedures, while others are lagging.

STARTING A BUSINESS

Despite the same regulatory framework, there are differences in the time and cost needed to start a business in Pakistan, mainly due to differences in the efficiency of local branches of national agencies, practices at the local government level, and variations in the use and availability of online services. Continued reforms have reduced start-up times and costs but the number of procedures remains high. Entrepreneurs must complete the same 10 business start-up procedures across the country. Post-registration procedures are the main reason behind the high number of procedures and delays. Business start-up time varies from 16 days in Islamabad to 24 days in Gujranwala. Company name verification and incorporation takes 6 days in cities with a high usage of e-Services and between 7 to 10 days in cities where the vast majority of entrepreneurs continue to submit documents in person. Incorporation fees represent more than 95% of the total cost to open a business across the 13 cities. In order to promote online registration, the fees are lower for this option. Business start-up costs range from 13.2% of income per capita in cities with online registration to 26.2% of income per capita in Sialkot, where businesses continue to register in person.

DEALING WITH CONSTRUCTION PERMITS

Obtaining all the necessary clearances to build a warehouse and hook it up to utilities is a simple, but rather expensive, process across Pakistan. Faisalabad, Lahore, and Multan have the fewest procedures—11—while 15 steps are necessary

in Sialkot. The process takes less than 170 days in those cities of Punjab that have recently adopted new building and zoning regulations. In contrast, Karachi is the slowest, with 223 days. Variations in time are mainly due to delays in obtaining building permits and electricity connections. In Karachi and Quetta, it takes 2 months to have the building plan approved. Obtaining an electricity connection is easier in Peshawar, where it takes 40 days. The same process takes 5 weeks longer in Sukkur and Hyderabad. Dealing with construction permits costs on average 527.6% of income per capita, cheaper than in India but considerably more expensive than in Brazil or Turkey. Differences in cost are mainly due to variances in the cost of the building permit and the certificate of completion. The highest costs are registered in Islamabad (797.9% of income per capita), while the lowest are registered in the industrial town of Sheikhpura (380.3%).

REGISTERING PROPERTY

All 13 cities require 6 procedures to register property, but there are variations in the time and cost involved. It is fastest to register property in Lahore (30 days) and slowest in Quetta (52 days). Islamabad has the lowest cost (7% of the property value) as opposed Quetta (11%). Time variations are due mostly to differences in the efficiency of the Revenue Office, in charge of issuing the *fard* (proof of ownership) and transferring the property title. Property transfer is still a manual process in most of Pakistan, but several cities, such as Lahore and Sialkot, have reformed by computerizing their land-record and deed-registration systems. Local differences in costs remain, which can be explained by different stamp-duty rates, which are set at the provincial level. While Quetta charges a stamp duty of 5% of the property value, Peshawar and the cities in the province of Sindh charge 3%, and Islamabad and the cities in the province of Punjab only 2%. Businesses in Islamabad,

where it is cheapest to transfer property, are also exempted from paying the urban immovable property tax.

PAYING TAXES

There are few local variations in the total tax burden, the number of payments, and the time frame for paying taxes in Pakistan. In all 13 cities, except Islamabad, which does not collect social security contributions, small entrepreneurs spend 560 hours and approximately 31.5% of their commercial profits spread over 47 yearly payments.

TRADING ACROSS BORDERS

It requires the same number of documents to export (8) and import (9) from and to any of the Pakistani cities covered by the report. It is easiest to import and export from Karachi, where the country's two major ports are located—22 days to export and 18 days to import—followed by Hyderabad and Sukkur. There are substantial differences in the cost of trading across the 13 cities, especially when it comes to importing. It costs 57% more to import a container to Lahore (US\$ 1,088) than to Quetta (US\$ 693). The distance to the port is a determining factor and as a result Karachi is the cheapest city from which to conduct trade.

ENFORCING CONTRACTS

Resolving a commercial dispute takes 6 years in Peshawar compared with 2 years in Faisalabad and Lahore. The time needed to go through trial and judgment is the lengthiest of the three stages of commercial dispute—service and filing, trial and judgment, and enforcement of judgment. Court efficiency, case backlogs, and the provision of legal services are the main sources of time differences. The cost to enforce a contract ranges from 20.6% of the claim value in Sukkur to 42.8% in Lahore. Differences in court fees, legal fees, and the cost of enforcement explain these variations.

LEARNING FROM EACH OTHER: ADOPTING GOOD LOCAL PRACTICES

Benchmarking exercises like *Doing Business* inspire governments to reform. They point out potential challenges and identify where policy makers can look for good practices. Comparisons between cities within the same country are even stronger drivers of reform, because local governments have a hard time explaining why doing business in their city may be harder than in neighboring cities. The good news is that sharing a national legal framework facilitates the implementation of existing good practices within a country. National governments can also use *Doing Business* data to monitor how local branches of their agencies implement changes in national regulations and administrative practices. In a world where locations compete against each other to attract investment, subnational *Doing Business* indicators allow local governments to review the regulatory conditions facing entrepreneurs in their cities from a comparative perspective. Subnational data are now available for almost 300 locations in 41 countries.

The example of Colombia is telling. *Doing Business in Colombia 2010* documents that all 13 cities evaluated in 2008 have since reformed in at least one of the areas measured and that these improvements are attributable to local-level reforms.⁶ The experience of Neiva highlights how reform-minded local governments can use *Doing Business* indicators to motivate and sustain reform efforts. Neiva was the worst-performing city in 2008. In response, the mayor decided to set up an “anti-red tape” committee that brings together the municipality, chamber of commerce, business associations, and representatives of national agencies, such as the police and the tax authority. This committee meets every month to propose changes to the regulatory environment and monitor progress. The city

launched a one-stop shop for business registration, which connected the municipal and state governments, eliminating 11 procedures, including obtaining sanitation and fire department certificates. Thanks to this and other reforms, Neiva became the top reformer in *Doing Business in Colombia 2010*. Similarly, *Doing Business in India 2009* showed that 9 of the 10 Indian states benchmarked for the second time had introduced reforms. As a result of these reforms, the average time to start a company dropped from 45 to 35 days and the time needed to obtain a building permit was reduced by 25 days, on average.

These examples show that there is no need to reinvent the wheel: it is sufficient to start by introducing reforms that have been successfully implemented in other cities. In fact, Pakistani cities have a lot to gain from adopting the best regulations and practices that are working elsewhere in the country. A hypothetical city, “Pakistan,” adopting all the best practices identified in this report, would rank 69th of 183 economies globally—16 places ahead of Pakistan's position in *Doing Business 2010* (table 1.3).

For example, reducing start-up procedures to the 16 days they take in Islamabad would shorten starting a business almost to the OECD average of 13 days. Fast construction permit approval, like in Peshawar, would mean that dealing with construction permits also became speedier in Pakistan than the OECD average of 157 days. To register property in 30 days, as in Lahore, would put Pakistan on the same level as Austria. A low tax rate, like in Islamabad, would fix the total tax rate at 26.0% of commercial profit—similar to Ireland. Importing a container to this hypothetical Pakistani city would take 18 days and exporting would take 20 days, comparable to Italy. Resolving a commercial dispute would be as speedy as in Faisalabad (730 days), and faster than in Cyprus.

If it is easy to start and operate a

TABLE 1.3
Best practices in Pakistan compared internationally

	Global ranking (183 economies) How Pakistani cities would compare globally
Number of procedures to start a business All 13 cities (10 procedures)	132
Days to start a business Islamabad (16 days)	71
Cost to start a business Faisalabad, Islamabad, Karachi, Lahore, Peshawar (13.2% of income per capita)	89
Number of procedures to deal with construction permits Faisalabad, Lahore, Multan (11 procedures)	13
Days to deal with construction permits Peshawar (124 days)	42
Cost to deal with construction permits Sheikhupura (380.3% of income per capita)	124
Number of procedures to register property All 13 cities (6 procedures)	79
Days to register property Lahore (30 days)	64
Cost to register property Islamabad (7.0% of the property value)	119
Days to enforce a contract Faisalabad (730 days)	142
Cost to enforce a contract Sukkur (20.6% of the claim value)	47
Days to export Hyderabad (20 days)	87
Days to import Karachi, Sukkur (18 days)	66
Cost to export Karachi (US\$ 611)	7
Cost to import Karachi (US\$ 680)	13
Number of tax payments Islamabad (35 payments)	119
Total tax rate Islamabad (26% of profit)	26
Time to pay taxes Islamabad (558.5 hours)	168
Best practices hypothetical city of "Pakistana"	69

Source: Doing Business database.

business, more businesses will be set up and more jobs will be created. Reforms in Mexico cut the time needed to start a business from 58 to 27 days. A recent study reports the payoffs: the number of registered businesses rose by nearly 6%, employment increased by 2.6%, and

prices fell by 1% because of competition from new entrants.⁷ Enticing enterprises into the formal economy through easier start-up procedures has two employment-related benefits. First, formally registered enterprises tend to grow to more efficient sizes and hence employ more

workers.⁸ Second, formal enterprises pay taxes, increasing government revenue. As more companies move into the formal economy, governments can lower the corporate tax burden. This gives businesses more incentives to expand by producing more and employing more people. And formally registered companies have better access to courts, credit, and markets and hence tend to be larger and more productive than informal ones. Conversely, greater barriers to entry are correlated with more perceived corruption and a larger informal sector. Vulnerable groups, such as youth and women, are more adversely affected than others, because they operate primarily in the informal sector.⁹ This is important in Pakistan, where only 22% of women are in the formal workforce. According to *Women, Business and the Law*¹⁰ in Pakistan, men and women do not have equal rights under the law when it comes to testifying in court, inheritance law, and statutory retirement age in the private sector.

The national and local governments in Pakistan can follow the example of consistent reformers globally. These reformers follow a long-term agenda and continually push forward. For example, the top-ranked economy on the ease of doing business, Singapore, introduces reforms every year. The reforms are comprehensive, thus increasing their impact and chances of success. Consistent reformers are also inclusive, involving all relevant actors and institutionalizing the reform effort. Finally, they stay focused by setting specific goals and regularly monitoring progress.

1. World Bank. World Development Indicators database. According to the Pakistan Economic Survey 2009-10, the economy grew by approximate 4.1% in the last fiscal year (www.finance.gov.pk/survey).
2. Data from the Small and Medium Enterprises Development Authority (SMEDA); available at <http://www.smeda.org.pk>.
3. December 2009 statistics received from

the Securities and Exchange Commission of Pakistan (SECP).

4. The report does not track reforms for enforcing contracts because of a change in the methodology. The case study was revised to reflect a typical contractual dispute over the quality of goods rather than a simple debt default. See the Data notes for details.
5. Multan, Rawalpindi, and Gujranwala also have uniform building and zoning regulations.
6. World Bank. 2010. *Doing Business in Colombia 2010*. Washington, D.C.: World Bank Group.
7. Bruhn, Miriam. 2008. *License to Sell: The Effect of Business Registration Reform on Entrepreneurial Activity in Mexico*. Policy Research Working Paper 4538. Washington, D.C.: World Bank. The results were obtained after controlling for gross domestic product per capita, number of economic establishments per capita, fixed assets per capita, and investments per capita in the benchmarked municipalities.
8. On average, formal enterprises produce 40% more than informal enterprises in the same sectors, as reported in *Doing Business in 2005*.
9. Argadna, Silvia, and Annamaria Lusagi. 2009. *Where Does Regulation Hurt? Evidence from New Businesses across Countries*. NBER Working Paper 14747. Cambridge, MA: National Bureau of Economic Research.
10. World Bank. 2010. *Women, Business and the Law: Measuring Legal Gender Parity for Entrepreneurs and Workers in 128 Economies*. Data available at <http://wbl.worldbank.org>.

Starting a business

TABLE 2.1

Where is it easier to start a business in Pakistan?

1	Islamabad, <i>ICT (Easiest)</i>	8	Rawalpindi, <i>Punjab</i>
2	Faisalabad, <i>Punjab</i>	9	Sheikhupura, <i>Punjab</i>
3	Karachi, <i>Sindh</i>	10	Sukkur, <i>Sindh</i>
3	Lahore, <i>Punjab</i>	11	Hyderabad, <i>Sindh</i>
3	Peshawar, <i>Khyber Pakhtunkhwa</i>	12	Sialkot, <i>Punjab</i>
6	Multan, <i>Punjab</i>	13	Gujranwala, <i>Punjab</i>
6	Quetta, <i>Balochistan</i>		

Note: Rankings are the average of the city rankings on the number of procedures, the associated time and cost (% of GNI per capita) required to start a business. See the Data notes section for details.

Source: *Doing Business* database.

After graduation, Kiran and Asma decided to open their own shop selling local fabrics. They worried that starting a business might be more difficult for women. Following a friend's advice, they decided to use the new online e-Services. They created their login name, downloaded the necessary documents, and within 6 days they became the proud owners of a new incorporated company, without leaving their home. Unlike Kiran and Asma, most Pakistani entrepreneurs still either register their businesses in person or choose not to register and remain informal.

Starting a business is a leap of faith even under the best of circumstances. Business registration is the first contact a new entrepreneur has with government regulators. In some countries, the process is straightforward and affordable, while in others it is so cumbersome and time-consuming that entrepreneurs either bribe officials to speed up the process or simply run their businesses informally. The consequences of greater barriers to entry are particularly severe for vulnerable groups such as youth and women, who are more likely to operate in the informal sector as a result.¹ With its large and growing labor force, Pakistan has no choice but to encourage potential entrepreneurs by creating an environment in which small enterprises can flourish. Small- and medium-size

firms constitute nearly 90% of all enterprises in Pakistan and employ 80% of the nonagricultural labor force.² However, it is estimated that the share of informal employment in the nonagricultural sector is more than 60%.³

Research shows that business registration relates to informality and productivity. Requiring fewer procedures to start a business is associated with a smaller informal sector.⁴ Formally registered businesses grow larger and more productive than informal ones. In a recent study on informality in São Paulo, entrepreneurs reported that they could double operations after registering.⁵ Upon formal registration, entrepreneurs could access courts and credit, supply more important customers, and avoid harassment from government inspectors or the police. Furthermore, formal enterprises pay taxes, adding to government revenue. Reforms that ease new firms' entry into the formal sector are relatively simple and inexpensive to implement,⁶ and often do not require major legislative changes.

Recognizing the potential gains from reforms, a record 61 of 183 economies made it easier to start a business around the globe between June 2008 and May 2009, according to *Doing Business 2010*. However, in many economies barriers to entry remain high. It still takes

on average 8 procedures and 36 days to start a business around the world. In New Zealand, the world's top performer in this area, the process takes 1 procedure and 1 day. Entrepreneurs in New Zealand can start a business by filing information once, because receiving agencies are linked through a unified database.

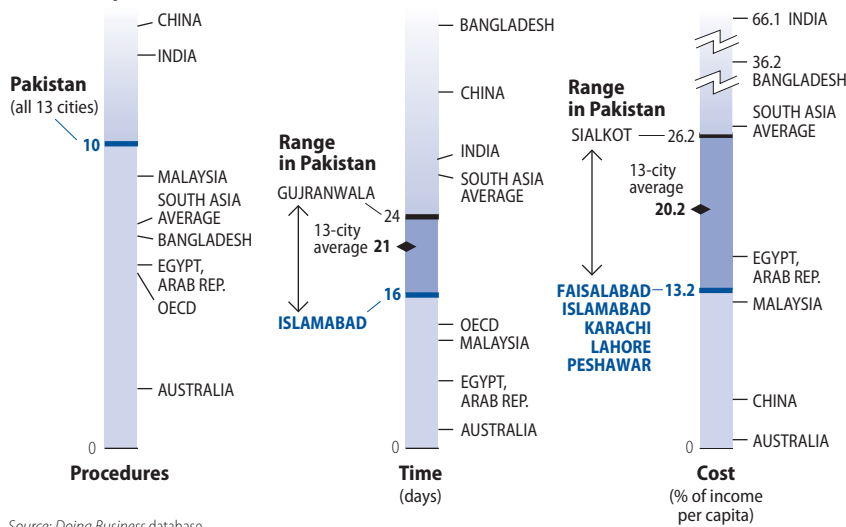
Pakistan performs relatively well in starting a business—both regionally and globally. Continued reforms have reduced start-up time and costs, but the number of procedures remains high. Business start-up takes on average 21 days and costs 20.2% of income per capita for the same 10 procedures required across the 13 cities benchmarked in this report. That is 7 days less than the South Asian average (28.1 days), and less than India (30) and China (37). The cost is below the South Asian average of 26.9% of income per capita. However, the number of procedures (10) is higher than in 131 other

What is measured?

The *starting a business* indicator measures all procedures that are officially required to start up and formally operate a commercial or industrial small or medium-size limited liability company. These include obtaining necessary licenses and permits and completing required notifications, verifications, and registrations for the company and its employees with the relevant authorities.

Note: See the detailed description of the standard case in the Data notes section.

FIGURE 2.1

Number of procedures, time and cost to start a business in Pakistan and selected economies

Source: Doing Business database.

countries, including Egypt (6), Bangladesh (8), and Malaysia (9) (figure 2.1).

It is easier to start a business in Islamabad than in any other Pakistani city measured in this report—it only takes 16 days and costs 13.2% of income per capita. In contrast, the business start-up process is most difficult in Gujranwala, where it takes 24 days and costs 24.5% of income per capita (table 2.1). The differences in time and cost stem from the levels of efficiency of local government offices and local branches of national agencies, as well as the availability and the degree of use of the recently introduced online business registration services.

Entrepreneurs must complete the same 10 business start-up procedures across the country (figure 2.2). Seven of the 10 procedures are national requirements, which apply across the country. These procedures include 4 incorporation steps—company name registration, payment of registration fees, company registration, and obtaining a digital signature or a company seal—and 3 post-incorporation requirements—income tax and sales tax registration and Employee Old Age Benefits registration. Local requirements account for yet another 3 post-incorporation procedures.

Entrepreneurs must register for a professional tax with the Excise and Taxation Department of the district. Finally, they must register for social contributions with the provincial Employees Social Security Institution and with the district Labor Department under the West Pakistan Shops and Establishment Ordinance. Overall, post-registration procedures are the main reason for the high number of procedures.

The business start-up time varies from 16 days in Islamabad to 24 days in Gujranwala. There are small differences across cities in the time needed to register a new company, but the main sources of variation are the separate post-incorporation registrations for taxes and social contributions. “We were happy to see our new company incorporated in about a week and we did not realize how tedious the post-incorporation process would be, so that we could fully operate our business,” complained Asma.

The good news is that registering a new company became faster as a result of the national e-Services reform (table 2.2). In September 2008, the Securities and Exchange Commission together with the e-Government Directorate launched e-Services, a new web portal for business incorporation. The

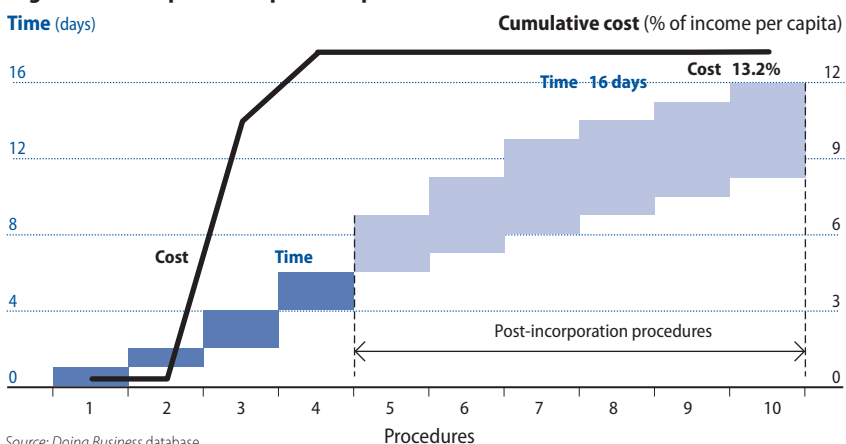
e-Services site enables entrepreneurs to check availability of the proposed company name and reserve it, download all necessary forms, and incorporate their new businesses online. Companies registering through e-Services no longer need to obtain a company seal; instead the applicants can obtain a digital signature online from the National Institute of Facilitation Technologies.

Going online has paid off. Company name verification and incorporation takes 6 days in the 5 cities in which most entrepreneurs currently register via e-Services—Faisalabad, Islamabad, Karachi, Lahore and Peshawar. Among the 6 cities previously covered in *Doing Business in South Asia 2007* and for which it is possible to track reform results, the e-Services portal reduced the company incorporation time by 4 days in Karachi and by 1 day in Faisalabad, Lahore, and Peshawar.

Outside of Faisalabad, Islamabad, Karachi, Lahore and Peshawar, the impact of the e-Services reform has yet to be seen, as the vast majority of entrepreneurs continue to submit documents in person. For them, the incorporation process takes between 7 and 10 days. The slight differences in time across locations reflect variations in the demand for services and efficiency of the local Security and Exchange Commission offices. Frequent electricity outages and a lack of well-functioning generators affect processing times, too. Also, since there are no Security and Exchange Commission offices in Gujranwala, Sheikhupura, Sialkot, Hyderabad, and Rawalpindi, entrepreneurs must travel to Lahore, Karachi, or Islamabad to register their companies, adding up to 1 day and travel costs of PKR 80–700 (US\$ 1.2–11).

The post-incorporation procedures are burdensome, require considerable documentation, and involve 5 different agencies. The first two steps after registering the company are applying for a national tax number and a sales tax

FIGURE 2.2
High number of post-incorporation procedures in Islamabad and the rest of Pakistan



Procedures

1. Obtain approval of company name
2. Pay the fees for name registration and incorporation
3. Register the company
4. Obtain digital signatures
5. Register for income tax
6. Register for sales tax
7. Register for professional tax
8. Register for employees social security
9. Register for employees old age benefits
10. Register with the Labor Department of the District

Source: Doing Business database.

number at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue.

Registering for income tax takes 2–7 days in the 13 benchmarked cities. The time is longest in Sheikhpura, which does not have an RTO office—entrepreneurs must travel to Lahore to register. Registration for sales tax takes on average 6 days across the 13 cities. The process is relatively fast in Karachi, Islamabad, and Rawalpindi (1–4 days), and again slower in Sheikhpura (10

days). The main sources of delays are the lengthy verification process for all applications and insufficient coordination between the local RTOs and the Central Registration Office in Islamabad.

The Federal Board of Revenue is introducing technology, similar to e-Services, to make tax registration electronic. The reform is ongoing and the prescribed processing time of 48 hours has yet to be achieved. However, the good news is that already 66% of the applications in Karachi, Lahore, and Multan were filed online.

The Finance Act of each province regulates registration with the Employees Social Security Institution. As part of the Punjab Industrial Policy, 2003, the authority to register new enterprises with the Punjab Employees Social Security Institution was transferred from provincial headquarters to the local district level. The revision of documents became faster and the time to register for social security fell by 4 days in Faisalabad and Lahore as a result.

Registrations with Employee Old Age Benefits and with the Labor Department of the District take on average 9 and 6 days respectively.

Incorporation fees represent more than 95% of the total cost to open a business across the 13 cities. In order to promote online registration, the fees

are lower for this option. According to the Sixth Fee Schedule, effective since June 2009, online incorporation fees for a company with an authorized capital of up to PKR 600,000 (US\$ 9,125) are PKR 5,000 (US\$ 76) for registration and PKR 2,000 for filing (US\$ 30). The fees for offline submission are double: PKR 10,000 (US\$ 152) and PKR 4,000 (US\$ 61) for registration and filing, respectively. Companies also pay PKR 200 (US\$ 3) for online name verification compared to PKR 500 (US\$ 8) to do the same offline. For companies choosing to register online, there is an additional validation fee for the digital signature set at PKR 1,277 (US\$ 19) nationally. Despite this extra fee, the cities with a high use of online registration services have lower overall costs to start a business.

The remaining procedures are costless, except for a fee of PKR 10 to register with the district Labor Department, as required by the Pakistan Shops and Establishments Ordinance of 1969. There are also additional costs when entrepreneurs must travel to another city to complete their registrations, as is the case in Sialkot. As a result, business start-up costs range from 13.2% of income per capita in cities with online registration to 26.2% of income per capita in Sialkot.

TABLE 2.2
Local and national reforms implemented in cities benchmarked in 2006

	Provincial or municipal reforms	Implementation of national reforms*
	Reform of registration for Social Security	Use of e-Services**
Faisalabad, Punjab	✓	△
Karachi, Sindh		△
Lahore, Punjab	✓	△
Peshawar, Khyber Pakhtunkhwa		△
Quetta, Balochistan		
Sialkot, Punjab		

✓ Local level △ National level

* National reforms reflected in *Doing Business in Pakistan 2010* by city.

** Reform counted for cities where high numbers of entrepreneurs register online.

Note: The reforms were implemented between April 2006 and December 2009.

Source: Doing Business database.

WHAT TO REFORM?

MAKE ONLINE INCORPORATION FULLY FUNCTIONAL

Although online name submission is available in Pakistan as a result of the e-Services reform, the registrar personnel still have to check for company name availability and appropriateness for each application. Entrepreneurs would save precious time if checking availability and reserving the name could be done online in just a few minutes. Furthermore, while entrepreneurs in Pakistan can file incorporation forms and documents electronically, the registration fees must still be paid at a bank. Making the incorporation process fully electronic would reduce the time involved and make the work of the registrar much easier.

PROMOTE THE USE OF ONLINE SERVICES

Pakistan is one of the 40 economies in the world that offer electronic registration services. To create awareness of the e-Services project, the Securities and Exchange Commission of Pakistan (SECP) organized a number of seminars in collaboration with professional bodies, such as chambers of commerce in Faisalabad, Islamabad, Karachi, Lahore and Multan. Furthermore, to encourage entrepreneurs to go online, the government set the prices for online registration at half that for registration in person—in line with best global practices. However, in most cities the majority of entrepreneurs still register in person. To promote company registration and online services, the SECP should organize a new dissemination strategy targeted at the private sector outside of the main business centers. In Pakistan, where only 10.5% of the population currently has access to the Internet,⁷ the SECP should consider making Internet stations available, where entrepreneurs would go to register more cheaply and efficiently. Similar booths function well across India for utility registrations.⁸

ELIMINATE ANTIQUATED AND UNNECESSARY REQUIREMENTS

Some requirements are leftovers from a bygone era and should be eliminated. One example is the company seal, which, in earlier centuries, symbolized the legal identity of a business and authenticated all its contracts. Now most documents are sent electronically. Although Pakistan has regulations allowing electronic signatures, it is still a standard commercial practice to make a company seal and use it for commercial transactions, including stamping of documents later submitted online.

CREATE SINGLE ACCESS POINT FOR ALL TAX REGISTRATION AND FOR SOCIAL SECURITY REQUIREMENTS

National and local authorities could create single-access points for all tax and social security registrations, and issue an identification number valid for all transactions with the government. Entrepreneurs must currently visit 5 different agencies after incorporation to register for taxes and social security benefits. The registrar of companies, the local Chambers of Commerce and Industry, or a newly appointed focal department could take responsibility for registering the new company with the various tax and social security authorities and for circulating the company documents among them, preferably electronically. Cities could follow the examples of the Indian states of Andhra Pradesh and Orissa, which consolidated the registration for value-added tax and profession tax at the same office. The national governments of Jordan and Egypt put tax registration into the hands of the registrars, speeding up the process, which now takes only 1 or 2 days, and allowing entrepreneurs to focus on their businesses.

1. Argadna, Silvia, and Annamaria Lusagi. 2009. Where Does Regulation Hurt? Evidence from New Businesses across Countries. *NBER Working Paper 14747*. Cambridge, MA: National Bureau of Economic Research.
2. Small and Medium Enterprises Development Authority (SMEDA).
3. Gennari, Pietro. 2004. Informal Sector: Statistical Definition and Measurement Issues. Bangkok: OECD/UNESCAP/ADB Workshop Assessing and Improving Data Quality.
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5. Bertrand, Marianne; Djankov, Simeon; Mullainathan, Sendhil; and Schnabl, Phillip. 2006. *Who Runs Informal Businesses in São Paulo?* Cambridge, MA: Harvard University, Department of Economics.
6. The introduction of a fast-track system to start a business in Portugal cut the time by 46 days in 2006. The reform was implemented in 5 months and cost US\$ 350,000. World Bank. 2005. *Doing Business 2006: Creating Jobs*. Washington, D.C.: World Bank Group.
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8. World Bank. 2009. *Doing Business in India 2009*. Washington D.C.: World Bank Group.

Dealing with construction permits

TABLE 3.1

Where is it easier to deal with construction permits in Pakistan?

1	Multan, <i>Punjab</i> (Easiest)	8	Islamabad, <i>ICT</i>
2	Gujranwala, <i>Punjab</i>	8	Sheikhupura, <i>Punjab</i>
3	Lahore, <i>Punjab</i>	10	Karachi, <i>Sindh</i>
4	Sukkur, <i>Sindh</i>	11	Sialkot, <i>Punjab</i>
5	Rawalpindi, <i>Punjab</i>	12	Quetta, <i>Balochistan</i>
6	Faisalabad, <i>Punjab</i>	13	Hyderabad, <i>Sindh</i>
6	Peshawar, <i>Khyber Pakhtunkhwa</i>		

Note: Rankings are the average of the city rankings on the number of procedures, the associated time and cost (% of income per capita) required to deal with construction permits. See the Data notes section for details.
Source: *Doing Business* database.

By 2030 one Pakistani out of two will be a city resident.¹ Hundreds of thousands of people leave the countryside in search of a better life each year. As a consequence, cities are facing pressing challenges—sprawling informal settlements and the degradation of urban infrastructure. Updated master plans and efficient construction regulations prepare cities to successfully cope with the pressures of urbanization.

By some estimates 60–80% of construction projects in developing economies are undertaken without a building permit, because the approval process is too complex or oversight too lax.² An analysis based on World Bank Enterprise Surveys and *Doing Business* data found that more cumbersome and costly pro-

cedures are associated with an increased likelihood of informal payments in exchange for construction permits (figure 3.1). In Pakistan, 1 entrepreneur out of 4 expects to pay facilitation fees to public officials in order to get things done.³

In the last five years the country was hit by two major earthquakes that brought national attention to the poor planning and construction standards in the building sector. It is not easy to find the right balance between safety and efficiency. Good regulations ensure public safety and revenue for the government, while making the permitting process more transparent and affordable both for those who use it and those who administer it. Instead of promoting safety, overly rigid rules may push the construction sector into the informal economy, undermining their intent.

Dealing with construction permits is relatively fast but expensive across Pakistan. Obtaining all building approvals and utility connections in the 13 benchmarked cities requires on average 13 procedures, 165 days, and costs 527.6% of income per capita (figure 3.2). The average city would rank 73rd globally on the ease of dealing with construction permits, 4 ahead of India (175th), but behind Indonesia (61st) and South Africa (52nd). In the best performing economy, Hong Kong, the same process requires on

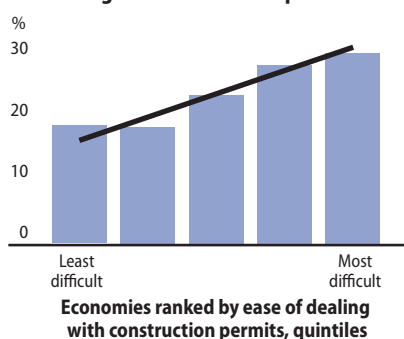
average 7 procedures, 67 days, and 18.7% of income per capita.

Since licenses for site development, building permits, and utility connections are governed at the local level, the number of procedures, time, and cost involved vary significantly across cities. Expanding businesses that need to build a warehouse would find it easier to obtain all approvals and utility connections in Multan, Gujranwala, and Lahore than in Hyderabad and Quetta (table 3.1). The best-performing city, Multan, would rank 56th among 183 economies on the ease of dealing with construction permits, ahead of Australia (62nd).

Over the past years building regulations have evolved considerably. Following the devastating earthquake of 2005, the Pakistani Engineering Council was tasked to develop a new building code

FIGURE 3.1

Share of firms that expect to give gifts in exchange for construction permits



Note: Relationships are significant at the 1% level and remain significant when controlling for income per capita.
Source: *Doing Business* database; World Bank Enterprise Survey database.

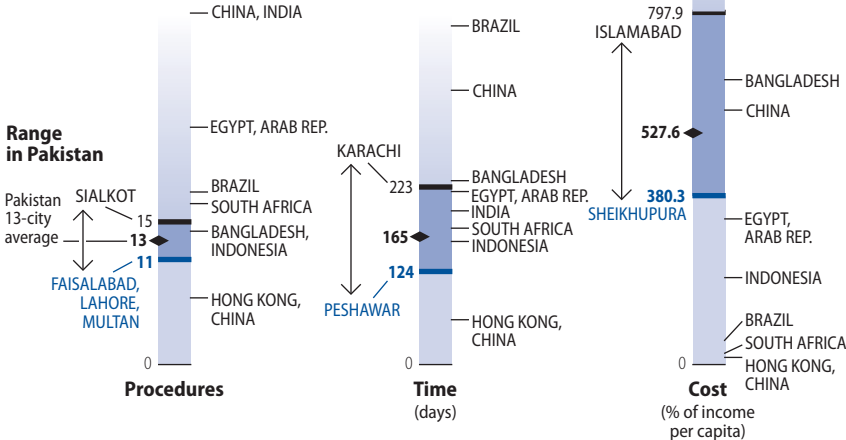
What is measured?

Doing Business looks at construction permits as an example of licensing regulations that businesses face. It measures the procedures, time, and cost required for a business in the construction industry to obtain the necessary approvals to build a commercial warehouse and connect it to electricity, water, sewerage, and telecommunication services. It assumes that the warehouse will be used for storage of nonhazardous goods and is located in the peri-urban area of the city.

Note: See the detailed description of the standard case in the Data notes section.

FIGURE 3.2

Best, average and worse practices in dealing with construction permits



Source: Doing Business database.

that defines the levels of seismic hazard of each area. The *Building Code of Pakistan: Seismic Provisions, 2007*, also provides guidelines on design and the quality of materials used for new buildings. The code is being implemented throughout the country.

In addition, much has been done at the provincial and municipal level. Lahore, Multan, Rawalpindi, Gujranwala, Faisalabad, and Sialkot adopted uniform building and zoning regulations that clarify the permitting process and specify required documents. Hyderabad plans to enforce more detailed building and town-planning regulations, while

authorities in Quetta are working on new bylaws to replace those of 1937.

“Before the new uniform regulations came into effect,” says Ahmed, an architect from Lahore, “I had to meet several times with officials from the authority administering a particular area of the city in order to get an idea of the specific requirements for each project. Now things are clearer than before. I spend less time dealing with bureaucracy and more time on managing my business.” Most of Ahmed’s colleagues across Punjab agree that the development authorities and municipal administrations should now shift their efforts on

monitoring the enforcement of the new regulations by building up staff capacity and requisite skill sets.

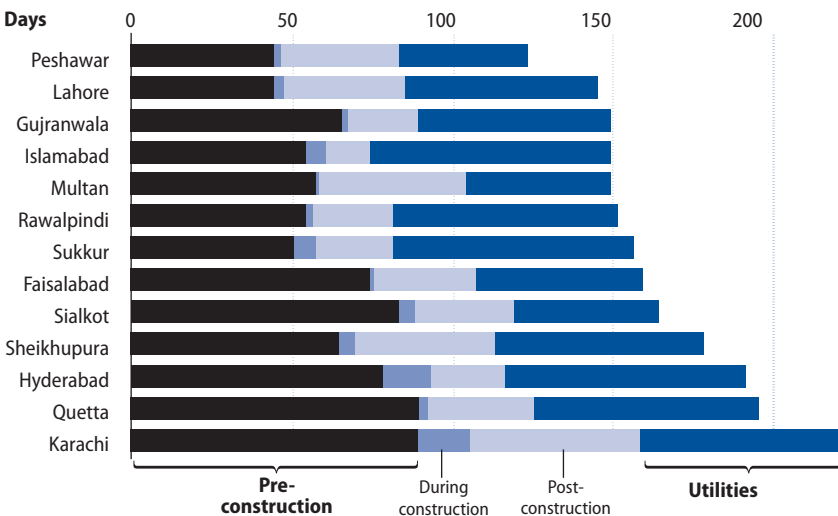
The number of steps to build a warehouse and hook it up to utilities ranges from 11 in Multan, Lahore, and Faisalabad to 15 in Sialkot. The process generally includes securing a land record, obtaining a building-plan approval, passing inspections during construction, connecting to the utilities and—once the construction is over—obtaining a certificate of completion. Some cities impose additional requirements. In Sialkot, applicants must obtain an environmental clearance for every non-residential project, irrespective of its scope or location. In Quetta, the town municipal administration inspects construction sites more frequently than in other cities.

The time required to deal with construction permits and utility connections varies considerably among cities. Obtaining all approvals takes 124 days in Peshawar, but almost twice as long in Karachi. Throughout the country, the most time-consuming procedures are those that take place during the pre-construction stage and when connecting to utilities (figure 3.3). Gathering the necessary documents and obtaining clearances to start construction can take up to 3 months in Karachi and Quetta. In contrast, in Lahore and Peshawar it takes one and a half months. In most cities, hooking up a newly built warehouse to the water, sewerage, and electricity networks, and obtaining a fixed telephone line takes at least 2 months. In Peshawar, Multan, Sialkot, and Faisalabad the process is up to 20 days faster.

Post-construction procedures are faster. Receiving the final inspection and obtaining a certificate of completion takes 14 days in Islamabad and longer than 3 weeks in Gujranwala and Hyderabad. In Karachi, where the process is slower, it takes 53 days. Variations in time reflect different workloads of

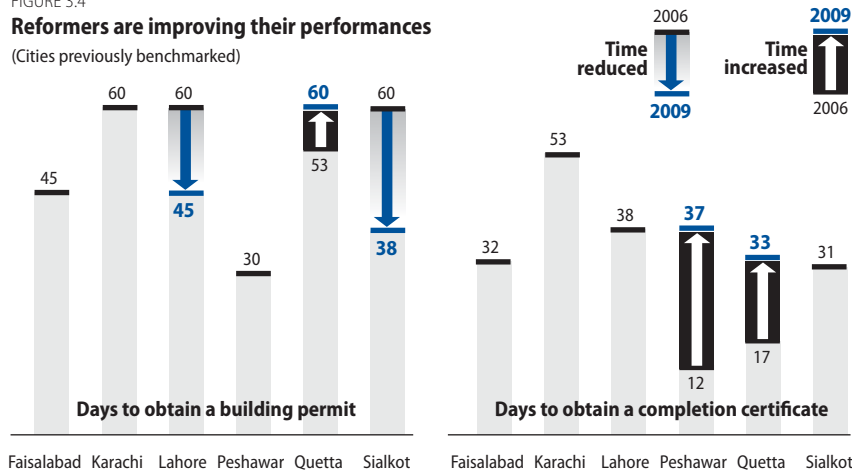
FIGURE 3.3

Pre-construction procedures and utility connections—biggest bottlenecks



Source: Doing Business database.

FIGURE 3.4
Reformers are improving their performances
 (Cities previously benchmarked)



Note: The reforms were implemented between April 2006 and December 2009.
 Source: Doing Business database.

town-planning offices as well as different organizational structures.

Reforming cities are becoming more efficient. After adopting the new building regulations, Sialkot has cut the time to obtain a building permit by 22 days. In Lahore, an entrepreneur must wait around 45 days to have a building plan examined and approved, compared to 60 days 3 years ago (figure 3.4). In Islamabad, where most construction-related applications can be submitted to the “One Window Operation” of the Capital Development Authority, obtaining a building permit takes no more than 45 days as well.

Where regulations and practices have not been modernized, the authorities cannot keep up with the growing demand that results from rapid urbanization. In Quetta, obtaining a building

permit takes 1 week more than it did 3 years ago, while the time to obtain a completion certificate has doubled. Similarly, obtaining a certificate of completion in Peshawar takes 3 times longer than 3 years ago.

Getting an electricity connection is slow across cities. Connecting a warehouse to the power system takes on average 40 days in Peshawar. It takes up to 5 weeks longer in Hyderabad, Sukkur, and Karachi. Comparing the situation to 3 years ago, the process is becoming increasingly time-consuming in a number of cities. In Quetta, it currently takes an average of 70 days; it took 41 days in 2006. The situation also worsened in Lahore and Faisalabad where the time has increased by 12 and 14 days, respectively, over the last 3 years.

On the other hand, entrepreneurs

across the country benefit from national reforms when applying for fixed telephone lines. Since the Pakistani Telecommunication Company Limited was privatized, applications for new phone connections can be submitted by phone or online. Processing times have been considerably reduced throughout the country, from 18 to 7 days on average between 2006 and 2009. Meanwhile, connection costs have dropped by 64.8%.

The cost of obtaining construction-related permits varies considerably by city. In Sheikhpura, the administrative costs of building a warehouse and hooking it up to utilities are 380.3% of income per capita. In Islamabad, the same process is more than twice as expensive, costing 797.9% of income per capita.

Variations among cities stem from staggering differences in fees for building permits and certificates of completion. All cities charge building permit fees, depending on the use and size of the building. The building permit for the warehouse in question costs PKR 70,000 (US\$ 1,065) in Lahore, Peshawar, Rawalpindi, and Sialkot and three times more in Hyderabad, where the development authority charges 6 different fees to process and validate the building plan as opposed to 1 or 2 in the other cities. After construction is completed, the certificate issued after the final inspection is free in most cities. However, authorities in Gujranwala, Hyderabad, and Islamabad charge fees between PKR 5,000 (US\$ 76) and PKR 70,000 (US\$ 1,065).

Finding out how much a construction permit costs and how the building process works is a challenge in itself. Development authorities and town municipal administrations do not make much information available online. And the available cost schedules are usually outdated. The Karachi Building Control Authority is a noteworthy exception. When visiting the KBCA website, builders can immediately consult master plans and city bylaws and download application forms.

TABLE 3.2
National and local reforms implemented in all cities benchmarked in 2006

	Adopted new building and zoning regulations	Improved telephone services*
Faisalabad, Punjab	✓	△
Karachi, Sindh		△
Lahore, Punjab	✓	△
Peshawar, Khyber Pakhtunkhwa		△
Quetta, Balochistan		△
Sialkot, Punjab	✓	△

✓ Local level △ National level

* National reforms reflected in *Doing Business in Pakistan 2010* by city.
 Note: The reforms were implemented between April 2006 and December 2009.
 Source: Doing Business database.

Getting information about utility connection fees is generally easier. All electric companies provide detailed information on costs and new connections online. Water and sewerage authorities in Karachi, Rawalpindi, Hyderabad, and Lahore have similar services.

Builders are more likely to comply with regulations when clear guidelines and fee schedules are easily available, when statutory time limits are enforced, and authorities held accountable. When regulation is predictable, companies spend fewer resources on chasing applications and paying bribes and more on meeting project deadlines and obtaining financing. Aware of this, development authorities and municipal administrations are embarking on reforms whose effects are yet to be felt. With the reform process set in motion, the challenge is now building institutional capacity to improve implementation.

WHAT TO REFORM?

CONTINUE RATIONALIZING THE CONSTRUCTION PLANNING AND APPROVAL PROCESS

Good regulations increase safety while encouraging businesses to operate formally. Honduras is one example. In 2007 the municipality of Tegucigalpa streamlined the process for obtaining a building permit. The following year revenue was up by 167%, an impressive result, especially because the construction growth rate was only 3.5% at the time.⁵ Since 2006, most cities in Punjab have adopted uniform zoning and building regulations that clarify the construction planning and approval process (table 3.2). In other cities, such as Hyderabad and Quetta, new regulations are soon to be implemented. The enforcement of modern regulations has often resulted in a sensible reduction of processing times for building permits. More cities should follow this example.

IDENTIFY AND ELIMINATE AREAS OF OVERLAP AMONG AGENCIES

Dealing with construction permits involves multiple agencies and approvals. Understanding how these agencies interact with one another and identifying and eliminating areas of overlap can be the first step toward speeding up approvals while maintaining control over the quality of construction. In the Kyrgyz Republic, for example, the Union of Builders mapped the approval processes of relevant agencies in 2007, identified bottlenecks, and proposed pragmatic solutions. Its detailed analysis helped persuade the central government to reform in 2008. In Hong Kong, China, 29 government agencies worked with focus groups to develop a comprehensive scheme identifying which procedures could be merged and simplified. Throughout this exercise, Hong Kong, China, managed to cut the number of procedures from 15 to 7—one of the most successful reforms in construction permitting.

Across Pakistan, the agencies administering bylaws and master plans and presiding over inspections and approvals often differ among neighborhoods of the same city. In Lahore, for example, the responsible town planning agencies include the Lahore Development Authority, Cantonment Board, and several Town Municipal Administrations. In smaller cities, the situation is not much different. This fragmentation is confusing for investors and detrimental to the implementation of master plans. In order to solve such problems, areas of competence should be clarified and simplified. Where possible, agencies performing similar functions should be merged.

RATIONALIZE INSPECTIONS

When city regulations envisage the same inspections for all types of buildings or contain vague inspection requirements, public agencies run the risk of not being able to supervise complex projects ef-

fectively. Smart regulations should ensure public safety and administrative efficiency. Complicated and risky projects, such as skyscrapers and industrial plants, require high security and control standards. On the other hand, simpler projects require a limited number of inspections at clearly identified stages of construction.

For a warehouse like the one described in our case study, some Pakistani cities require several inspections. Denmark requires only one, but this does not mean that buildings in Denmark are less safe. One way to make inspections more efficient is to change from a system of random inspections to a system of risk-based inspections, where inspections take place at critical phases of the construction process.

PROVIDE ON-THE-JOB TRAINING TO STAFF OF DEVELOPMENT AUTHORITIES AND MUNICIPAL ADMINISTRATIONS

As cities get bigger and building projects become more complex, development authorities and municipal administrations must update the technical skills of their staff. Assessing building applications and carrying out inspections requires a deep understanding of the bylaws and a considerable degree of technical know-how. Currently, such understanding and know-how are rare across different authorities and cities. Not all officers are confident in implementing the building and development control regulations and performing their duties. This lack of confidence has dire consequences on enforcement of regulations, master plans, and *outline development plans* and on the overall quality of inspections. In order to overcome such problems, public authorities should provide capacity training for their employees and increase coordination among different agencies to encourage the spillover of best practices.

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 2. Moullier, Thomas. 2009. *Reforming Building Permits: Why Is It Important and What Can IFC Really Do?* International Finance Corporation. Washington, D.C.: World Bank Group.
 3. <http://www.enterprisesurveys.org/>
 4. World Bank. 2009. *Doing Business 2010: Reforming Through Difficult Times*. Washington, D.C.: World Bank Group.
 5. World Bank. World Development Indicators.

Registering property

TABLE 4.1

Where is it easier to register property in Pakistan?

1	Faisalabad, <i>Punjab</i> (Easiest)	7	Rawalpindi, <i>Punjab</i>
1	Sialkot, <i>Punjab</i>	9	Peshawar, <i>Khyber Pakhtunkhwa</i>
3	Islamabad, <i>ICT</i>	10	Sukkur, <i>Sindh</i>
4	Lahore, <i>Punjab</i>	11	Hyderabad, <i>Sindh</i>
5	Sheikhupura, <i>Punjab</i>	11	Karachi, <i>Sindh</i>
6	Gujranwala, <i>Punjab</i>	13	Quetta, <i>Balochistan</i>
7	Multan, <i>Punjab</i>		

Note: Rankings are the average of the city rankings on the number of procedures, the associated time and cost (% of the property value) required to register property. See the Data notes section for details.

Source: *Doing Business* database.

Youssef, a jewelry maker, is planning to buy a new property in order to open a shop closer to his clients. He is torn between buying and registering his property officially, or just buying it unofficially, with cash and a handshake as the only proof of the transaction. Youssef knows that a valid property title can be used as collateral to obtain a loan, and offers better protection against fraud, eviction, or even destitution.¹ However, he also knows that registering property in Pakistan is quite burdensome and costly.

An efficient property system has benefits. With a formal property title, entrepreneurs have an incentive to invest in their property, or use it as guarantee to obtain credit and grow their businesses. A recent study in Peru finds that property titles are correlated with a 10% increase in loan approval rates for construction materials.² Banks prefer using land titles as collateral since a plot is impossible to move or hide.³ Property registration also benefits governments, as more property registered translates into higher property taxes revenues.

In 2009, it took 6 procedures and 50 days to transfer a property title in Karachi, at a cost of 7.2% of the property value. As a result, Pakistan—represented by Karachi—ranked globally 119th out of 183 economies on the ease of registering property in *Doing Business*

2010, behind India (93rd) or Malaysia (86th) (figure 4.1). In Saudi Arabia, the best performer for this indicator, only 2 procedures and 2 days are necessary to register property, at no cost at all. And registering property in Pakistan recently got more expensive. The Finance Law, enacted on July 1, 2009 increased the federal capital value tax from 2% to 4% across Pakistan. As a result, the cost for Karachi now jumped to 9.3%.⁴

Youssef would find it easier to register his property in Faisalabad, Sialkot, and Islamabad than in the rest of Pakistan (table 4.1). Due to differences in regulations and practices, local variations in procedures, time, and cost can be found (figure 4.1). Within Pakistan, good practices exist that could be emulated by less efficient cities.

In all 13 cities entrepreneurs such as Youssef must complete 6 procedures to register property. Five procedures are identical across the country: obtain a proof of ownership called a *fard* at the Revenue Office, purchase a stamp paper, pay the stamp duty and capital value tax at the bank, hire a deed writer to draft the sale deed and present the document to the registration office for final registration. One procedure differs from province to province. Only in the province of Sindh, must entrepreneurs publish the property transaction in a newspaper to invite ob-

jections. And only in the provinces of Punjab, ICT, Khyber Pakhtunkhwa, and Balochistan must they personally follow up on the transfer of property title with the *patwari*, the local official at the Revenue Office in charge of issuing the *fard* and completing the property transfer.

Local variations in time are more pronounced. Registering property is fastest in Lahore (30 days) and slowest in Quetta (52 days). These differences are due to two main reasons. First, Sindh's requirement to have a newspaper publication adds an additional 8 to 14 days to the total time needed to register property in Sukkur, Karachi, and Hyderabad. Second, the Revenue Office's efficiency in transferring the property title varies depending on the degree of computerization and workload. Transferring the property title is the most time-consuming procedure, accounting on average for

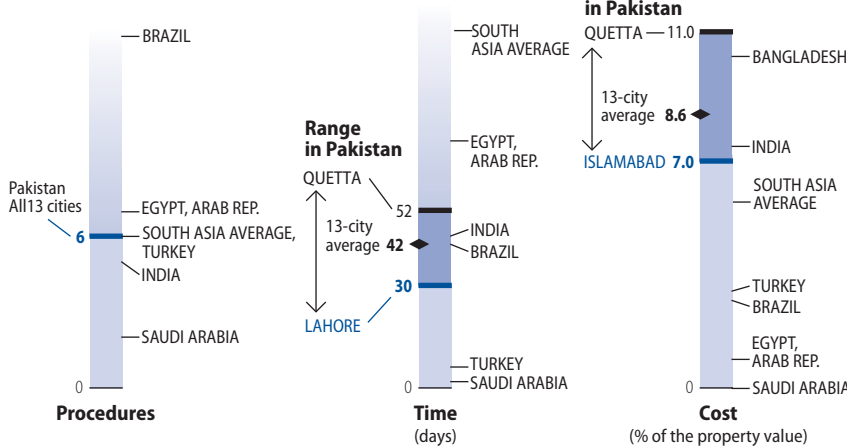
What is measured?

The *registering property* indicator records the sequence of procedures, time, and costs necessary to transfer a property title from one business to another, when a company purchases land and a building from another company. All procedures are recorded until the buyer can sell the property to another company, or use the property as collateral to obtain a loan. It is assumed that the property is registered and free of title dispute.

Note: See the detailed description of the standard case in the Data notes section.

FIGURE 4.1

Some cities have more efficient property registration



Source: Doing Business database.

71% of the total time needed to register property in Punjab (figure 4.2). In Sindh, this procedure is included within the register the sale deed procedure.

So far, Pakistan’s land records are predominantly paper based. The current system is a legacy of the reform-minded Emperor Akbar, who established the country’s first land-registration mechanism in the 16th century. Maintained for 500 years with few modifications, it relies on a filing system in place since the British Raj, and presently contains 190-million property titles, with details on 50-million landowners.⁵ These re-

ords remain under the custody of the *patwari*, who exercises complete control over them without much accountability.

In most of Pakistan, *patwaris* are obliged to physically read through 17 different files in order to check the ownership, transaction history, and owner’s genealogy as well as any unusual events—such as an outbreak of bird flu—recorded in the property’s “*Lal Kitaab*,” or “red book.” In addition, *patwaris* are not only responsible for land issues, but also for many other administrative and political tasks, such as keeping weather records, updating registered voters, and conduc-

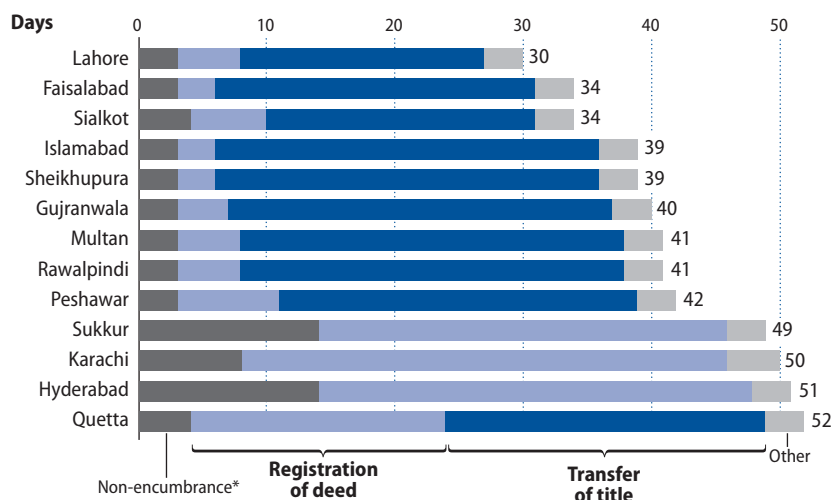
ting local immunization campaigns.⁶ Archaic filing systems, low accountability, and work overload combined can give rise to rent-seeking behaviors and delays.⁷

Where land records have been computerized, however, registrars and *patwaris* find it easier to check the ownership, register the transaction, and transfer the property title. This is the case in Lahore and Sialkot, which are reaping the benefits of their computerization efforts (table 4.2). Chosen as a pilot city for the government of Punjab, Lahore had computerized the revenue records of 57,000 acres of land belonging to 60,000 land owners by 2003.⁸ This reform is ongoing, and continuously improves the efficiency of Lahore’s registrars and *patwaris*. As a result, from 2006 to 2009, the time to register a deed and transfer a property title in Lahore decreased, by 3 and 4 days respectively (figure 4.3). A pilot program to computerize deed registration is also underway in Sialkot, which reduced registration time from 13 days in 2006 to 6 days in 2009.

But it is not the time that entrepreneurs such as Youssef are mostly worried about: it is the cost, substantially higher in Pakistan than South Asia’s average of

FIGURE 4.2

Transferring the property title at the Revenue Office is the most time-consuming procedure



* For Sindh cities, includes both “obtain Fard” and “publish the transaction in a newspaper.”
 Note: For Sindh cities, the procedure “Register sale deed” also includes the time needed to transfer the property title (shown in dark blue in other cities).
 Source: Doing Business database.

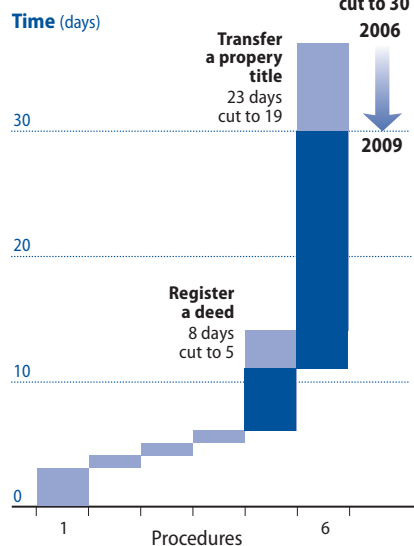
TABLE 4.2

National and local reforms implemented in all cities benchmarked in 2006

	Provincial or municipal reforms	Implementation of national reforms*
	Computerization of land records	Increase in Capital Value Tax rate
Faisalabad, Punjab		✘
Karachi, Sindh		✘
Lahore, Punjab	✓	✘
Peshawar, Khyber Pakhtunkhwa		✘
Quetta, Balochistan		✘
Sialkot, Punjab	✓	✘

✓ Local level △ National level ✘ Negative reform
 *Note: The reforms were implemented between April 2006 and December 2009.
 Source: Doing Business database.

FIGURE 4.3
Computerized land records cut the time to register property by 7 days in Lahore—the fastest in Pakistan



Note: The reforms were implemented between April 2006 and December 2009.
 Source: Doing Business database.

5.6%.⁹ Most economies impose one type of levy on transferring property titles, be it a stamp duty (Sri Lanka), a tax (Brazil) or an administrative fee (Turkey). In Pakistan, both central and local governments are competing for the few sources

of revenue available, which include property-related taxes.¹⁰ As a result, a Pakistani property buyer must pay four types of fees, collected by different levels of government: a provincial stamp duty and registration fee, a municipal urban immovable property tax (UIPT) levied by the Town Municipal Authority, and a federal capital value tax which, following the Finance Law of July 2009, increased from 2% to 4% of the property value.

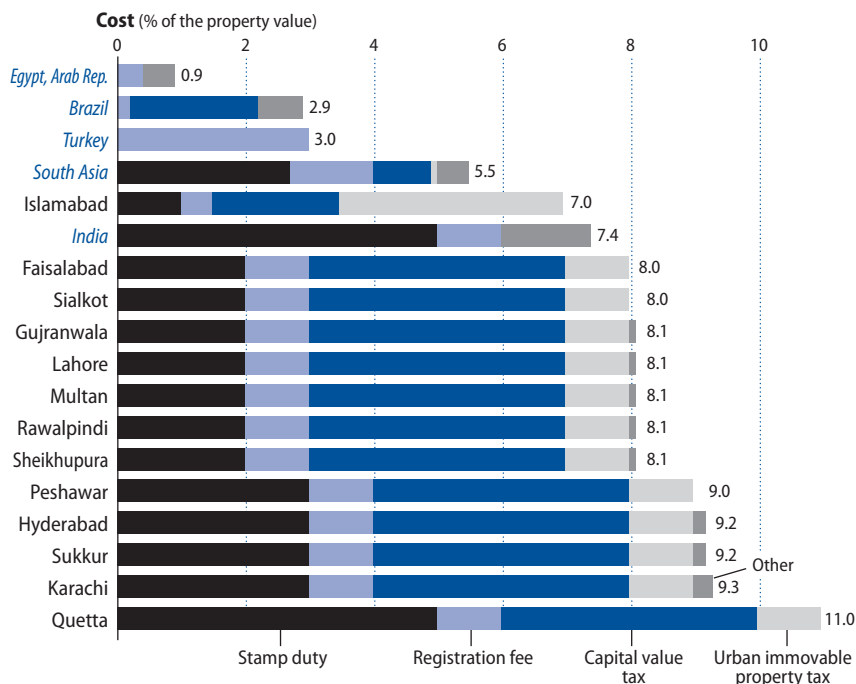
The capital value tax (4% of the property value), the urban immovable property tax (1%) and the registration fee (1%) are constant across Pakistan. Local variations arise from the stamp duty rates set at the provincial level: 2% of the property value in Punjab and Islamabad, 3% in Sindh and Khyber Pakhtunkhwa and 5% in Balochistan. Islamabad is an outlier, as it does not enforce the UIPT. As a result, it is cheapest to register property in Islamabad (7% of the property value) and most expensive in Quetta (11%) (figure 4.4).

Provincial governments have recently embarked on a series of reforms. The governments of Punjab and Balochistan

have initiated two computerization projects, called Land Record Management Information System (LRMIS) and Participatory Information System (PIS) respectively in selected pilot locations.¹¹ As part of the project, the selected Punjab districts abolished the old *fard*, allowing property buyers to obtain their *fard* online, submit their sale deed to the registrars electronically and see the property title transferred by the *patwaris* in no time. The project is now being expanded to other parts of the province, with the financial and technical support of the World Bank.

Some local initiatives are beginning to show results. Zubair Bhatti, a district coordination officer in Punjab, recently started asking all his *patwaris* to submit a daily list of transactions, including the payments received and the phone numbers of the buyers and the sellers. He then randomly called to ask if any of the parties had been asked to pay an unofficial fee. One *patwari* was soon convicted, following which buyers and sellers reported a sudden improvement in service.¹² Impressed by these results, Punjab's chief minister has ordered the immediate implementation of this practice to all districts of Punjab in order to reduce corruption and improve service delivery.

FIGURE 4.4
Registering property in Pakistan involves many different taxes and fees



Source: Doing Business database.

WHAT TO REFORM?

SIMPLIFY OR CONSOLIDATE PROCEDURES

All cities require the same five basic procedures to register property. Yet, entrepreneurs in every province must undergo one additional procedure: either publish the transaction in a newspaper in Sindh, or—in all other provinces—submit an application for the transfer of property to the Revenue Office.

These two procedures could easily be eliminated. Except for Sindh, all the other provinces have successfully done away with newspaper publication, and

rely instead on the *fard* to confirm that the property is free of encumbrances and disputes. Doing so would immediately reduce property registration time by 14 days in Hyderabad and Sukkur and 8 days in Karachi. As for the property transfer, the procedure should be *de facto* automatic, since the registrar forwards the sale deed directly to the *patwari*. It is only due to the Revenue Office's lack of efficiency that property buyers feel compelled to perform the procedure themselves. Computerizing land records and holding *patwaris* accountable would eliminate this procedure without the need for further regulation or legal reform.

In addition, some of the core five procedures could be streamlined. Across Pakistan, entrepreneurs still have to purchase stamp paper separately, on which the deedwriter drafts the sale deed. In India, 14 cities have successfully removed this requirement. Instead, the sale agreement between the parties is franked by the Subregistrar at the time of registration.

IMPROVE THE EFFICIENCY OF THE REVENUE OFFICE THROUGH COMPUTERIZATION AND GREATER ACCOUNTABILITY

The two procedures that take place at the Revenue Office — obtaining the *fard* and transferring the property title—account on average for 75% of the total time required to register property in Pakistan. Improving the efficiency of the *patwari* would speed up the process, and not only for property registration. A recent study revealed that landholders must access their land records between 2 to 10 times a year,¹³ for purposes as diverse as paying for a bail in court or applying for a credit.

Patwaris could work faster with a fully computerized land-record system, the most convenient way of registering property anywhere. When entrepreneurs can file their documents and local authorities can verify them with the click of a mouse, it reduces compliance time,

errors, and the number of interactions between the official and the applicant, each of which is an opportunity for corruption. The 14 economies that have moved from paper to computer in the past 5 years have cut the time needed to transfer property in half. This year, Angola is the most striking example: a 5-year computerization effort at the registry reduced the total time in Luanda from 334 to 184 days.¹⁴

In the meantime, another way to improve efficiency immediately is to hold *patwaris* accountable, as Zubair Bhatti has done. His experience shows that keeping local officials accountable and enforcing strict sanctions produces immediate results. Mauritius, the top reformer for this indicator, is a case in point. It successfully decreased the time needed to register property from 210 to 21 days in one year by simply imposing and enforcing a time limit of 15 days to settle and obtain the final property title. This reform alone has improved its global ranking from 131st in *Doing Business 2009* to 66th in *Doing Business 2010*.

REDUCE THE NUMBER OF FEES

Currently, a property buyer must pay four different taxes and levies to three different collecting entities, which are all competing for the same narrow tax base. To reduce the number of fees collected during property registration, Pakistan could consider deep structural reforms: broaden the tax base, enhance the revenue collection capacity of local governments, and clearly identify which authority is in charge of property-related taxes. Local governments could be entrusted with that task, since they have a comparative advantage in following land transactions, new building activities, and property price variations.¹⁵

The proposed reforms would be beneficial to entrepreneurs as well as to local governments. The current tax-collection system is inefficient. In Punjab, revenues from the urban immovable

property tax (UIPT) have hardly grown in the last 5 years,¹⁶ and whatever revenue is collected must be shared between multiple agencies. In Lahore, 5% of UIPT revenues go to the Excise and Taxation Department, 15% to provincial coffers, 50% to water authorities, 25% to the Town Municipal Authority and the rest to the Lahore Development Authority.¹⁷

INTRODUCE A FLAT FEE FOR STAMP DUTY

High costs provide an incentive for entrepreneurs to undervalue their property or evade registration altogether. This is the reason why 49 economies have reduced the cost of registering property since 2005. And reducing fees does not necessarily mean reducing revenues: Burkina Faso, the Indian state of Maharashtra, Mozambique, and the Arab Republic of Egypt lowered their fees yet increased their revenues due to the increase in transactions the reform triggered.¹⁸

Replacing the current fee system—based on the property value—with a fixed fee would reduce the incentive for property owners to undervalue their plot or evade registration. In 2007, the Arab Republic of Egypt replaced its 3% stamp duty with a low fixed fee. This triggered a surge in property registration that increased government revenues by 39% within six months after the reform was implemented.

In Pakistan, the benefits of a flat fee would go beyond cutting the cost of registering property. With a flat fee, registrars and *patwaris* would not need to spend as much time verifying the property value. This would speed up the registration process and significantly reduce the time needed to register property.

1. A recent study found landlessness to be positively correlated with poverty in Pakistan: Anwae, Talat; Qureshi, Sarfraz K.; and Ali, Hammad. 2004. *Landlessness and Rural Poverty in Pakistan*. Islamabad, Pakistan: Pakistan Institute of Deve-

lopment Economics.

2. De Soto, Hernando. 2000. *The Mystery of Capital: Why Capitalism Triumphs in the West and fails Everywhere Else*. New York: Basic Books.
3. World Bank. 2009. *Doing Business 2010: Reforming Through Difficult Times*. Washington, D.C.: World Bank Group.
4. This reform was implemented after the publication of the *Doing Business 2010* data, and will be reflected in the upcoming *Doing Business 2011* report.
5. Usman Qazi, Muhammed. April 2006. *Computerization of Land Records in Pakistan*. UNDP Asia-Pacific Development Information Program, case study.
6. Ibid.
7. Ibid.
8. "Data of City Land Records Completed". *Daily Times*. December 15, 2003. Available at http://www.dailytimes.com.pk/default.asp?page=story_15-12-2003_pg7_19
9. South Asia average includes Afghanistan, Bangladesh, Bhutan, India, Nepal, Pakistan and Sri Lanka.
10. For more details, see the chapter on Paying Taxes.
11. None of the cities in this study are part of the pilot project.
12. "Eureka Moments: A Special Report on Telecoms in the Emerging market". *The Economist*. September 24, 2009.
13. Usman Qazi, Muhammed. April 2006. *Computerization of Land Records in Pakistan*. UNDP Asia-Pacific Development Information Program, case study.
14. World Bank. 2009. *Doing Business 2010: Reforming Through Difficult Times*. Washington, D.C.: World Bank Group.
15. Bahl, Roy, and Cyan, Musharraf. August 2009. *Local Government Taxation in Pakistan*. Working Paper 09-09. Atlanta, GA: Andrew Young School of Policy Studies, Georgia State University.
16. World Bank. 2006. *Property Taxes in the Large Cities of Punjab Province, Pakistan*. Sustainable Development Department, South Asia Region. Washington, D.C.: World Bank Group.
17. Ibid.
18. Haidar Jamal. 2008. "Egypt: How to Raise Revenues by Lowering Fees." In World Bank, *Celebrating Reform 2008*. Washington, DC: World Bank Group and U.S. Agency for International Development.

Paying taxes

TABLE 5.1
Where is it easier to pay taxes in Pakistan?

1	Islamabad, <i>ICT</i> (Easiest)	3	Sheikhpura, <i>Punjab</i>
2	Quetta, <i>Balochistan</i>	3	Sialkot, <i>Punjab</i>
3	Faisalabad, <i>Punjab</i>	10	Peshawar, <i>Khyber Pakhtunkhwa</i>
3	Gujranwala, <i>Punjab</i>	11	Hyderabad, <i>Sindh</i>
3	Lahore, <i>Punjab</i>	11	Karachi, <i>Sindh</i>
3	Multan, <i>Punjab</i>	11	Sukkur, <i>Sindh</i>
3	Rawalpindi, <i>Punjab</i>		

Note: Rankings are the average of the city rankings on the number of payments, time and total tax rate. See the Data notes section for details.

Source: *Doing Business* database.

In 2009, the government of Pakistan issued its second Poverty Reduction Strategy Paper which laid out a comprehensive agenda to foster economic growth, invest in human capital and reduce income inequalities. To provide the financial means to realize Pakistan's ambitions, the strategy set the objective of raising the country's tax-to-GDP ratio from 10.4% of GDP in FY2007 to 13.9% of GDP in FY2012.¹

The task is daunting. Pakistan's tax-to-GDP ratio is among the lowest in the world,² as revenues are collected from a very narrow tax base. Only a few sectors and businesses are taxed. In addition, tax evasion is endemic. In 2007, only 2.3 million taxpayers were registered in a country of 156.7 million people, the equivalent of 1.5% of the population.³ "This is not surprising", sighs Aziz as he unrolls a prayer carpet, the best selling item of his little manufacturing company. "Taxes are not very high, but they change all the time, and it is difficult to understand the payment process! I spend hundreds of hours every year figuring out how much I owe to which authority. Many of my friends don't bother anymore."

Aziz's plight is backed by numbers. In Pakistan—as represented by Karachi in the global *Doing Business* report—it takes 560 hours and 47 payments to comply with all tax requirements, which

amount to 31.6% of commercial profits. The country ranks 143rd of 183 economies on the ease of paying taxes indicator, ahead of India (169th) and Sri Lanka (166th), but behind Egypt (140th), China (125th), and Malaysia (24th). In the Maldives, the best performer for the paying taxes indicator, Aziz would spend less than 1 hour and 9.1% of his profits on 1 single yearly tax (figure 5.1).

When it comes to paying taxes, there are not many local variations within Pakistan. As the bulk of tax revenues come from federal taxes and a few provincial taxes (professional tax, vehicle tax...), entrepreneurs in all cities but Islamabad spend the same amount of time on the same number of payments, for a cost that varies little (figure 5.2). Islamabad, which does not impose social security contributions, is an exception. It is easier to pay taxes in the capital than anywhere else in Pakistan (table 5.1).

Islamabad's total tax rate is lowest in Pakistan, amounting to 26% of commercial profits, compared to Balochistan (31.2%), Punjab (31.5%), Khyber Pakhtunkhwa (31.5%), and Sindh (31.6%) provinces. One reason is social security contributions, which add 6.8% to the total tax rate of the 12 cities that impose it, outside of Islamabad. Other sources of local variations are the vehicle and professional taxes, set at the provincial

level. Small entrepreneurs pay higher professional taxes in Sindh and Khyber Pakhtunkhwa (PKR 10,000 / US\$ 152) than in Punjab and Islamabad (PKR 5,000 / US\$ 76) and Balochistan (PKR 1,000 / US\$ 15). The vehicle tax is more costly in Punjab, Sindh and Islamabad (PKR 5,000 / US\$ 76) than in Khyber Pakhtunkhwa (PKR 2,500 / US\$ 38) and Balochistan (PKR 900 / US\$ 14).

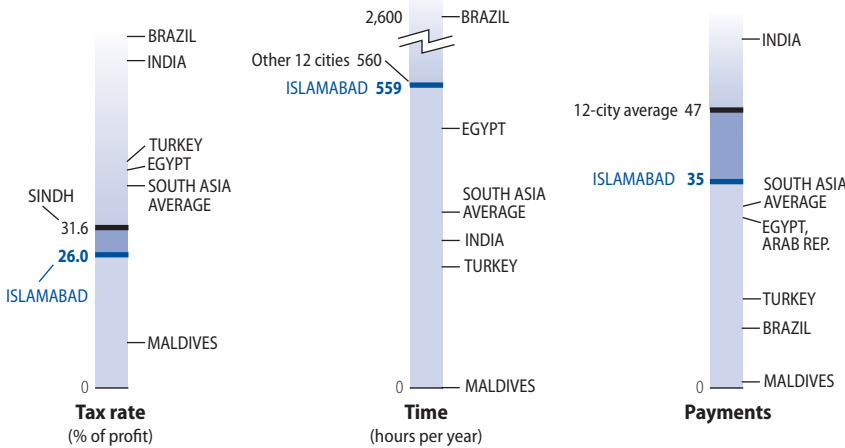
As Aziz rightly notes, taxes are relatively low in Pakistan. The 13 cities average total tax rate (31%) and profit taxes (14.6%) stand below the global average (48.3% and 18.2% respectively).⁴ Based only on its total tax rate, Pakistan would

What is measured?

The *paying taxes* indicator records all taxes and mandatory contributions that a medium-size company must pay in a given year. It also measures of the administrative burden of paying taxes and contributions. In doing so, *Doing Business* goes beyond the traditional definition of a tax because it measures imposts that affect business accounts, not government accounts. The main differences are in labor contributions and value-added tax. *Doing Business* measures government-mandated contributions paid by the employer to a required private pension fund or workers' insurance fund. *Doing Business* excludes value-added taxes from the total tax rate because they do not affect the accounting profits of the business—that is, they are not reflected in the income statement.

Note: See the detailed description of the standard case in the Data notes section.

FIGURE 5.1
It is easier to pay taxes in certain countries and certain cities



Source: Doing Business database.

rank 46th of 183 economies. These results reflect a decrease in the corporate income tax from 55% in 1992 to 35% by 2009.⁵ In addition, small companies pay a discounted corporate income tax rate, amounting to only 20% of taxable profits.

However, the compliance cost of taxes weighs heavily on small entrepreneurs like Aziz. Even without social security contributions, it still takes 558.5 hours –70 working days– to comply with all tax requirements in Islamabad, almost as long as in the other 12 cities (560 hours). The time Pakistani entrepreneurs spend each year on taxes is double the global average (286 hours) and South Asia’s average (285 hours). In all cities, most of that time is spent on preparing, filing and paying the sales tax (480 hours), whose tax code is very complex. The Sales Tax Act is also a volatile document. The Federal Bureau of Revenue, Pakistan’s central tax authority, can modify *ad hoc* several of its articles. 75 such changes were made between 1990 and 2007.⁶ This shifting set of rules increases compliance cost, and undermines the trust of taxpayers in the fiscal system.

It takes fewer payments to comply with tax requirements in Islamabad (35) than in the other cities (47). In addition to social security contributions, entrepreneurs across Pakistan must pay the

same combination of five federal and five provincial taxes. The country’s constitution empowers local governments to levy and administer their own taxes. However, since subnational governments rely heavily on federal grants for their finances, they have little incentive to develop their tax base, and the tax-collection capacity needed to collect the taxes devolved to them (such as the property tax, agricultural income tax, sales tax on services, etc...). While provincial governments account for 30% of national expenses, provincial taxes yield only 0.4% of GDP.⁷

Since 2002, Pakistan has embarked on a comprehensive overhaul of the administration of the Federal Bureau of Revenue in order to tackle tax evasion and facilitate tax filing and payments. The reform focused on strengthening taxpayer education, setting up three large taxpayer units and 16 regional tax offices in big cities, implementing an integrity strategy, conducting frequent taxpayer satisfaction surveys and introducing a Universal Self Assessment Scheme aimed at limiting interactions between taxpayers and tax officials. These reforms have yielded positive results on firms’ perception of the tax system. Only a quarter of the companies recently surveyed considered tax administration a major impediment in their business, compared

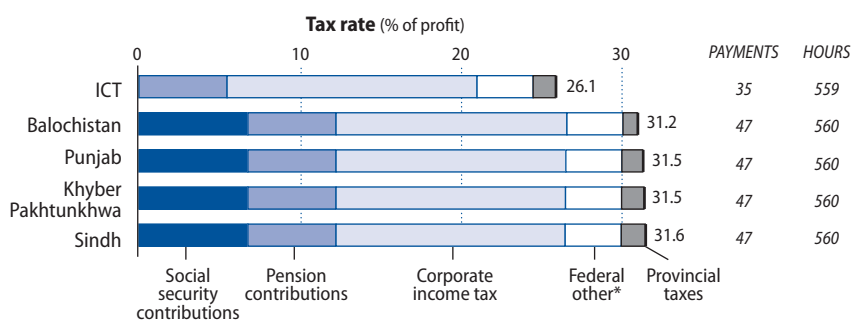
to 50% in 2002.⁸

The Federal Bureau of Revenue also implemented an Active Taxpayer List, which helps companies ensure that their suppliers and clients are listed with the Federal Bureau of Revenue, and launched a new website in 2007. On this new website, taxpayers can file and pay certain taxes online, such as income and sales tax. The impact on compliance was immediate. The number of companies enrolled with the Federal Bureau of Revenue for sales tax skyrocketed from 13,988 in 2007 to 83,031 in 2009.⁹ Currently, the e-filing system covers the payment of sales tax, and is being extended to income tax payments and withholding taxes. So far, only a portion of small companies resort to these online services. But—with deeper penetration—this reform has the potential to simplify the payment of taxes.

Despite recent changes, Pakistan’s tax system still suffers from several structural weaknesses. First, even though the country’s overall total tax rate is not high in comparison with other countries, the tax burden is unevenly distributed among taxpayers. The income-tax ordinance of 2001 contains 70 pages of exemptions¹⁰ which shelter many activities from taxation and lay the brunt of the fiscal burden on a few sectors, notably manufacturing.

Furthermore, most taxes are collected from a handful of large manufacturing firms. The preferential corporate income tax regime for small companies is based on an abrupt threshold—PKR 250 million (US\$ 3,802,280) in turnover and 250 workers¹¹—which may incite Pakistani companies to remain small and informal. One worker or one rupee over the limit immediately translates into tax increases.

FIGURE 5.2
Variations in tax burdens, time and number of payments by province



*Pakistan's sales tax is not included in the total tax rate, as it does not impact the company's commercial profits.
 Source: Doing Business database.

WHAT TO REFORM?

SIMPLIFY THE TAX SYSTEM AND BROADEN THE TAX BASE

A complex tax administration is costly, both for entrepreneurs who spend valuable time filing their tax and for the government who administers it. It is no wonder that 45 economies made it easier to pay taxes since June 2008, a 25% increase compared to the previous year.¹²

Pakistan could follow their example by eliminating the many exemptions and preferential treatments that riddle the sales-tax and income-tax codes, and often lead to tax evasion that erode fiscal revenues. The reform should simplify the tax system and broaden the tax base, thus reducing compliance and administration costs, boosting revenue collection and increasing accountability.

The government of Pakistan is envisaging replacing the existing sales tax, which is subject to *ad-hoc* changes, with a broad-based value-added tax (VAT) on goods and services. The VAT would allow for minimal exemptions and no domestic zero ratings, which would further clarify the country's tax structure. If implemented, it would be advisable to constrain the ability of the government to change critical features of the law (such as exemptions) without first going through parliament. This would prevent the VAT from having the same volatility as the current sales-tax law.

IMPROVE AUDIT CAPACITY

Tax evasion cannot be properly tackled if companies are not audited regularly. The Federal Bureau of Revenue has recently established an audit plan setting the path towards a reliable risk-based audit system. As a first step, the tax authorities selected a limited number of corporations for audit in FY2009-10. After evaluation of the operation, the number will be increased, and audit will be conducted based on taxpayer risk. Since no audit has been conducted in the last 5 years, the Federal Bureau of Revenue should strengthen its audit capacity by training new staff.

With risk-based audit systems, tax authorities audit only companies whose taxes returns reveal an anomaly or a significant risk of fraud. Coupled with a strict enforcement, appeal and review mechanism, a risk-based audit system would increase the probability of fraud to be caught and punished, and discourage tax evasion. As the website of a large Pakistani law firm claims: "In Allah we trust, others we audit."

FOCUS ON THE SEQUENCING AND COMMUNICATION OF REFORMS

Change always faces opposition from constituencies that benefit from the status quo. As such, the success of a reform depends as much on its political economy as on its engineering. International experience has shown that deep fiscal re-

forms succeed better when stakeholders who lose as a result of the change benefit from the reform at the same time,¹³ when steps are properly sequenced and when reform is backed by a clever communication strategy.

The government could develop a reform agenda focused on bringing in the gains early, namely increases in tax revenues, to offset the late losses.¹⁴ Broadening the tax base of the sales tax and income tax, for example, should take precedence over the rationalization of other taxes.

To bolster public support, the government could also make communication an integral part of the reform effort, as in Yemen. To win support for its tax-simplification program, the Yemeni government reached out to businesses via local chambers of commerce, held workshops to introduce the project to all stakeholders, partnered with the press to engage the public through simple messages in local languages, and avoided the sensitive time of the re-election campaign.¹⁵

PROVIDE INCENTIVES FOR LOCAL GOVERNMENTS TO DEVELOP A LOCAL TAX BASE

One of the fundamental principles of taxation states that people should be taxed according to the benefit they receive, and by the government that provides the service financed by the tax raised.¹⁶ In Pakistan, that is hardly the case: subnational governments do not raise the revenues for the services they provide, relying instead on federal grants.

The central government could encourage provinces to find reliable revenue sources. It could notably offer financial rewards—temporary higher federal grants, for example—to subnational governments who take the initiative to develop their local tax bases. Stronger local tax revenues would not only lighten the burden on central finances, but also increase tax revenues overall.

Several alternatives are possible. To

limit administration costs, subnational governments could focus on taxes that are easy to administer, such as income tax and vehicle taxes. Income and payroll taxes are the biggest source of local revenues in 13 OECD countries.¹⁷ A low broad-based property tax could also generate large revenues, even if it is more costly to administer.

KEEP EXPANDING THE ELECTRONIC FILING AND PAYMENT SYSTEM

When filing and paying taxes is just a click away, both the private and the public sector benefit. Electronic tax systems lower taxpayers' compliance costs, while helping the government improve data collection, reduce administrative costs, minimize errors, and administer refunds. This is why 18 economies introduced electronic filing and payment processes between June 2008 and June 2009.¹⁸

The Federal Bureau of Revenue already allows for the corporate income tax and the sales tax to be filed and paid on its website. In addition, it allows taxpayers to set up automatic bank transfers with the National Bank of Pakistan. This is a positive step, yet there is still room to expand the facilities offered to attract additional users. In order to encourage Pakistani taxpayers to use its online services, the Federal Bureau of Revenue is negotiating with the National Bank of Pakistan and private banks to set up automatic bank transfers and allow payments to be made through more banks than just the National Bank of Pakistan.

1. World Bank. July 2009. *Pakistan Tax Policy Report*. Report No. 50078-PK. Washington, D.C.: World Bank Group.
2. In 2010, in the Heritage Foundation "Economic Freedom" index. Pakistan ranked 155th out of 179 economies in terms of the tax revenue collection as a percentage of their respective Gross Domestic Products (GDP) or the Tax-to-GDP ratio.
3. Martinez-Vazquez, Jorge. 2006. Pakistan—A Preliminary Assessment of the Federal Tax System. Working Paper 06-24. Atlanta, GA: Andrew Young School of Policy Studies, Georgia State University.
4. World Bank. 2009. *Doing Business 2010: Reforming Through Difficult Times*. Washington, D.C.: World Bank Group.
5. This reduction in CIT rate is one of the factors that explain the country's recent increase in CIT revenues, from 1.2% of GDP in FY2000 to 2.5% in FY2007, according to the World Bank. July 2009. *Pakistan Tax Policy Report*. Report No. 50078-PK, Washington, D.C.: World Bank Group.
6. Thirsk, Wayne. December 2008. *Tax Policy in Pakistan: An Assessment of Major Taxes and Options for Reform*. Working Paper 08-08. Atlanta, GA: Andrew Young School of Policy studies, Georgia State University.
7. World Bank. July 2009. *Pakistan Tax Policy Report*. Report No. 50078-PK. Washington, D.C.: World Bank Group.
8. <http://www.enterprisesurveys.org/>
9. Official statistics provided by the Federal Bureau of Revenue in December 2009.
10. Alm, James, and Khan, Mir Ahmad. 2008. *Assessing Enterprise Taxation and the Investment Climate in Pakistan*. Working Paper, Atlanta, GA : Andrew Young School of Policy studies, Georgia State University.
11. Section 153 of the Income tax ordinance.
12. World Bank. 2009. *Doing Business 2010: Reforming Through Difficult Times*. Washington, D.C.: World Bank Group.
13. Martinez-Vazquez, Jorge. 2006. *Supra* note 3.
14. *Ibid.*
15. Rahman, Shaela. 2009. *Changing the Minds of Sceptics: How Strategic Communications Can Build Momentum for Tax Reform*. IFC Smartlessons. Washington, D.C.: World Bank Group.
16. World Bank. July 2009. *Pakistan Tax Policy Report*. Report No. 50078-PK. Washington, D.C.: World Bank Group.
17. Slack, Enid. 2006. *Fiscal Aspects of Alternative Methods of Governing Large Metropolitan Area*. Bird, Richard and Vailancourt, François (eds.). Perspectives on Fiscal Federalism. Washington, D.C.: World Bank Group, (pp. 101-122).
18. PriceWaterHouseCoopers and the International Finance Corporation (IFC). 2009. *Paying Taxes 2010: The Global Picture*. Washington, D.C.: World Bank Group.

Trading across borders

TABLE 6.1
Where is it easier to trade in Pakistan?

1	Karachi, <i>Sindh</i> (Easiest)	8	Peshawar, <i>Khyber Pakhtunkhwa</i>
2	Hyderabad, <i>Sindh</i>	9	Quetta, <i>Balochistan</i>
3	Sukkur, <i>Sindh</i>	10	Gujranwala, <i>Punjab</i>
4	Faisalabad, <i>Punjab</i>	11	Islamabad, <i>ICT</i>
5	Multan, <i>Punjab</i>	12	Rawalpindi, <i>Punjab</i>
5	Sialkot, <i>Punjab</i>	13	Lahore, <i>Punjab</i>
7	Sheikhupura, <i>Punjab</i>		

Note: Rankings are the average of the city rankings on the number of documents, time and cost to trade across borders. See the Data notes section for details.

Source: *Doing Business* database.

Sana, a 35-year-old entrepreneur from Quetta, has been designing traditional silk shawls for her friends and family since high school. Her unique style became very popular, and Sana eventually decided to start her own business. Her shawls' popularity grew, with orders coming in from as far away as the United Kingdom and Japan. Sana is trying to expand her business abroad, but is worried that the time and cost needed to export her goods will be too high. Her shawls must be transported by road to the seaport in Karachi (537 miles south of Quetta), where export may be delayed because of paperwork, administrative processes, and congestion, adding to the cost and time required for export.

Pakistan ranked 78th on the ease of trading across borders of the 183 economies measured by *Doing Business 2010*. In comparison to its neighbors, Pakistan performs relatively well, but much progress could still be made.

Exporting a container of textiles from Quetta through the port of Karachi requires 9 documents and takes 23 days. The cost is US\$ 619. In the rest of South Asia, the same process takes on average 8 documents, 32 days, and costs US\$ 1,364. In Singapore, the best performer, it would take Sana 4 documents, 5 days, and US\$ 456 to complete all export requirements.

An increasing number of Sana's shawls are produced with the help of machinery that is imported from China. In Quetta, importing a container of machinery requires an average of 8 documents and 21 days, with an average cost of US\$ 693. In the rest of South Asia, it would take 9 documents, 32 days, and US\$ 1,509. In Malaysia, the same process requires 7 documents and takes 14 days to complete, at a cost of US\$ 450.

Reducing the time and cost spent on paperwork, clearance procedures, port activities, and inland transportation would encourage entrepreneurs like Sana to sell their goods abroad. The more time-consuming the export or import process, the less likely that goods will be able to reach markets in a timely fashion. This affects businesses' ability to expand and create jobs. A recent study of 126 economies calculates the loss from export delays at around 1% of trade for each extra day. For perishable agricultural products like Pakistan's renowned mangos, the cost is nearly 3% of the volume of trade for each day's delay.¹

Among the 13 cities measured, Karachi is the best performer, followed by Hyderabad and Sukkur. Lahore, Rawalpindi and Islamabad are cities with lowest performance (table 6.1). What accounts for most of the disparities in time and cost is the distance that sepa-

rates each city from Karachi, where the two ports of reference—Port Qasim and Karachi Port—are located. Together, they account for more than 90% of Pakistan's external trade. Although Port Qasim is a newer port, there are no significant differences in terms of performance between the two ports.

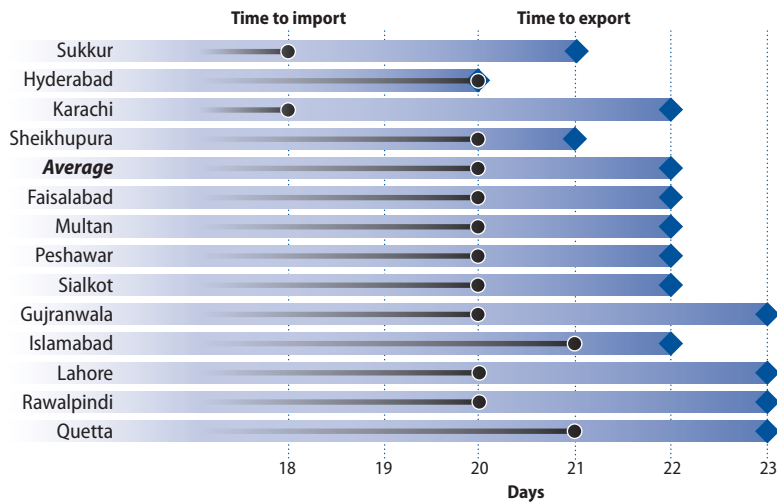
Despite significant variations in the distance of each city from the port of exit and entry, the time required to import and export a standard 20-foot container does not vary significantly among the 13 cities measured. On average, the export process takes 22 days, while the import procedures take 20 days. It is easiest to import and export from Karachi, where the country's major ports are located—22 days to export and 18 days to import—followed by Hyderabad and Sukkur. Exporting and importing a

What is measured?

The *trading across borders* indicator measures all procedural requirements, including the necessary documents and the associated time and cost (excluding trade tariffs) for exporting and importing a standardized cargo of goods by ocean transport. For exports, procedures range from packing the goods at the warehouse to their departure from the port of exit. For imports, procedures range from the vessel's arrival at the port of entry to the cargo's delivery at the factory warehouse. Payment is made by letter of credit.

Note: See the detailed description of the standard case in the Data notes section.

FIGURE 6.1
How long does it take to import and export a container to/from Pakistan?



Source: Doing Business database.

container takes the longest from Quetta (figure 6.1).

When it comes to the cost of exporting or importing, the distance to and from the port is a determining factor. There are substantial differences in the cost of trading across the 13 cities. It costs 57% more to import a container to Lahore (US\$ 1,088) than to Quetta (US\$ 693). Karachi is the cheapest city in which to conduct trading activities (figure 6.2).

Inland transportation, an important aspect of the trading process, is the major source of variation in the total time and cost needed to trade among

Pakistani cities. Although the trucking costs in Pakistan are relatively low in a global comparison, they are higher on some domestic routes due to a lack of competition. Traders using dry ports (inland terminals that are connected to sea ports via road or rail) also face higher costs, as they must use bonded carriers, who charge a higher fee for their services. Some traders are willing to pay higher fees if the services provided by dry ports and transport companies are of high quality.

There are many dry ports in Pakistan, but only a few of them are used frequently by traders. An example of a

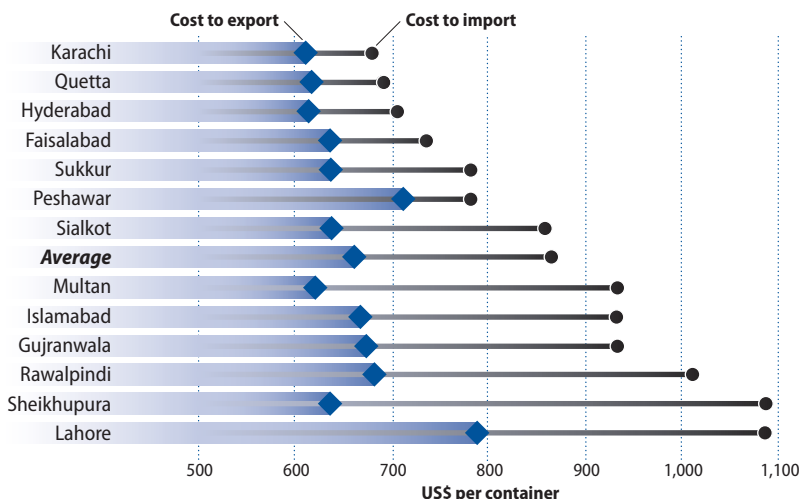
successfully operating dry port is the Sialkot Port Trust, which was established in 1984 by local entrepreneurs. The facility operates under a strict time-management system and allows traders to clear their goods at their doorstep, rather than in Karachi. Additional services include a fleet of custom-bonded vehicles as well as an online tracking facility, which enables customers to access information on their cargo in transit.

Many of the less frequently used dry ports are operated by Pakistan Railway. These dry ports are connected to the railway system, but are rarely used because of the limited frequency and reliability of cargo train services. Another concern is poor management in some of these dry ports, which can lead to delays. Traders using dry ports must use more expensive bonded carriers to ship their containers to the seaport. They are only willing to pay higher transportation fees in return for efficient clearance and transportation services in the dry ports. Since the services provided by most inland clearance facilities and transport companies do not meet their expectations, many traders prefer to clear their goods in Karachi instead.

Document preparation is by far the most time-consuming part of the import and export process. Paperwork consumes around half of the time required to export from all cities, regardless of their ranking (figure 6.3) and is equally time-consuming during the import process. Entrepreneurs spend on average 6 days to obtain bank-related documents and 5 to assemble all other related documents to export a standard container.

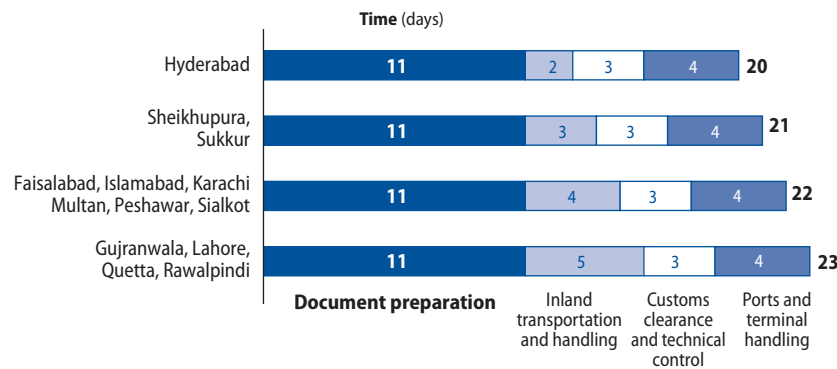
Pakistan has made efforts to improve the business environment for traders for the past three decades. The first initiative to computerize customs services began in 1979 and continued with the introduction of the Pakistan Revenue Automation Limited system in 1995 and an Express Lane Facility in 1998 to simplify the examination proce-

FIGURE 6.2
How much does it cost to import and export a container to/from Pakistan?



Source: Doing Business database.

FIGURE 6.3
Pakistani exporters spend most of their time on paperwork



Source: Doing Business database.

cedure. In 2000, an Electronic Assessment System was introduced, followed in 2002 by a Risk Indicated Selective Examination to assess risk in the examination procedure.

These efforts were continued in 2006, when the Pakistan Customs Computerized System was first piloted. The system was designed as an integrated platform aimed at streamlining the clearance process and was first rolled out at the Karachi International Container Terminal. The new system enabled traders to file documents before goods arrive at the port, and included a risk-management system, which has helped reduce the physical inspection of goods.

These reforms have been part of a larger National Trade Corridor Improvement Program, an ongoing, comprehensive government program aimed at re-

ducing the cost and time of exporting and importing goods. The program encompasses services, infrastructure, reforms, and investments in highways, trucking, ports and maritime transport, air transport, railways, and trade facilitation.

The reforms launched since the inception of the National Trade Corridor Improvement Program have been felt by many traders, who have seen the time spent on documentation and customs clearance reduced. The total time needed to import a container in Karachi has been reduced from an average of 39 days in 2006 to 18 days in 2010 (figure 6.4). This reduction in time affected trading procedures equally in all benchmarked cities that operate through the Karachi ports.

While the reforms undertaken to date have had a significant impact on

WHAT TO REFORM?

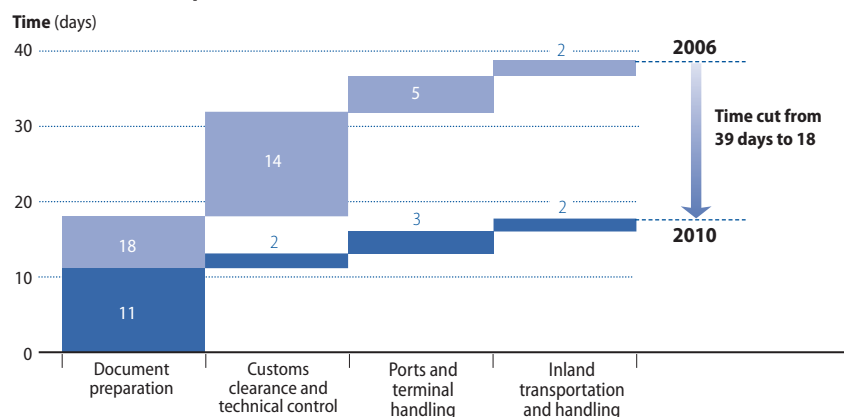
REDUCE AND STREAMLINE DOCUMENTATION REQUIREMENTS

Pakistani traders continue to spend too much time complying with burdensome paperwork. It currently takes 9 separate documents to export, and 8 to import a standard container. With an electronic customs declaration form already available, Pakistan could simply consolidate other information onto the form, in line with integrated systems in France or Hong Kong.

STRENGTHEN INLAND CLEARANCE FACILITIES

Well-functioning inland clearance facilities can improve the import and export process, as entrepreneurs can clear and ship their goods in their respective cities. There are already a number of inland container depots in Pakistan, but few of them are frequently used. Longer clearance times, insufficient capacity, and higher costs are the most common reasons leading traders to clear their containers at the seaport rather than in inland container depots. Reducing these delays and costs could lead to a higher volume of trade, and examples of well-functioning dry ports, like that in Sialkot, could be replicated in other facilities within Pakistan.

FIGURE 6.4
Time needed to import was reduced in Karachi




Note: The reforms were implemented between April 2006 and December 2009.
 Source: Doing Business database.

IMPROVE ELECTRONIC DATA INTERCHANGE SYSTEM

While the Pakistan Customs Computerized System has been piloted in Karachi, it has not been successfully rolled out throughout the country's customs posts, and continues to suffer from limited functionality. The nationwide implementation of a comprehensive, user-friendly, and interconnected electronic data interchange system would greatly facilitate the daily operations of importers and exporters in Pakistan.

IMPROVE INLAND TRANSPORTATION

While Pakistan continues to invest in the expansion and maintenance of its highway network, less attention has been paid to its existing railway network. An increasingly aging infrastructure and Pakistan Railways' reduced cargo services have contributed to a shrinking share of cargo transported by rail, falling to 4% of the overall freight market. Pakistani traders appreciate railway transport as a reliable means of shipment that connects Pakistan's main ports to many inland clearance centers, but they are often forced to use trucks instead, because of limited cargo services. Investments in infrastructure and equipment must go along with a stronger focus of management on freight operations in order to meet the large potential demand for dedicated freight services on Pakistan's tracks. The Pakistani government has taken a first step in this direction by acknowledging the potential for a competitive railway sector and has declared its intention to promote its development through the National Trade Corridor Improvement Program.

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1. Djankov, Simeon; Freund Caroline; and Pham, Cong. February 2010. "Trading on Time." *Review of Economics and Statistics* 92 (1): 166–73.

Enforcing contracts

TABLE 7.1
Where is it easier to enforce a contract in Pakistan?

1	Sukkur, <i>Sindh</i> (Easiest)	8	Lahore, <i>Punjab</i>
2	Faisalabad, <i>Punjab</i>	8	Peshawar, <i>Khyber Pakhtunkhwa</i>
3	Karachi, <i>Sindh</i>	10	Islamabad, <i>ICT</i>
4	Gujranwala, <i>Punjab</i>	10	Rawalpindi, <i>Punjab</i>
4	Multan, <i>Punjab</i>	10	Sialkot, <i>Punjab</i>
6	Sheikhupura, <i>Punjab</i>	13	Quetta, <i>Balochistan</i>
7	Hyderabad, <i>Sindh</i>		

Note: Rankings are the average of the city rankings on the procedures, time and cost to resolve a commercial dispute through the courts. See the Data notes section for details.

Source: *Doing Business* database.

An effective contract-enforcement regime and a well-functioning judiciary are essential pillars of a transparent, efficient, and globally integrated business environment. In the absence of efficient courts firms undertake fewer investments and business transactions. Weak judicial systems undermine commercial trust because firms and people will prefer to interact only with those whose trust they have gained through past interactions, inevitably reducing the scope of commercial activity. Problems associated with contract enforcement not only inhibit investments, they also work as disincentives against scaling up. Firms prefer to remain small, fearing that by growing in size they might invite more legal problems.

In many countries only the rich can afford to go to court. For the rest, justice is out of reach. In many developing parts of the world, a common obstacle to doing business is the absence of strong courts. As a result, 80% of the people turn to informal institutions to seek justice.¹ According to the World Bank's Enterprise Surveys, Pakistani firms identified courts as one of the top 10 constraints to firm investment, as important as political instability and access to finance in 2007.²

A recent study reports that judicial reform can have a big effect on court efficiency and entrepreneurship. In 2002,

the Pakistani government implemented a judicial reform to provide judges with more training. As a result, judges disposed of 25% more cases and the entry rate of new firms increased by 50%. The study suggests that this translates into an increase of Pakistan gross domestic product (GDP) by 0.5%.³ Recent research shows that a country's ability to enforce contracts is an important determinant of its comparative advantage in the global economy—among comparable economies, those with good contract enforcement tend to produce and export more customized, advanced products than those with poor contract enforcement.⁴

In June 2009, the National Judicial Policy came into effect across Pakistani provinces and cities to focus on justice at the grass-roots level. The new policy aims to ensure the judiciary's independence, clear the backlog of cases in the superior and subordinate courts, fix the time frame for disposal of civil and criminal cases and eradicate corruption. It is still too early to measure the degree of implementation and its effect across the cities.

Umar, who runs a stationary business in Pakistan, summarizes his experience with the courts: "I prefer dealing with buyers I know from previous dealings, instead of new ones, in case something comes up and I have to end up

in court." Umar's thoughts are probably shared by his colleagues across the 13 cities benchmarked, where it requires 47 procedural steps and takes on average 3.5 years (1,261 days) to enforce a simple commercial contract at a cost of 29.7% of the claim value. This performance is somewhat longer and more costly than in the South Asia region, where it takes on average 1,052.9 days, costs 27.2% of the claim value, and requires 43.5 procedural steps to enforce an identical contractual dispute. Resolving commercial disputes through the courts is more time-consuming in South Asia than any other region. It takes 679.9 days in the Middle East and North Africa and only 450.9 days in Eastern Europe and Central Asia (figure 7.1).

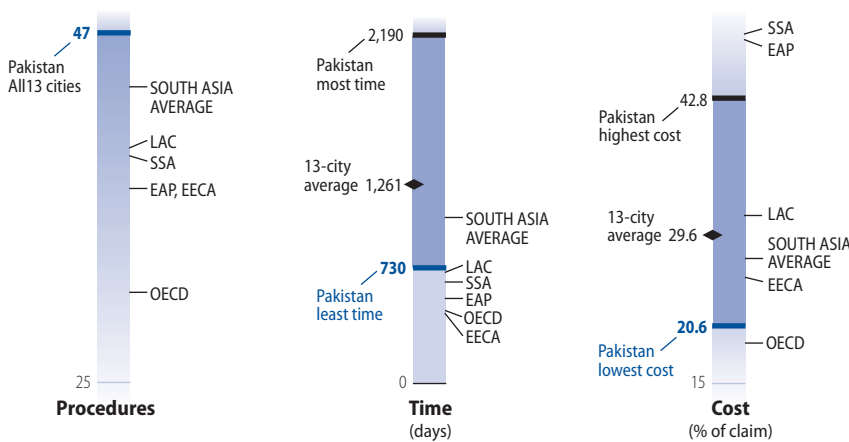
Resolving commercial disputes through the Pakistani courts is regulated mainly by a single federal law, the Civil

What is measured?

The *enforcing contracts* indicator measures the efficiency of the judicial system in resolving a commercial dispute, following the step-by-step evolution of a commercial sale dispute before local courts. It studies the time, cost, and number of procedures involved from the moment the plaintiff files a lawsuit, through trial and then judgment, until the actual payment through a public sale of the defendant's movable goods.

Note: See the detailed description of the standard case in the Data notes section.

FIGURE 7.1
Enforcing contracts in Pakistani cities compared globally



Note: EAP = East Asia & Pacific region, EECA = Eastern Europe & Central Asia region, LAC = Latin America and Caribbean region, SSA = Sub-Saharan Africa region.
 Source: *Doing Business* database.

Procedure Code 1908 (C.P.C). As a result, procedural steps are the same—it takes 47 procedural steps to enforce a contract irrespective of the court’s location within Pakistan. Based on the *Doing Business* case study, Pakistan’s performance on the number of procedures is relatively weak compared with global best practices. In Singapore it takes only 21 steps, 24 in Hong Kong, China—the top ranking economy for enforcing contracts—and 31 in the OECD economies. Some would argue that more formal procedures in dispute resolution ensure that due process is followed and justice is done. The evidence suggests otherwise. The more complex the procedures to resolve disputes, the less likely firms are to report that judges are impartial and court decisions fair.⁵

Despite the identical laws and regulations of the court system at the national level, the time and cost needed to enforce a contract vary among the different cities. This is because enforcing a contract depends on a combination of various elements: the governing rules and implementation of directives; court performances and budgets, depending on location; and the provision of legal services. An entrepreneur would have to wait for 6 years to enforce a contract in Peshawar. This is the longest time among the cities measured—2 years more than in Quetta and almost 3 times longer than in Nepal (735 days). In Sukkur, where contract enforcement is easiest (table 7.1), she would have to wait for 2.9 years (a total of 1,060 days) before getting the

judgment satisfied, which is similar to the time it takes in the Arab Republic of Egypt (1,010 days).

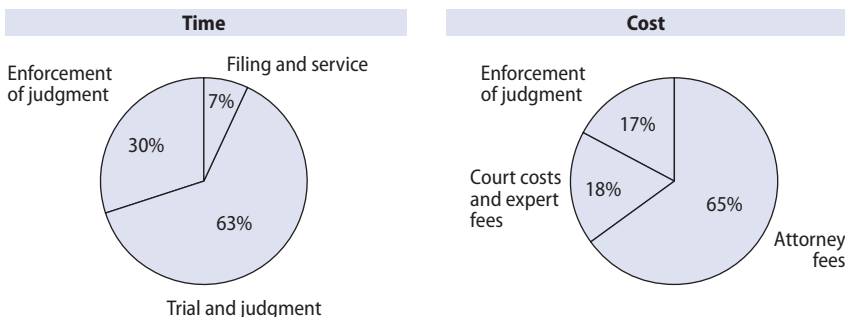
In measuring the time it takes to enforce a contract, *Doing Business* analyses the entire commercial litigation process for a standardized case study, from filing and serving court papers; through the pretrial and trial process, including judgment; up to the satisfaction of the judgment through a public sale of the defendant’s movable goods. Through this analysis, the bottlenecks in the dispute resolution process are identified.

The filing and service period in most cities takes on average 42 days. Filing and service of initial court documents in Gujranwala and Rawalpindi takes 40 to 45 days. The process takes longest in Peshawar and Karachi—90 and 96 days respectively—3 times longer than in Islamabad and Faisalabad. Litigants in Peshawar explain that provision of documents is time-consuming.

In all the cities measured, the time needed to go through a trial and obtain judgment is the most burdensome. On average, the trial and judgment phase for a contractual dispute takes about 840 days or 66% of the total time to enforce the contract. This is not unique to Pakistani cities and is similar to neighboring Indian cities and many developing economies across the world. The distribution of the time and cost involved in enforcing a contract across 183 economies shows that the trial and judgment period accounts for 63% of the total time (figure 7.2).⁶ In Islamabad, the trial and judgment takes 1,000 days of the total time of 1,395 days needed to enforce a contract, similar to Dhaka (1,047 days) and Mumbai (1,095 days). In Hyderabad it takes about 830 days of the total time of 1,460 days, twice as long as in Riyadh (365 days) (figure 7.3). The trial and judgment are followed by enforcement proceedings through a public auction. The time needed to enforce judgment is on average 378 days. In Faisalabad it

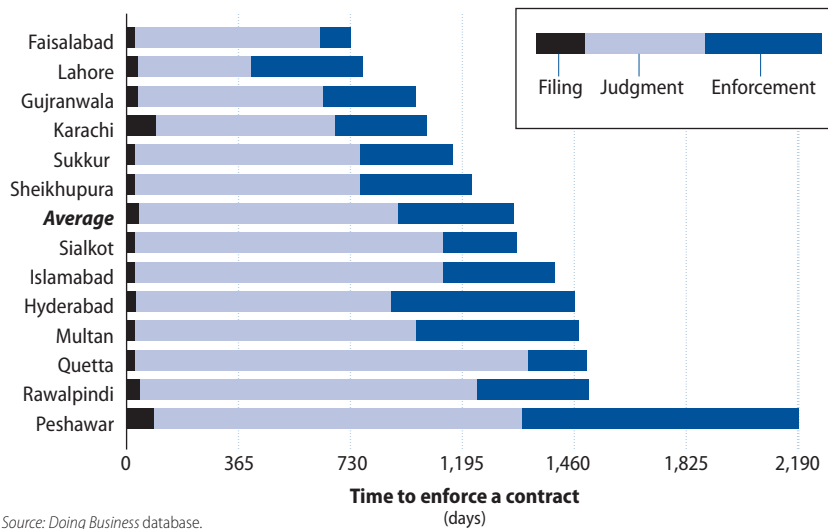
FIGURE 7.2
Trial and judgment take about two-thirds of the time to enforce a contract

Distribution of time and cost to enforce a contract across 183 economies



Source: *Doing Business* database.

FIGURE 7.3

Wide variation in time to enforce a contract

Source: Doing Business database.

takes 100 days, whereas in Peshawar it can take up to 900 days. This is due to a combination of factors: in Peshawar judges are frequently transferred, there is not enough court capacity compared to other cities, and there is a more limited market for the public sale of the defendant's movable goods.

Practitioners point out that if the entrepreneur regularly follows her suit she can get a judgment sooner than if she files her case and just waits, which could take 5 years or even longer. Following the case implies that she attends all hearings, makes sure that any court or other dates

are set within reasonable time periods, and that her case is at the top of the judge's case list. Add to this the number of adjournments and delays, which can substantially slow down the trial. "It is easy to get an adjournment and to extend the case with one pretext or another," says Sohail, a lawyer in Punjab. The law does not limit the number of adjournments that a party may be given or provide for a mandatory period during which judgments must be delivered.

The costs of a commercial dispute include attorney fees, court fees and enforcement fees. Costs vary signifi-

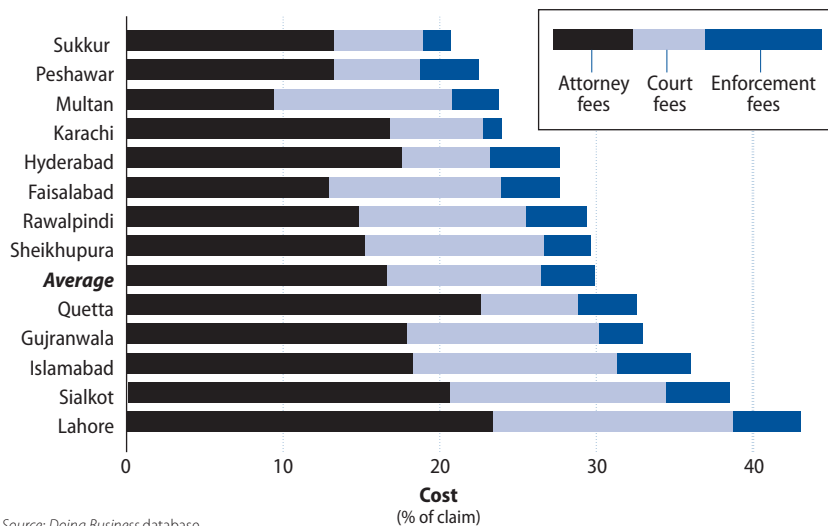
cantly across the cities benchmarked. It is cheapest in Sukkur (20.6% of the claim value) and most expensive in Lahore (42.8% of the value of the claim)—one of the largest cities, where attorney fees are among the highest (figure 7.4). The cost in Sukkur is similar to the cost in Canada and New Zealand (22% of the value of the claim), while Lahore is comparable to Kenya (47% of the value of the claim).

Court fees include case filing fees, expert fees, and other court costs. Filing fees are set by the Court Fees Act in the respective provinces and cities, and are the second highest cost after attorney fees. Expert fees are also set by the court. Court fees are cheaper across the cities in the Sindh, Balochistan, and Khyber Pakhtunkhwa provinces, but are more expensive in Punjab. An entrepreneur spends only 5.4% of the value of the claim on court costs in Peshawar and 5.6% in Sukkur and Hyderabad but almost twice as much in Faisalabad (11.0% of the value of the claim), Sheikhupura, and Multan (11.4% of the value of the claim).

Enforcement fees include registering the judgment, organizing the public sale of the goods, and other enforcement costs. It is cheaper to go through enforcement proceedings in Karachi at a cost of 1.2% of the claim value and most expensive in Islamabad at 4.6%. This is explained by the higher costs associated with publication in the newspaper and public sale of the defendant's movable goods.

Running an efficient court system is by no means an easy task; it poses a continuous challenge even to more industrialized countries. Economies that score well on the ease of enforcing contracts keep courts efficient by streamlining case-processing from filing through appeals. They make enforcement of judgments faster and cheaper by introducing early-settlement options, case-management systems, strict procedural time limits, and specialized commercial courts. Pakistan can learn from some of these reforms.

FIGURE 7.4

Cost to enforce a contract

Source: Doing Business database.

WHAT TO REFORM?

SET UP SPECIALIZED COURTS OR COMMERCIAL DIVISIONS IN EXISTING COURTS

Pakistani courts hear both civil and criminal matters, thereby slowing down the process for specialized commercial matters. Setting up separate commercial courts or establishing specialized commercial chambers in existing courts, can reduce the time and cost involved in commercial contract enforcement. Where a limited number of commercial cases need to be handled, specialized commercial sections provide a less expensive alternative to specialized commercial courts. For example, in Cairo a one-step filing procedure was introduced in the busiest first-instance court to increase efficiency and reduce opportunities for bribes. The whole initiative, including relocation and training of staff, the creation of new forms and some building renovations, cost less than US\$ 1,000,000. In the 7 African countries that introduced commercial courts or sections in the past 5 years—Burkina Faso, the Democratic Republic of Congo, Ghana, Mauritania, Mozambique, Nigeria, and Rwanda—the average time needed to resolve a commercial dispute dropped by about 19%. Mozambique, the top reformer in enforcing contracts in *Doing Business 2009*, reduced the average time to resolve a commercial dispute from 1,010 days to 730.

IMPROVE CASE MANAGEMENT AND MONITOR IMPACT OF REFORMS

Pakistani courts are missing detailed tracking of the number of commercial cases being handled and disposed of, the clearance rate on how long cases take to be resolved, and the time it takes for different types of commercial cases to move through the court process. Statistical information helps assess court performance. Such statistics will inform management decisions and the develop-

ment of improved policies and recommendations for judicial reform. Improved statistical capacity will also allow for careful analysis of the actual impact of the ongoing reforms such as the National Judicial Policy. This effort can also assist in optimal case assignment and promotion criteria for judges.

INTRODUCE TIME LIMITS

Pakistan can introduce reforms that have been adopted by other countries. In 2002 the Russian Federation revised its commercial procedural code. The most significant innovation was to set strict mandatory time limits: 2 months for a full hearing and 1 month for accelerated procedures. Most Central Asian countries introduced similar deadlines. Judges are held accountable for respecting the deadlines, with those who do best standing better chances for promotion. Not surprisingly, of the 10 economies with the fastest times to enforce a contract, half are in Eastern Europe and Central Asia. Other examples include Algeria, which amended its procedural rules to reinforce procedural time limits. Norway is also enforcing its procedural deadlines more strictly, with judges required to justify delays if cases are not resolved within 6 months. Finally, Portugal reviewed its law on the execution of judgments, allocating more power to bailiffs allow judges to concentrate on sentencing.

REDUCE CASE BACKLOG

The backlog of cases in the Pakistani judicial system and the long trial and judgment periods have also been affected by the lawyers' movement in the past 2 years. Many cases are awaiting trial and dormant cases are taking up space in the court registries. Macedonia, FYR, and Botswana, both active reformers in *Doing Business 2009* and *Doing Business 2010*, are examples of countries that faced case backlogs and introduced bold measures to tackle them. In Botswana, judicial officers set aside a number of

days to conduct roll calls on old cases and dismissed the unresponsive ones.⁷ The reform is too recent for progress to be measured. In Macedonia, FYR, the number of cases pending for more than 3 years was reduced by 46%. Litigants in longstanding disputes were summoned to appear in court on set days and if neither appeared, the case was dismissed. As a result of this reform the time to enforce a contract in court dropped from 509 days to 385 days.⁸

Similarly, *Doing Business in Colombia 2008* reported that one of the main causes of backlogs was the high percentage of inactive cases due to inactivity by either party. To address this problem, Congress issued a law in May 2008 that sets forth mechanisms for judges to dismiss cases whenever there is no activity on behalf of the parties. *Doing Business in Colombia 2010* reports that as a result of the application of this law, judges in 150 municipal courts in Colombia have dismissed almost 32,283 cases. Furthermore, in civil courts—at the municipal and circuit level—a total of 43,948 cases have been dismissed as of June 2009, that is, 12.2% of the total inventory of inactive cases.⁹

STRENGTHEN THE ALTERNATIVE DISPUTE RESOLUTION (ADR) SYSTEM

The use of ADR affects court performance to the extent that it reduces court caseload. In 2007, the International Finance Corporation in collaboration with the Ministry of Law and Justice, the government of Pakistan, and the Sindh High Court established the Karachi Centre for Dispute Resolution (KCDR)¹⁰ as a venue for settling disputes through ADR and mediation mechanisms. KCDR serves as the only organization in Pakistan with expertise in mediation and training services and offers its facilities for arbitrations. To date, KCDR has helped resolve 905 disputes and assets worth US\$ 27,000,000 have been released.¹¹ This is an example of an ADR set-up that has

worked well and something the rest of the cities in Pakistan can learn from.

Strengthening ADR mechanisms in Pakistan can reduce court burdens and create cheaper and speedier options for resolving disputes. The National Judicial Policy encourages courts to make use of section 89A of the Civil Procedure Code to resolve disputes through ADR including conciliation, mediation, or arbitration.

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 2. World Bank. Enterprise Surveys. Pakistan Country Profile. Available at <http://www.enterprisesurveys.org/>
 3. Chemin, Matthieu. 2009. "The Impact of the Judiciary on Entrepreneurship: Evaluation of Pakistan's Access to Justice Programme." *Journal of Public Economics* 93: 114–15.
 4. Nunn, Nathan. 2007. "Relationship-Specificity, Incomplete Contracts, and the Pattern of Trade." *Quarterly Journal of Economics* 122 (2): 569–600.
 5. Based on the analysis of the *Doing Business 2005* indicators, with indicators of judicial impartiality from the Economic Freedom of the World; Batra, Geeta; Kaufmann, Daniel; and Stone, Andrew. 2003. *Investment Climate Around the World: Voices of the Firms from the World Business Environment Survey*. Washington, D.C.: World Bank Group.
 6. World Bank. 2009. *Doing Business 2010: Reforming through Difficult Times*. Washington, D.C.: World Bank Group.
 7. Case Management System introduced in Botswana on February 1, 2008.
 8. World Bank. 2006. *Doing Business 2007: How to Reform*. Washington, D.C.: World Bank Group.
 9. Statistics provided by the Superior Council of the Judicature; World Bank. 2010. *Doing Business in Colombia 2010*. Washington, D.C.: World Bank Group.
 10. <http://www.kcdr.org/aboutus.htm>
 11. Statistics provided by the Karachi Centre for Dispute Resolution (KCDR).

Data notes

ECONOMY CHARACTERISTICS

GROSS NATIONAL INCOME (GNI) PER CAPITA

Doing Business in Pakistan 2010 reports 2008 income per capita and population as published in the World Bank's *World Development Indicators 2009*. Income is calculated using the Atlas method (current US\$). For cost indicators expressed as a percentage of income per capita, 2008 GNI in local currency units is used as the denominator. For cost indicators expressed as a percentage of income per capita, 2008 GNI in local currency units is used as the denominator.

Pakistan's GNI per capita in 2008 = US\$ 981.3

EXCHANGE RATE

The exchange rate used in this report is: 1 US\$ = 65.75 PKR (Pakistani rupee). The exchange rate is the same as in *Doing Business 2010: Reforming Through Difficult Times*.

REGION AND INCOME GROUP

Doing Business uses the World Bank regional and income group classifications available at <http://www.worldbank.org/data/countryclass>. Throughout the report the term rich economies refers to the high income group, middle income economies refers to the upper middle income group and poor economies refers to the lower middle and low income groups.

The indicators presented and analyzed in *Doing Business in Pakistan 2010* measure government regulation and the protection of property rights—and their effect on businesses, especially small and medium-sized domestic firms. First, the indicators document the degree of regulation, such as the number of procedures to start a business, to construct a warehouse or to register commercial property. Second, they gauge regulatory outcomes, such as the time and cost to enforce a contract and to trade across borders. They also document the tax burden on business. For details on how the rankings on these indicators are constructed, see “Ease of Doing Business” at the end of this section.

In this project, *Doing Business* indicators benchmarked 13 Pakistani cities—the complete list is available in the content page. The data for all sets of indicators in *Doing Business in Pakistan 2010* are for December 2009. The data presented in this report for Karachi and other countries is based on the global report *Doing Business in 2010: Reforming through Difficult Times*.

METHODOLOGY

The *Doing Business in Pakistan 2010* data are collected in a standardized way. To start, the *Doing Business* team, with academic advisers, designs a survey. The survey uses a simple business case to ensure comparability across countries and over time—with assumptions about the legal form of the business, its size, its location and the nature of its operations. Then the survey is customized to the particular case of Pakistan. Surveys are administered through more than 350 local experts, including lawyers, business consultants, architects, accountants, freight forwarders, government

officials and other professionals routinely administering or advising on legal and regulatory requirements. These experts have several rounds of interaction with the *Doing Business* team, through conference calls, written correspondence and country visits. For *Doing Business in Pakistan 2010* the team members conducted visits to Pakistan to meet with senior members of the local and national governments and introduce the project, its components, and expected outputs, and to provide the necessary training to local experts on the *Doing Business* methodology and questionnaires. The team also invited local government officials to review the preliminary results and offered them a right of reply period. The data from surveys are subjected to numerous tests for robustness, which lead to revisions or expansions of the information collected.

The *Doing Business* methodology offers several advantages. It is transparent, using factual information about what laws and regulations say and allowing multiple interactions with local respondents to clarify potential misinterpretations of questions. Having representative samples of respondents is not an issue, as the texts of the relevant laws and regulations are collected and answers checked for accuracy. The methodology is inexpensive and easily replicable, so data can be collected in a large sample of economies. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. Finally, the data not only highlight the extent of specific regulatory obstacles to doing business but also identify their source and point to what might be reformed.

LIMITS TO WHAT IS MEASURED

The *Doing Business* methodology applied to *Doing Business in Pakistan 2010* has 4 limitations that should be considered when interpreting the data. First, the data often focus on a specific business form—generally a limited liability company (or its legal equivalent) of a specified size—and may not be representative of the regulation on other businesses, for example, sole proprietorships. Second, transactions described in a standardized case scenario refer to a specific set of issues and may not represent the full set of issues a business encounters. Third, the measures of time involve an element of judgment by the expert respondents. When sources indicate different estimates, the time indicators reported in *Doing Business* represent the median values of several responses given under the assumptions of the standardized case.

Finally, the methodology assumes that a business has full information on what is required and does not waste time when completing procedures. In practice, completing a procedure may take longer if the business lacks information or is unable to follow up promptly. Alternatively, the business may choose to disregard some burdensome procedures. For both reasons the time delays reported in *Doing Business in Pakistan 2010* could differ from the perceptions of entrepreneurs reported in the World Bank Enterprise Surveys or other perception surveys.

Most laws and regulations underlying the *Doing Business* data are available on the *Doing Business* website at <http://www.doingbusiness.org>. All the sample surveys and the details underlying the indicators are also published on the website. Questions on the methodology and challenges to data can be submitted through the site's “Ask a Question” function.

STARTING A BUSINESS

Doing Business in Pakistan 2010 records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business. These include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities.

After a study of laws, regulations and publicly available information on business entry, a detailed list of procedures is developed, along with the time and cost of complying with each procedure under normal circumstances and the paid-in minimum capital requirements. Subsequently, local incorporation lawyers and government officials complete and verify the data.

Information is also collected on the sequence in which procedures are to be completed and whether procedures may be carried out simultaneously. It is assumed that any required information is readily available and that all agencies involved in the start-up process function without corruption. If answers by local experts differ, inquiries continue until the data are reconciled.

To make the data comparable across countries, several assumptions about the business and the procedures are used.

ASSUMPTIONS ABOUT THE BUSINESS

The business:

- Is a limited liability company. If there is more than one type of limited liability company in the country, the limited liability form most popular among domestic firms is chosen. Information on the most popular form is obtained from incorporation lawyers or the statistics' office.
- Operates in the country's selected cities.
- Is 100% domestically owned and has 5 owners, none of whom is a legal entity.
- Has a start-up capital of 10 times income per capita paid in cash.
- Performs general industrial or commercial activities, such as the production or sale of products or services to the public. The business does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. It is not using heavily polluting production processes.
- Leases the commercial plant and offices and is not a proprietor of real estate.
- Does not qualify for investment incentives or any special benefits.
- Has at least 10 and up to 50 employees 1 month after the commencement of

operations, all of them nationals.

- Has a turnover of at least 100 times income per capita.
- Has a company deed 10 pages long.

PROCEDURES

A procedure is defined as any interaction of the company founder with external parties (for example, government agencies, lawyers, auditors or notaries). Interactions between company founders or company officers and employees are not counted as procedures. Procedures that must be completed in the same building but in different offices are counted as separate procedures. If founders have to visit the same office several times for different sequential procedures, each is counted separately. The founders are assumed to complete all procedures themselves, without middlemen, facilitators, accountants or lawyers, unless the use of such a third party is mandated by law. If the services of professionals are required, procedures conducted by such professionals on behalf of the company are counted separately. Each electronic procedure is counted separately. If 2 procedures can be completed through the same website but require separate filings, they are counted as 2 procedures.

Both pre- and post-incorporation procedures that are officially required for an entrepreneur to formally operate a business are recorded.

Procedures required for official correspondence or transactions with public agencies are also included. For example, if a company seal or stamp is required on official documents, such as tax declarations, obtaining the seal or stamp is counted. Similarly, if a company must open a bank account before registering for sales tax or value added tax, this transaction is included as a procedure. Shortcuts are counted only if they fulfill 4 criteria: they are legal, they are available to the general public, they are used by the majority of companies, and avoiding them causes substantial delays.

Only procedures required of all businesses are covered. Industry-specific procedures are excluded. For example, procedures to comply with environmental regulations are included only when they apply to all businesses conducting general commercial or industrial activities. Procedures that the company undergoes to connect to electricity, water, gas and waste disposal services are not included.

TIME

Time is recorded in calendar days. The measure captures the median duration that incorporation lawyers indicate is necessary to complete

a procedure with minimum follow-up with government agencies and no extra payments. It is assumed that the minimum time required for each procedure is 1 day. Although procedures may take place simultaneously, they cannot start on the same day (that is, simultaneous procedures start on consecutive days). A procedure is considered completed once the company has received the final document, such as the company registration certificate or tax number. If a procedure can be accelerated for an additional cost, the fastest procedure is chosen. It is assumed that the entrepreneur does not waste time and commits to completing each remaining procedure without delay. The time that the entrepreneur spends on gathering information is ignored. It is assumed that the entrepreneur is aware of all entry regulations and their sequence from the beginning but has had no prior contact with any of the officials.

COST

Cost is recorded as a percentage of the country's income per capita. It includes all official fees and fees for legal or professional services if such services are required by law. Fees for purchasing and legalizing company books are included if these transactions are required by law. The company law, the commercial code and specific regulations and fee schedules are used as sources for calculating costs. In the absence of fee schedules, a government officer's estimate is taken as an official source. In the absence of a government officer's estimate, estimates of incorporation lawyers are used. If several incorporation lawyers provide different estimates, the median reported value is applied. In all cases the cost excludes bribes.

PAID-IN MINIMUM CAPITAL

The paid-in minimum capital requirement reflects the amount that the entrepreneur needs to deposit in a bank or with a notary before registration and up to 3 months following incorporation and is recorded as a percentage of the country's income per capita. The amount is typically specified in the commercial code or the company law. Many countries have a minimum capital requirement but allow businesses to pay only a part of it before registration, with the rest to be paid after the first year of operation.

The data details on starting a business can be found for each economy at <http://www.doing-business.org>. This methodology was developed in Simeon Djankov, Rafael La Porta, Florencio López-de-Silanes and Andrei Shleifer. 2002. "The Regulation of Entry." Quarterly Journal of Economics 117 (1): 1-37; and is adopted here with minor changes.

DEALING WITH CONSTRUCTION PERMITS

Doing Business in Pakistan 2010 records all procedures required for a business in the construction industry to build a standardized warehouse. These procedures include submitting all relevant project-specific documents (for example, building plans and site maps) to the authorities; obtaining all necessary clearances, licenses, permits and certificates; completing all required notifications; and receiving all necessary inspections. *Doing Business in Pakistan 2010* also records procedures for obtaining connections for electricity, water, sewerage and a fixed land line. Procedures necessary to register the property so that it can be used as collateral or transferred to another entity are also counted. The survey divides the process of building a warehouse into distinct procedures and calculates the time and cost of completing each procedure in practice under normal circumstances.

Information is collected from experts in construction licensing, including architects, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations, including approvals and inspections. To make the data comparable across economies, several assumptions about the business, the warehouse project and the utility connections are used.

ASSUMPTIONS ABOUT THE CONSTRUCTION COMPANY

The business (BuildCo):

- Is a limited liability company.
- Operates in the economy's selected cities.
- Is 100% domestically and privately owned.
- Has 5 owners, none of whom is a legal entity.
- Is fully licensed and insured to carry out construction projects, such as building warehouses.
- Has 20 builders and other employees, all of them nationals with the technical expertise and professional experience necessary to obtain construction permits and approvals.
- Has at least 1 employee who is a licensed architect and registered with the local association of architects.
- Has paid all taxes and taken out all necessary insurance applicable to its general business activity (for example, accidental insurance for construction workers and third-person liability insurance).
- Owns the land on which the warehouse is built.

ASSUMPTIONS ABOUT THE WAREHOUSE

The warehouse:

- Will be used for general storage activities, such as storage of books or stationery.
- The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Has 2 stories, both above ground, with a total surface of approximately 14,000 square feet (1,300.6 square meters). Each floor is 9 feet, 10 inches (3 meters) high.
- Has road access and is located in the peri-urban area of the economy's selected city (that is, on the fringes of the city but still within its official limits).
- Is not located in a special economic or industrial zone. The zoning requirements for warehouses are met by building in an area where similar warehouses can be found.
- Is located on a land plot of 10,000 square feet (929 square meters) that is 100% owned by BuildCo and is accurately registered in the cadastre and land registry.
- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans prepared by a licensed architect.

ASSUMPTIONS ABOUT THE UTILITY CONNECTIONS

The electricity connection:

- Even in peri-urban areas, unless service is underground, it is assumed that the service is overhead.
- Connection is 32 feet, 10 inches (10 meters) long.
- Is a medium-tension, 3-phase, 4-wire Y, 140-kW connection. Three-phase service is available in the construction area.
- Unless installation of a private substation (transformer) or extension of network is required, connection to the electricity network is a simple hook-up.
- Connection involves installation of only one electricity meter.
- BuildCo is assumed to have a licensed electrician on their team.

The water and sewerage connection:

- Is 32 feet, 10 inches (10 meters) away from the existing water source and sewer tap.
- Does not require water for fire protection reasons; a fire extinguishing system

(dry system) will be used instead. If a wet fire protection system is required by law, it is assumed that the water demand specified below also covers the water needed for fire protection.

- Has an average water use of 175 gallons (662 liters) a day and an average wastewater flow of 150 gallons (568 liters) a day.
- Has a peak water use of 350 gallons (1,325 liters) a day and a peak wastewater flow of 300 gallons (1,136 liters) a day.
- Will have a constant level of water demand and wastewater flow throughout the year.

The telephone connection:

- BuildCo must obtain a fixed land line.

PROCEDURES

A procedure is any interaction of the company's employees or managers with external parties, including government agencies, notaries, the land registry, the cadastre, utility companies, public and private inspectors and technical experts apart from in-house architects and engineers. Interactions between company employees, such as development of the warehouse plans and inspections conducted by employees, are not counted as procedures. Procedures that the company undergoes to connect to electricity, water, sewerage and telephone services are included. All procedures that are legally or in practice required for building a warehouse are counted, even if they may be avoided in exceptional cases.

TIME

Time is recorded in calendar days. The measure captures the median duration that local experts indicate is necessary to complete a procedure in practice. It is assumed that the minimum time required for each procedure is 1 day. Although procedures may take place simultaneously, they cannot start on the same day (that is, simultaneous procedures start on consecutive days). If a procedure can be accelerated legally for an additional cost, the fastest procedure is chosen. It is assumed that BuildCo does not waste time and commits to completing each remaining procedure without delay. The time that BuildCo spends on gathering information is ignored. It is assumed that BuildCo is aware of all building requirements and their sequence from the beginning.

COST

Cost is recorded as a percentage of the economy's income per capita. Only official costs are recorded. All the fees associated with complet-

ing the procedures to legally build a warehouse are recorded, including those associated with obtaining land use approvals and preconstruction design clearances; receiving inspections before, during and after construction; getting utility connections; and registering the warehouse property. Nonrecurring taxes required for the completion of the warehouse project also are recorded. The building code, information from local experts and specific regulations and fee schedules are used as sources for costs. If several local partners provide different estimates, the median reported value is used.

The data details on dealing with construction permits can be found for each economy at <http://www.doingbusiness.org> by selecting the economy in the drop-down list.

REGISTERING PROPERTY

Doing Business in Pakistan 2010 records the full sequence of procedures necessary for a business (buyer) to purchase a property from another business (seller) and to transfer the property title to the buyer's name so that the buyer can use the property for expanding its business, use the property as collateral in taking new loans or, if necessary, sell the property to another business. The process starts with obtaining the necessary documents, such as a copy of the seller's title if necessary, and conducting due diligence if required. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it.

Every procedure required by law or necessary in practice is included, whether it is the responsibility of the seller or the buyer or must be completed by a third party on their behalf. Local property lawyers, notaries and property registries provide information on procedures as well as the time and cost to complete each of them.

To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

ASSUMPTIONS ABOUT THE PARTIES

The parties (buyer and seller):

- Are limited liability companies.
- Are located in the peri-urban area of the country's selected cities.
- Are 100% domestically and privately owned.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

ASSUMPTIONS ABOUT THE PROPERTY

The property:

- Has a value of 50 times income per capita. The sale price equals the value.
- Is fully owned by the seller.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a peri-urban commercial zone, and no rezoning is required.
- Consists of land and a building. The land area is 6,000 square feet (557.4 square meters). A 2-story warehouse of 10,000 square feet (929 square meters) is located on the land. The warehouse is 10 years old, is in good condition and complies with all safety standards, building codes and other legal requirements. The property of land and building will be transferred in its entirety.
- Will not be subject to renovations or additional building following the purchase.
- Has no trees, natural water sources, natural reserves or historical monuments of any kind.
- Will not be used for special purposes, and no special permits, such as for residential use, industrial plants, waste storage or certain types of agricultural activities, are required.
- Has no occupants (legal or illegal), and no other party holds a legal interest in it.

PROCEDURES

A procedure is defined as any interaction of the buyer or the seller, their agents (if an agent is legally or in practice required) or the property with external parties, including government agencies, inspectors, notaries and lawyers. Interactions between company officers and employees are not considered. All procedures that are legally or in practice required for registering property are recorded, even if they may be avoided in exceptional cases. It is assumed that the buyer follows the fastest legal option available and used by the majority of property owners. Although the buyer may use lawyers or other professionals where necessary in the registration process, it is assumed that it does not employ an outside facilitator in the registration process unless legally or in practice required to do so.

TIME

Time is recorded in calendar days. The measure captures the median duration that property lawyers, notaries or registry officials indi-

cate is necessary to complete a procedure. It is assumed that the minimum time required for each procedure is 1 day. Although procedures may take place simultaneously, they cannot start on the same day. It is assumed that the buyer does not waste time and commits to completing each remaining procedure without delay. If a procedure can be accelerated for an additional cost, the fastest legal procedure available and used by the majority of property owners is chosen. If procedures can be undertaken simultaneously, it is assumed that they are. It is assumed that the parties involved are aware of all regulations and their sequence from the beginning. Time spent on gathering information is not considered.

COST

Cost is recorded as a percentage of the property value, assumed to be equivalent to 50 times income per capita. Only official costs required by law are recorded, including fees, transfer taxes, stamp duties and any other payment to the property registry, notaries, public agencies or lawyers. Other taxes, such as capital gains tax or value added tax, are excluded from the cost measure. Both costs borne by the buyer and those borne by the seller are included. If cost estimates differ among sources, the median reported value is used.

The data details on registering property can be found for each economy at <http://www.doingbusiness.org> by selecting the economy in the drop-down list.

PAYING TAXES

Doing Business in Pakistan 2010 records the taxes and mandatory contributions that a medium-sized company must pay in a given year, as well as measures the administrative burden of paying taxes and contributions. Taxes and contributions measured include the profit or corporate income tax, social contributions and labor taxes paid by the employer, property taxes, property transfer taxes, dividend tax, capital gains tax, financial transactions tax, waste collection taxes and vehicle and road taxes.

Doing Business in Pakistan 2010 measures all taxes and contributions that are government mandated (at any level—national, department or city), apply to the standardized business and have an impact in its income statements. In doing so, *Doing Business* goes beyond the traditional definition of a tax: as defined for the purposes of government national accounts, taxes include only compul-

sory, unrequited payments to general government. *Doing Business* departs from this definition because it measures imposed charges that affect business accounts, not government accounts. The main differences relate to labor contributions and value added tax. The *Doing Business* measure includes government-mandated contributions paid by the employer to a required private pension fund or workers' insurance fund. The indicator includes, for example, Australia's compulsory superannuation guarantee and workers' compensation insurance. It excludes value added taxes from the total tax rate because they do not affect the accounting profits of the business—that is, they are not reflected in the income statement.

Doing Business has prepared a case scenario to measure the taxes and contributions paid by a standardized business and the complexity of an economy's tax compliance system. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Tax experts in each economy compute the taxes and contributions due in their jurisdiction based on the standardized case facts. Information is also compiled on the frequency of filing, tax audits and other costs of compliance. The project was developed and implemented in cooperation with PricewaterhouseCoopers.

To make the data comparable across economies, several assumptions about the business and the taxes and contributions are used.

ASSUMPTIONS ABOUT THE BUSINESS

The business:

- Is a limited liability, taxable company.
- Started operations on January 1, 2007. At that time the company purchased all the assets shown in its balance sheet and hired all its workers.
- Operates in the country's selected cities.
- Is 100% domestically owned and has 5 owners, all of whom are natural persons.
- Has a start-up capital of 102 times income per capita at the end of 2007.
- Performs general industrial or commercial activities. Specifically, it produces ceramic flowerpots and sells them at retail. It does not participate in foreign trade (no import or export) and does not handle products subject to a special tax regime, for example, liquor or tobacco.
- At the beginning of 2007, owns 2 plots of land, 1 building, machinery, office equipment, computers and 1 truck and leases 1 truck.

- Does not qualify for investment incentives or any benefits apart from those related to the age or size of the company.
- Has 60 employees—4 managers, 8 assistants and 48 workers. All are nationals, and 1 manager is also an owner.
- Has a turnover of 1,050 times income per capita.
- Makes a loss in the first year of operation.
- Has a gross margin (pre-tax) of 20% (that is, sales are 120% of the cost of goods sold).
- Distributes 50% of its net profits as dividends to the owners at the end of the second year.
- Sells one of its plots of land at a profit during the second year.
- Has annual fuel costs for its trucks equal to twice income per capita.
- Is subject to a series of detailed assumptions on expenses and transactions to further standardize the case. All financial statement variables are proportional to 2006 income per capita. For example, the owner who is also a manager spends 10% of income per capita on traveling for the company (20% of this owner's expenses are purely private, 20% are for entertaining customers and 60% for business travel).

ASSUMPTIONS ABOUT THE TAXES AND CONTRIBUTIONS

- All the taxes and contributions paid in the second year of operation (fiscal 2008) are recorded. A tax or contribution is considered distinct if it has a different name or is collected by a different agency. Taxes and contributions with the same name and agency, but charged at different rates depending on the business, are counted as the same tax or contribution.
- The number of times the company pays taxes and contributions in a year is the number of different taxes or contributions multiplied by the frequency of payment (or withholding) for each one. The frequency of payment includes advance payments (or withholding) as well as regular payments (or withholding).

TAX PAYMENTS

The tax payments indicator reflects the total number of taxes and contributions paid, the method of payment, the frequency of payment and the number of agencies involved for this standardized case during the second year of operation. It includes consumption taxes paid by the company, such as sales tax or

value added tax. These taxes are traditionally collected from the consumer on behalf of the tax agencies. Although they do not affect the income statements of the company, they add to the administrative burden of complying with the tax system and so are included in the tax payments measure.

The number of payments takes into account electronic filing. Where full electronic filing and payment is allowed and it is used by the majority of medium-sized businesses, the tax is counted as paid once a year even if payments are more frequent.

Where 2 or more taxes or contributions are filed for and paid jointly using the same form, each of these joint payments is counted once. For example, if mandatory health insurance contributions and mandatory pension contributions are filed for and paid together, only one of these contributions would be included in the number of payments.

TIME

Time is recorded in hours per year. The indicator measures the time taken to prepare, file and pay 3 major types of taxes and contributions: the corporate income tax, value added or sales tax and labor taxes, including payroll taxes and social contributions. Preparation time includes the time to collect all information necessary to compute the tax payable. If separate accounting books must be kept for tax purposes—or separate calculations made—the time associated with these processes is included. This extra time is included only if the regular accounting work is not enough to fulfill the tax accounting requirements. Filing time includes the time to complete all necessary tax return forms and make all necessary calculations. Payment time considers the hours needed to make the payment online or at the tax authorities. Where taxes and contributions are paid in person, the time includes delays while waiting.

TOTAL TAX RATE

The total tax rate measures the amount of taxes and mandatory contributions borne by the business in the second year of operation, expressed as a share of commercial profit. *Doing Business in Pakistan 2010* and *Doing Business 2010* report the total tax rate for fiscal 2008. The total amount of taxes borne is the sum of all the different taxes and contributions payable after accounting for allowable deductions and exemptions. The taxes withheld (such as personal income tax) or collected by the company and remitted to the tax authorities (such as value added tax, sales tax or goods and service tax) but not borne by

the company are excluded. The taxes included can be divided into 5 categories: profit or corporate income tax, social contributions and labor taxes paid by the employer (in respect of which all mandatory contributions are included, even if paid to a private entity such as a required pension fund), property taxes, turnover taxes and other small taxes (such as department fees and vehicle and fuel taxes).

The total tax rate is designed to provide a comprehensive measure of the cost of all the taxes a business bears. It differs from the statutory tax rate, which merely provides the factor to be applied to the tax base. In computing the total tax rate, the actual tax payable is divided by commercial profit.

Commercial profit is essentially net profit before all taxes borne. It differs from the conventional profit before tax, reported in financial statements. In computing profit before tax, many of the taxes borne by a firm are deductible. In computing commercial profit, these taxes are not deductible. Commercial profit therefore presents a clear picture of the actual profit of a business before any of the taxes it bears in the course of the fiscal year.

Commercial profit is computed as sales minus cost of goods sold, minus gross salaries, minus administrative expenses, minus other expenses, minus provisions, plus capital gains (from the property sale) minus interest expense, plus interest income and minus commercial depreciation. To compute the commercial depreciation, a straight-line depreciation method is applied, with the following rates: 0% for the land, 5% for the building, 10% for the machinery, 33% for the computers, 20% for the office equipment, 20% for the truck and 10% for business development expenses. Commercial profit amounts to 59.4 times income per capita.

This methodology is consistent with the Total Tax Contribution framework developed by PricewaterhouseCoopers. This framework measures taxes that are borne by companies and affect their income statements, as does *Doing Business*. But while PricewaterhouseCoopers bases its calculation on data from the largest companies in the economy, *Doing Business* focuses on a standardized medium-sized company.

*The data details on paying taxes can be found for each economy at <http://www.doingbusiness.org>. This methodology was developed in Djankov Simeon, Gansler Tim, McLiesh Caralee, Ramalho Rita and Shleifer Andrei. 2008. *The Effect of Corporate Taxes on Investment and Entrepreneurship*. NBER Working Paper 13756. Cambridge, MA: National Bureau of Economic Research.*

TRADING ACROSS BORDERS

Doing Business in Pakistan 2010 compiles procedural requirements for exporting and importing a standardized cargo of goods by ocean transport. Every official procedure for exporting and importing the goods is recorded—from the contractual agreement between the 2 parties to the delivery of goods—along with the time and cost necessary for completion. All documents needed by the trader for clearance of the goods across the border are also recorded. For exporting goods, procedures range from packing the goods at the factory to their departure from the port of exit. For importing goods, procedures range from the vessel's arrival at the port of entry to the cargo's delivery at the factory warehouse. The time and cost for ocean transport are not included. Payment is made by letter of credit, and the time, cost and documents required for the issuance of a letter of credit are taken into account.

Local freight forwarders, shipping lines, customs brokers, port officials and banks provide information on required documents and cost as well as the time to complete each procedure. To make the data comparable across economies, several assumptions about the business and the traded goods are used.

ASSUMPTIONS ABOUT THE BUSINESS

The business:

- Has 60 employees.
- Is located in the economy's selected cities.
- Is a private, limited liability company. It does not operate in an export processing zone or an industrial estate with special export or import privileges.
- Is domestically owned with no foreign ownership.
- Exports more than 10% of its sales.

ASSUMPTIONS ABOUT THE TRADED GOODS

- The traded product travels in a dry-cargo, 20-foot, full container load. It weighs 10 tons and is valued at US\$20,000.
- The product:
- Is not hazardous nor does it include military items.
- Does not require refrigeration or any other special environment.
- Does not require any special phytosanitary or environmental safety standards other than accepted international standards.

DOCUMENTS

All documents required per shipment to export and import the goods are recorded. It is assumed that the contract has already been agreed upon and signed by both parties. Documents required for clearance by government ministries, customs authorities, port and container terminal authorities, health and technical control agencies and banks are taken into account. Since payment is by letter of credit, all documents required by banks for the issuance or securing of a letter of credit are also taken into account. Documents that are renewed at least annually and that do not require renewal per shipment (for example, an annual tax clearance certificate) are not included.

TIME

The time for exporting and importing is recorded in calendar days. The time calculation for a procedure starts from the moment it is initiated and runs until it is completed. If a procedure can be accelerated for an additional cost and is available to all trading companies, the fastest legal procedure is chosen. Fast-track procedures applying to firms located in an export processing zone are not taken into account because they are not available to all trading companies. Ocean transport time is not included. It is assumed that neither the exporter nor the importer wastes time and that each commits to completing each remaining procedure without delay. Procedures that can be completed in parallel are measured as simultaneous. The waiting time between procedures—for example, during unloading of the cargo—is included in the measure.

COST

Cost measures the fees levied on a 20-foot container in U.S. dollars. All the fees associated with completing the procedures to export or import the goods are included. These include costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include customs tariffs and duties or costs related to ocean transport. Only official costs are recorded.

The data details on trading across borders can be found for each economy at <http://www.doingbusiness.org>. This methodology was developed in Simeon Djankov, Caroline Freund, and Cong Pham. Forthcoming. "Trading on Time." Review of Economics and Statistics; and is adopted here with minor changes.

ENFORCING CONTRACTS

Indicators on enforcing contracts measure the efficiency of the judicial system in resolving a commercial dispute. The data are built by following the step-by-step evolution of a commercial sale dispute before local courts. The data are collected through study of the codes of civil procedure and other court regulations as well as surveys completed by local litigation lawyers as well as by judges.

ASSUMPTIONS ABOUT THE CASE

- The value of the claim equals 200% of the country's income per capita.
- The dispute concerns a lawful transaction between 2 businesses (Seller and Buyer), located in the economy's selected cities. Seller sells goods worth 200% of the economy's income per capita to Buyer. After Seller delivers the goods to Buyer, Buyer refuses to pay for the goods on the grounds that the delivered goods were not of adequate quality.
- Seller (the plaintiff) sues Buyer (the defendant) to recover the amount under the sales agreement (that is, 200% of the country's income per capita). Buyer opposes Seller's claim, saying that the quality of the goods is not adequate. The claim is disputed on the merits.
- A court in the country's selected cities with jurisdiction over commercial cases worth 200% of income per capita decides the dispute.
- Seller attaches Buyer's goods prior to obtaining a judgment because Seller fears that Buyer may become insolvent during the lawsuit.
- Expert opinions are given on the quality of the delivered goods. If it is standard practice in the economy for parties to call witnesses or expert witnesses to give an opinion on the quality of the goods, the parties each call one witness or expert witness. If it is standard practice for the judge to appoint an independent expert to give an expert opinion on the quality of the goods, the judge does so. In this case the judge does not allow opposing expert testimony.
- The judgment is 100% in favor of Seller: the judge decides that the goods are of adequate quality and that Buyer must pay the agreed price (200% of income per capita).
- Buyer does not appeal the judgment. The judgment becomes final.
- Seller takes all required steps for prompt enforcement of the judgment. The money is successfully collected through a public sale of Buyer's movable assets (for example, office equipment).

PROCEDURES

The list of procedural steps compiled for each economy traces the chronology of a commercial dispute before the relevant court. A procedure is defined as any interaction between the parties, or between them and the judge or court officer. This includes steps to file the case, steps for trial and judgment and steps necessary to enforce the judgment.

The survey allows respondents to record procedures that exist in civil law but not common law jurisdictions, and vice versa. For example, in civil law countries the judge can appoint an independent expert, while in common law countries each party submits a list of expert witnesses to the court. To indicate the overall efficiency of court procedures, 1 procedure is now subtracted for economies that have specialized commercial courts and 1 procedure for economies that allow electronic filing of court cases. Some procedural steps that take place simultaneously with or are included in other procedural steps are not counted in the total number of procedures.

TIME

Time is recorded in calendar days, counted from the moment Seller files the lawsuit in court until payment. This includes both the days when actions take place and the waiting periods between. The average duration of different stages of dispute resolution is recorded: the completion of filing and service of process and of pretrial attachment (time to file the case), the issuance of judgment (time for the trial and obtaining the judgment) and the moment of payment (time for enforcement of judgment).

COST

Cost is recorded as a percentage of the claim, assumed to be equivalent to 200% of income per capita. No bribes are recorded. Three types of costs are recorded: court costs, enforcement costs and average attorney fees.

Court costs include all costs Seller must advance to the court or to the expert regardless of the final cost to Seller (plaintiff). Expert fees, if required by law or necessary in practice, are included in court costs. Enforcement costs are all costs Seller must advance to enforce the judgment through a public sale of Buyer's movable assets, regardless of the final cost to Seller (plaintiff). Average attorney fees are the fees Seller (plaintiff) must advance to a local attorney to represent Seller in the standardized case.

The data details on enforcing contracts can be found for each economy at <http://www.doing-business.org>. This methodology was developed in Simeon Djankov, Rafael La Porta, Florencio López-de-Silanes and Andrei Shleifer. 2003. "Courts." Quarterly Journal of Economics 118 (2): 453-517; and is adopted here with minor changes.

EASE OF DOING BUSINESS

The ease of doing business index ranks locations from 1 to 13. It is calculated as the ranking on the simple average of city percentile rankings on each of the 6 topics covered in *Doing Business in Pakistan 2010* for which data is available for 13 cities. The ranking on each topic is the simple average of the percentile rankings on its component indicators.

The ease of *Doing Business* index is limited in scope. It does not account for a country's proximity to large markets, the quality of its infrastructure services (other than services related to trading across orders or construction permits), the security of property from theft and looting, macroeconomic conditions or the strength of underlying institutions. There remains a large unfinished agenda for research into what regulation constitutes binding constraints, what package of reforms is most effective and how these issues are shaped by the context of a country. The *Doing Business* indicators provide a new empirical data set that may improve understanding of these issues.

Doing Business Indicators

Starting a business

	Procedures (number)	Time (days)	Cost (% of GNI per capita)	Paid-in minimum capital (% of GNI per capita)	Ease of starting a business (rank)
Faisalabad <i>Punjab</i>	10	18	13.2	0	2
Gujranwala <i>Punjab</i>	10	24	24.5	0	13
Hyderabad <i>Sindh</i>	10	23	25.9	0	11
Islamabad <i>ICT</i>	10	16	13.2	0	1
Karachi <i>Sindh</i>	10	21	13.2	0	3
Lahore <i>Punjab</i>	10	21	13.2	0	3
Multan <i>Punjab</i>	10	21	24.0	0	6
Peshawar <i>Khyber Pakhtunkhwa</i>	10	21	13.2	0	3
Quetta <i>Balochistan</i>	10	21	24.0	0	6
Rawalpindi <i>Punjab</i>	10	19	24.3	0	8
Sheikhupura <i>Punjab</i>	10	21	24.4	0	9
Sialkot <i>Punjab</i>	10	22	26.2	0	12
Sukkur <i>Sindh</i>	10	23	24.0	0	10

Dealing with construction permits

	Procedures (number)	Time (days)	Cost (% of GNI per capita)	Ease of dealing with construction permits (rank)
	11	160	473.2	6
	12	150	435.0	2
	14	192	766.5	13
	12	150	797.9	8
	12	223	711.1	10
	11	146	478.6	3
	11	150	422.0	1
	14	124	471.2	6
	14	196	492.9	12
	12	152	473.1	5
	13	179	380.3	8
	15	164	491.3	11
	12	157	466.2	4

Registering property

	Procedures (number)	Time (days)	Cost (% of the property value)	Ease of registering property (rank)
Faisalabad <i>Punjab</i>	6	34	8.0	1
Gujranwala <i>Punjab</i>	6	40	8.1	6
Hyderabad <i>Sindh</i>	6	51	9.2	11
Islamabad <i>ICT</i>	6	39	7.0	3
Karachi <i>Sindh</i>	6	50	9.3	11
Lahore <i>Punjab</i>	6	30	8.1	4
Multan <i>Punjab</i>	6	41	8.1	7
Peshawar <i>Khyber Pakhtunkhwa</i>	6	42	9.0	9
Quetta <i>Balochistan</i>	6	52	11.0	13
Rawalpindi <i>Punjab</i>	6	41	8.1	7
Sheikhupura <i>Punjab</i>	6	39	8.1	5
Sialkot <i>Punjab</i>	6	34	8.0	1
Sukkur <i>Sindh</i>	6	49	9.2	10

Trading across borders

Documents for export (number)	Time for export (days)	Cost to export (US\$ per container)	Documents for import (number)	Time for import (days)	Cost to import (US\$ per container)	Ease of trading (rank)
9	22	639	8	20	739	4
9	23	677	8	20	936	10
9	20	616	8	20	708	2
9	22	670	8	21	936	11
9	22	611	8	18	680	1
9	23	791	8	20	1,088	13
9	22	624	8	20	936	5
9	22	715	8	20	784	8
9	23	619	8	21	693	9
9	23	685	8	20	1,012	12
9	21	639	8	20	1,088	7
9	22	639	8	20	860	5
9	21	639	8	18	784	3

Paying taxes

	Payments (number)	Time (hours)	Total tax rate (% profit)	Ease of paying taxes (rank)
Faisalabad <i>Punjab</i>	47	560	31.5	3
Gujranwala <i>Punjab</i>	47	560	31.5	3
Hyderabad <i>Sindh</i>	47	560	31.6	11
Islamabad <i>ICT</i>	35	558.5	26.0	1
Karachi <i>Sindh</i>	47	560	31.6	11
Lahore <i>Punjab</i>	47	560	31.5	3
Multan <i>Punjab</i>	47	560	31.5	3
Peshawar <i>Khyber Pakhtunkhwa</i>	47	560	31.6	10
Quetta <i>Balochistan</i>	47	560	31.2	2
Rawalpindi <i>Punjab</i>	47	560	31.5	3
Sheikhupura <i>Punjab</i>	47	560	31.5	3
Sialkot <i>Punjab</i>	47	560	31.5	3
Sukkur <i>Sindh</i>	47	560	31.6	11

Enforcing contracts

	Procedures (number)	Time (days)	Cost (% of claim)	Ease of enforcing contracts (rank)
	47	730	27.5	2
	47	940	32.8	4
	47	1,460	27.5	7
	47	1,395	35.8	10
	47	976	23.8	3
	47	768	42.8	8
	47	1,473	23.6	4
	47	2,190	22.3	8
	47	1,498	32.4	13
	47	1,505	29.2	10
	47	1,125	29.4	6
	47	1,270	38.3	10
	47	1,060	20.6	1

City tables

Faisalabad, Punjab		Ease of doing business (rank)	1		
Starting a business (rank)	2	Registering property (rank)	1	Trading across borders (rank)	4
Procedures (number)	10	Procedures (number)	6	Documents to export (number)	9
Time (days)	18	Time (days)	34	Time to export (days)	22
Cost (% of income per capita)	13.2	Cost (% of the property value)	8	Cost to export (US\$ per container)	639
Minimum capital (% of income per capita)	0			Documents to import (number)	8
		Paying taxes (rank)	3	Time to import (days)	20
Dealing with construction permits (rank)	6	Payments (number per year)	47	Cost to import (US\$ per container)	739
Procedures (number)	11	Time (hours per year)	560		
Time (days)	160	Total tax rate (% of profit)	31.5	Enforcing contracts (rank)	2
Cost (% of income per capita)	473.2			Procedures (number)	47
				Time (days)	730
				Cost (% of claim)	27.5
Gujranwala, Punjab		Ease of doing business (rank)	6		
Starting a business (rank)	13	Registering property (rank)	6	Trading across borders (rank)	10
Procedures (number)	10	Procedures (number)	6	Documents to export (number)	9
Time (days)	24	Time (days)	40	Time to export (days)	23
Cost (% of income per capita)	24.5	Cost (% of the property value)	8.1	Cost to export (US\$ per container)	677
Minimum capital (% of income per capita)	0			Documents to import (number)	8
		Paying taxes (rank)	3	Time to import (days)	20
Dealing with construction permits (rank)	2	Payments (number per year)	47	Cost to import (US\$ per container)	936
Procedures (number)	12	Time (hours per year)	560		
Time (days)	150	Total tax rate (% of profit)	31.5	Enforcing contracts (rank)	4
Cost (% of income per capita)	435			Procedures (number)	47
				Time (days)	940
				Cost (% of claim)	32.8
Hyderabad, Sindh		Ease of doing business (rank)	13		
Starting a business (rank)	11	Registering property (rank)	11	Trading across borders (rank)	2
Procedures (number)	10	Procedures (number)	6	Documents to export (number)	9
Time (days)	23	Time (days)	51	Time to export (days)	20
Cost (% of income per capita)	25.9	Cost (% of the property value)	9.2	Cost to export (US\$ per container)	616
Minimum capital (% of income per capita)	0			Documents to import (number)	8
		Paying taxes (rank)	11	Time to import (days)	20
Dealing with construction permits (rank)	13	Payments (number per year)	47	Cost to import (US\$ per container)	708
Procedures (number)	14	Time (hours per year)	560		
Time (days)	192	Total tax rate (% of profit)	31.6	Enforcing contracts (rank)	7
Cost (% of income per capita)	766.5			Procedures (number)	47
				Time (days)	1,460
				Cost (% of claim)	27.5
Islamabad, ICT		Ease of doing business (rank)	4		
Starting a business (rank)	1	Registering property (rank)	3	Trading across borders (rank)	11
Procedures (number)	10	Procedures (number)	6	Documents to export (number)	9
Time (days)	16	Time (days)	39	Time to export (days)	22
Cost (% of income per capita)	13.2	Cost (% of the property value)	7	Cost to export (US\$ per container)	670
Minimum capital (% of income per capita)	0			Documents to import (number)	8
		Paying taxes (rank)	1	Time to import (days)	21
Dealing with construction permits (rank)	8	Payments (number per year)	35	Cost to import (US\$ per container)	936
Procedures (number)	12	Time (hours per year)	558.5		
Time (days)	150	Total tax rate (% of profit)	26	Enforcing contracts (rank)	10
Cost (% of income per capita)	797.9			Procedures (number)	47
				Time (days)	1,395
				Cost (% of claim)	35.8
Karachi, Sindh		Ease of doing business (rank)	9		
Starting a business (rank)	3	Registering property (rank)	11	Trading across borders (rank)	1
Procedures (number)	10	Procedures (number)	6	Documents to export (number)	9
Time (days)	21	Time (days)	50	Time to export (days)	22
Cost (% of income per capita)	13.2	Cost (% of the property value)	9.3	Cost to export (US\$ per container)	611
Minimum capital (% of income per capita)	0			Documents to import (number)	8
		Paying taxes (rank)	11	Time to import (days)	18
Dealing with construction permits (rank)	10	Payments (number per year)	47	Cost to import (US\$ per container)	680
Procedures (number)	12	Time (hours per year)	560		
Time (days)	223	Total tax rate (% of profit)	31.6	Enforcing contracts (rank)	3
Cost (% of income per capita)	711.1			Procedures (number)	47
				Time (days)	976
				Cost (% of claim)	23.8

Lahore, Punjab		Ease of doing business (rank)	3	
Starting a business (rank)	3	Registering property (rank)	4	Trading across borders (rank)
Procedures (number)	10	Procedures (number)	6	Documents to export (number)
Time (days)	21	Time (days)	30	Time to export (days)
Cost (% of income per capita)	13.2	Cost (% of the property value)	8.1	Cost to export (US\$ per container)
Minimum capital (% of income per capita)	0			Documents to import (number)
		Paying taxes (rank)	3	Time to import (days)
Dealing with construction permits (rank)	3	Payments (number per year)	47	Cost to import (US\$ per container)
Procedures (number)	11	Time (hours per year)	560	1,088
Time (days)	146	Total tax rate (% of profit)	31.5	
Cost (% of income per capita)	478.6			Enforcing contracts (rank)
				Procedures (number)
				Time (days)
				Cost (% of claim)
				42.8
Multan, Punjab		Ease of doing business (rank)	2	
Starting a business (rank)	6	Registering property (rank)	7	Trading across borders (rank)
Procedures (number)	10	Procedures (number)	6	Documents to export (number)
Time (days)	21	Time (days)	41	Time to export (days)
Cost (% of income per capita)	24.0	Cost (% of the property value)	8.1	Cost to export (US\$ per container)
Minimum capital (% of income per capita)	0			624
		Paying taxes (rank)	3	Documents to import (number)
Dealing with construction permits (rank)	1	Payments (number per year)	47	8
Procedures (number)	11	Time (hours per year)	560	Time to import (days)
Time (days)	150	Total tax rate (% of profit)	31.5	20
Cost (% of income per capita)	422			Cost to import (US\$ per container)
				936
				Enforcing contracts (rank)
				Procedures (number)
				Time (days)
				Cost (% of claim)
				4
				47
				1,473
				23.6
Peshawar, Khyber Pakhtunkhwa		Ease of doing business (rank)	8	
Starting a business (rank)	3	Registering property (rank)	9	Trading across borders (rank)
Procedures (number)	10	Procedures (number)	6	Documents to export (number)
Time (days)	21	Time (days)	42	Time to export (days)
Cost (% of income per capita)	13.2	Cost (% of the property value)	9	Cost to export (US\$ per container)
Minimum capital (% of income per capita)	0			715
		Paying taxes (rank)	10	Documents to import (number)
Dealing with construction permits (rank)	6	Payments (number per year)	47	8
Procedures (number)	14	Time (hours per year)	560	Time to import (days)
Time (days)	124	Total tax rate (% of profit)	31.6	20
Cost (% of income per capita)	471.2			Cost to import (US\$ per container)
				784
				Enforcing contracts (rank)
				Procedures (number)
				Time (days)
				Cost (% of claim)
				8
				47
				2,190
				22.3
Quetta, Balochistan		Ease of doing business (rank)	12	
Starting a business (rank)	6	Registering property (rank)	13	Trading across borders (rank)
Procedures (number)	10	Procedures (number)	6	Documents to export (number)
Time (days)	21	Time (days)	52	Time to export (days)
Cost (% of income per capita)	24.0	Cost (% of the property value)	11	Cost to export (US\$ per container)
Minimum capital (% of income per capita)	0			619
		Paying taxes (rank)	2	Documents to import (number)
Dealing with construction permits (rank)	12	Payments (number per year)	47	8
Procedures (number)	14	Time (hours per year)	560	Time to import (days)
Time (days)	196	Total tax rate (% of profit)	31.2	21
Cost (% of income per capita)	492.9			Cost to import (US\$ per container)
				693
				Enforcing contracts (rank)
				Procedures (number)
				Time (days)
				Cost (% of claim)
				13
				47
				1,498
				32.4
Rawalpindi, Punjab		Ease of doing business (rank)	10	
Starting a business (rank)	8	Registering property (rank)	7	Trading across borders (rank)
Procedures (number)	10	Procedures (number)	6	Documents to export (number)
Time (days)	19	Time (days)	41	Time to export (days)
Cost (% of income per capita)	24.3	Cost (% of the property value)	8.1	Cost to export (US\$ per container)
Minimum capital (% of income per capita)	0			685
		Paying taxes (rank)	3	Documents to import (number)
Dealing with construction permits (rank)	5	Payments (number per year)	47	8
Procedures (number)	12	Time (hours per year)	560	Time to import (days)
Time (days)	152	Total tax rate (% of profit)	31.5	20
Cost (% of income per capita)	473.1			Cost to import (US\$ per container)
				1,012
				Enforcing contracts (rank)
				Procedures (number)
				Time (days)
				Cost (% of claim)
				10
				47
				1,505
				29.2

Sheikhupura, Punjab		Ease of doing business (rank)	5		
Starting a business (rank)	9	Registering property (rank)	5	Trading across borders (rank)	7
Procedures (number)	10	Procedures (number)	6	Documents to export (number)	9
Time (days)	21	Time (days)	39	Time to export (days)	21
Cost (% of income per capita)	24.4	Cost (% of the property value)	8.1	Cost to export (US\$ per container)	639
Minimum capital (% of income per capita)	0			Documents to import (number)	8
		Paying taxes (rank)	3	Time to import (days)	20
Dealing with construction permits (rank)	8	Payments (number per year)	47	Cost to import (US\$ per container)	1,088
Procedures (number)	13	Time (hours per year)	560		
Time (days)	179	Total tax rate (% of profit)	31.5	Enforcing contracts (rank)	6
Cost (% of income per capita)	380.3			Procedures (number)	47
				Time (days)	1,125
				Cost (% of claim)	29.4
Sialkot, Punjab		Ease of doing business (rank)	11		
Starting a business (rank)	12	Registering property (rank)	1	Trading across borders (rank)	5
Procedures (number)	10	Procedures (number)	6	Documents to export (number)	9
Time (days)	22	Time (days)	34	Time to export (days)	22
Cost (% of income per capita)	26.2	Cost (% of the property value)	8	Cost to export (US\$ per container)	639
Minimum capital (% of income per capita)	0			Documents to import (number)	8
		Paying taxes (rank)	3	Time to import (days)	20
Dealing with construction permits (rank)	11	Payments (number per year)	47	Cost to import (US\$ per container)	860
Procedures (number)	15	Time (hours per year)	560		
Time (days)	164	Total tax rate (% of profit)	31.5	Enforcing contracts (rank)	10
Cost (% of income per capita)	491.3			Procedures (number)	47
				Time (days)	1,270
				Cost (% of claim)	38.3
Sukkur, Sindh		Ease of doing business (rank)	7		
Starting a business (rank)	10	Registering property (rank)	10	Trading across borders (rank)	3
Procedures (number)	10	Procedures (number)	6	Documents to export (number)	9
Time (days)	23	Time (days)	49	Time to export (days)	21
Cost (% of income per capita)	24.0	Cost (% of the property value)	9.2	Cost to export (US\$ per container)	639
Minimum capital (% of income per capita)	0			Documents to import (number)	8
		Paying taxes (rank)	11	Time to import (days)	18
Dealing with construction permits (rank)	4	Payments (number per year)	47	Cost to import (US\$ per container)	784
Procedures (number)	12	Time (hours per year)	560		
Time (days)	157	Total tax rate (% of profit)	31.6	Enforcing contracts (rank)	1
Cost (% of income per capita)	466.2			Procedures (number)	47
				Time (days)	1,060
				Cost (% of claim)	20.6

Starting a business

Faisalabad, Punjab

Standard company legal form: Private Limited Liability Company

Paid-in minimum capital requirement: none

Data as of: December 2009

Procedure 1. Obtain approval of company name through the Securities and Exchange Commission of Pakistan (SECP)'s e-Service website

Time: 1 day

Cost: PKR 200 (e-Services online name reservation fee)

Comments: According to the Companies Ordinance, 1984, and its amendments in 2002 and update in February 2009, the company proposes one or more names in order of preference and submits them for approval via e-Services or in person (offline) to the Securities and Exchange Commission of Pakistan (SECP). The availability of the suggested names can first be checked online by searching existing company names.

The official confirmation (or denial) of the chosen name and its availability is received by email or via courier upon payment of the name search fee of PKR 200 (online name reservation) or PKR 500 (offline name reservation) at the bank designated by the SECP. A timely disposal of cases within 24 working hours is mandated by Regulation 9 of the CRO Regulation Act, 2003. The approved name is reserved for 90 days, by which time the company must be incorporated. The e-Services were successfully launched in August 2008 to improve the efficiency and effectiveness of the SECP's business processes. The use of online submissions is growing, but in some cities a majority of entrepreneurs still prefer to apply in person.

Procedure 2. Pay the fees for name registration and company incorporation using bank challans at the designated Muslim Commercial Bank (MCB)

Time: 1 day

Cost: No cost

Comments: The company must pay the fees for name search availability and incorporation according to the Sixth Schedule of the Companies Ordinance, 1984. The challans must be deposited with the Muslim Commercial Bank, Ltd. They can be downloaded from the SECP website or obtained at the SECP offices or at the bank.

Procedure 3. Register the company for incorporation with the Securities and Exchange Commission of Pakistan (SECP) through online e-Services

Time: 2 days

Cost: PKR 7,000 (online registration fee PKR 5,000 + filing fee PKR 2,000)

Comments: The company can complete the registration online through e-Services or in person at the SECP. It must submit the following company incorporation documents online or in person:

- a. Form 1: declaration of compliance;
- b. Form 21: identification of the office's location;
- c. Form 29: particulars of directors, secretary, chief accountant, auditors, and others;
- d. Four copies of the memorandum and articles of association with each member's signature (in the presence of a witness).

According to the Sixth Schedule of Fees, effective June 2009, the fees for incorporation of a company with authorized capital of up to PKR 600,000 are the following:

1. Online submission: registration fee PKR 5,000 and filing fee PKR 2,000;
2. Physical (offline) submission: registration fee PKR 10,000 and filing fee PKR 4,000.

Confirmation of either the online or in-person submission is received instantly and the actual certificate a few days later via email and courier. The company can register with any Company Registration Office, irrespective of the jurisdiction. All regional SECP offices are computerized.

Procedure 4. Obtain digital signatures from the National Institutional Facilitation Technologies (NIFT) through SECP e-Services

Time: 2 days

Cost: PKR 1,277 (certificate charges PKR 650 + federal excise duty PKR 126.75 (at 19.5%) + validation charges PKR 500)

List of procedures

Starting a business

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Comments: The digital signature is obtained from the National Institutional Facilitation Technologies (NIFT) through e-Services or at SECP offices. NIFT serves as the witness of all digitally signed documentation. To apply, the company must submit the Digital Signature Certificate Request Form along with scanned copies of the directors' identity cards, Name Availability Certificate, and proof of payment.

Procedure 5. Register for income tax by applying for a National Tax Number (NTN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)

Time: 2 days

Cost: No cost

Comments: According to the Income Tax Ordinance, 2001, every company must register for income tax and obtain the National Tax Number (NTN) that is generally required by other registering authorities such as Chambers of Commerce, the Import-Export Regulatory Authority, utility authorities, etc. Since 2002, after the introduction of the Income Tax Ordinance, 2001, an NTN is issued with a continuous valid term (without the need to renew the number).

To apply, the company must submit a simple one-page form (the NTN Form) as well as proof of registration, the memorandum and articles of association, bank account number, copies of the national identity cards of its directors, and an attestation of the registered business address at the nearest tax facilitation counter of the Regional Tax Office in Pakistan. All applications are forwarded to the Central Registration Office (CRO) in Islamabad, which allots a uniform NTN to each company. The center processes the application and issues the NTN at no cost. The certificate is sent to the registered address of the applicant. The company can track the application online or through the RTO helpline. If undelivered, the NTN certification can be collected from the specified office at the Central Board of Revenue. The income tax is paid on filing the return, which is due within 6 months of the end of the company's financial year (usually on June 30). Reform has been introduced to make the tax registration fully electronic.

Procedure 6*. Register for sales tax by applying for a Sales Tax Number (STN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)

Time: 6 days

Cost: No cost

Comments: According to Sections 14, 15, and 16 of the Sales Tax Act, 1990, and Sales Tax Rules, 2006, the company must register for sales tax by submitting an application using Form STR-1 at any tax facilitation counter at the nearest Regional Tax Office (RTO). The local RTO forwards all applications to the Central Registration Office. After verification, the CRO issues a Registration Certificate bearing the registration number and mails the same to the registered company, on prescribed Form STR-5.

Procedure 7*. Register for professional tax with the Excise and Taxation Department of the District

Time: 7 days

Cost: No cost

Comments: Following the Devolution Plan, 2001, a professional tax is enforced at the district level by the Excise and Taxation Department of the relevant provincial district. According to the Punjab Finance Act, 1977, the tax is levied upon businesses, professionals, trades, callings, or companies employing such professionals. The district Excise and Taxation Officer (ET officer) is empowered to enroll in a survey register every person engaged in any such business or profession and thereafter, give notice to said enrolled person. In the case of a new business, the company is required to ask the ET officer to enroll it by submitting a simple assessment form. The ET officer issues a demand number (registration number) that acts as the reference number for the registered company and is noted down on every bank challan when assessments are paid into the bank.

Procedure 8*. Register with the Punjab Employees Social Security Institution (PESSI)

Time: 7 days

Cost: No cost

Comments: According to the Punjab Industrial Policy, 2003, registration with the Employees Social Security Institution is governed at the provincial level by an independent self-generating institution called the Punjab ESSI. Employers covered under the scheme contribute 6% of the wages they pay to insurable workers. The wage ceiling should not exceed PKR 10,000 per month or PKR 400 per day. Registration is compulsory. The company must submit a simple form in order to be allotted a registration number and to receive an employee card.

Procedure 9*. Register with the Employees Old Age Benefits Institution (EOBI)

Time: 7 days

Cost: No cost

Comments: According to the amendment to EOBI Act, 1976, effective July 2008, every industry or commercial establishment with 5 or more employees must be registered with the federal EOBI. Under the EOBI, insured employees are entitled to a pension (upon retirement), disability (if permanently disabled), old-age grant (upon retirement if they do not have the minimum threshold for a pension), and survivor's pension. A contribution equal to 5% of minimum wages is paid by the employer and 1% by the employee.

For initial registration, the company must submit a simple form that is uploaded into the database. The allotment requests are sent to a center in Karachi that issues the registration numbers along with certificates and cards and sends them to the company. Computerization of records is underway.

Procedure 10*. Register under the West Pakistan Shops and Establishment Ordinance 1969 with the Labor Department of the District

Time: 7 days

Cost: PKR 10 (registration fee)

Comments: Pakistan Shops and Establishment Ordinance, 1969, requires every establishment other than a one-man shop to be registered with the Deputy Chief Inspector of the Labor Department in each district. This is to safeguard the labor standards of the workers.

To register, the employer must submit an application using Form A, accompanied by a bank challan. The application for a new establishment must be made within 2 months of setting it up. Registration fees are the following: 1–5 workers: PKR 2; 6–10 workers: PKR 3; 11–20 workers: PKR 5; more than 20 workers: PKR 10. Once the fee has been paid, the Deputy Chief Inspector registers the establishment in the Register of Establishments using Form B and issues a registration certificate using Form C. The certificate must be prominently displayed at the establishment.

*This procedure can be completed simultaneously with previous procedures.

STARTING A BUSINESS

Gujranwala, Punjab

Standard company legal form: Private Limited Liability Company

Paid-in minimum capital requirement: none

Data as of: December 2009

Procedure 1. Obtain approval of company name through the Companies Registration Office (CRO) of the Securities and Exchange Commission of Pakistan (SECP)

Time: 2 days

Cost: PKR 660 (PKR 500 offline name application fee + PKR 160 transport cost between Gujranwala and Lahore)

Comments: According to the Companies Ordinance, 1984, and its amendments in 2002 and update in February 2009, the company proposes one or more names in order of preference and submits them for approval via e-Services or in person (offline) to the Securities and Exchange Commission of Pakistan (SECP). The availability of the suggested names can first be checked online by searching existing company names. The official confirmation (or denial) of the chosen name and its availability is received by email or via courier upon payment of the name search fee of PKR 200 (online name reservation) or PKR 500 (offline name reservation) at the bank designated by the SECP. A timely disposal of cases within 24 working hours is mandated by Regulation 9 of the CRO Regulation Act, 2003. The approved name is reserved for 90 days, by which time the company must be incorporated. The e-Services were successfully launched in August 2008 to improve the efficiency and effectiveness of the SECP's business processes. The use of online submissions is growing, but in some cities a majority of entrepreneurs still prefer to apply in person.

Procedure 2. Pay the fees for name registration and company incorporation using bank challans at the designated Muslim Commercial Bank (MCB)

Time: 1 day

Cost: No cost

Comments: The company must pay the fees for name search availability and incorporation according to the Sixth Schedule of the Companies Ordinance, 1984. The challans must be deposited with the Muslim Commercial Bank, Ltd. They can be downloaded from the SECP website or obtained at the SECP offices or at the bank.

Procedure 3. Register the company with the Companies Registration Office of the Securities and Exchange Commission of Pakistan (SECP)

Time: 4 days

Cost: PKR 14,160 (offline registration fee PKR 10,000 + filing fee PKR 4,000 + PKR 160 transport cost between Gujranwala and Lahore)

Comments: The company can complete the registration online through e-Services or in person at the SECP. It must submit the following company incorporation documents online or in person:

- a. Form 1: declaration of compliance;
- b. Form 21: identification of the office's location;
- c. Form 29: particulars of directors, secretary, chief accountant, auditors, and others;
- d. Four copies of the memorandum and articles of association with each member's signature (in the presence of a witness).

According to the Sixth Schedule of Fees, effective June 2009, the fees for incorporation of a company with authorized capital of up to PKR 600,000 are the following:

1. Online submission: registration fee PKR 5,000 and filing fee PKR 2,000;
2. Physical (offline) submission: registration fee PKR 10,000 and filing fee PKR 4,000.

Confirmation of either the online or in-person submission is received instantly and the actual certificate a few days later via email and courier. The company can register with any Company Registration Office, irrespective of the jurisdiction. All regional SECP offices are computerized.

Procedure 4. Make a company seal

Time: 2 days

Cost: PKR 1,000 (private sector fee)

Comments: The company seal is prepared after the certificate of incorporation is obtained. It is affixed on significant documents according to the provisions of the articles of association. For example, the company seal has to be affixed to the resolutions passed by directors in their board meetings. Entrepreneurs can get the seal made by private companies in a shop or in the market.

Procedure 5. Register for income tax by applying for a National Tax Number (NTN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)

Time: 5 days

Cost: No cost

Comments: According to the Income Tax Ordinance, 2001, every company must register for income tax and obtain the National Tax Number (NTN) that is generally required by other registering authorities such as Chambers of Commerce, the Import-Export Regulatory Authority, utility authorities, etc. Since 2002, after the introduction of the Income Tax Ordinance, 2001, an NTN is issued with a continuous valid term (without the need to renew the number).

To apply, the company must submit a simple one-page form (the NTN Form) as well as proof of registration, the memorandum and articles of association, bank account number, copies of the national identity cards of its directors, and an attestation of the registered business address at the nearest tax facilitation counter of the Regional Tax Office in Pakistan.

All applications are forwarded to the Central Registration Office (CRO) in Islamabad, which allots a uniform NTN to each company. The center processes the application and issues the NTN at no cost. The certificate is sent to the registered address of the applicant. The company can track the application online or through the RTO helpline. If undelivered, the NTN certification can be collected from the specified office at the Central Board of Revenue. The income tax is paid on filing the return, which is due within 6 months of the end of the company's financial year (usually on June 30). Reform has been introduced to make the tax registration fully electronic.

Procedure 6*. Register for sales tax by applying for a Sales Tax Number (STN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)

Time: 8 days

Cost: No cost

Comments: According to Sections 14, 15, and 16 of the Sales Tax Act, 1990, and Sales Tax Rules, 2006, the company must register for sales tax by submitting an application using Form STR-1 at any tax facilitation counter at the nearest Regional Tax Office (RTO). The local RTO forwards all applications to the Central Registration Office. After verification, the CRO issues a Registration Certificate bearing the registration number and mails the same to the registered company, on prescribed Form STR-5.

Procedure 7*. Register for professional tax with the Excise and Taxation Department of the District

Time: 5 days

Cost: No cost

Comments: Following the Devolution Plan, 2001, a professional tax is enforced at the district level by the Excise and Taxation Department of the relevant provincial district. According to the Punjab Finance Act, 1977, the tax is levied upon businesses, professionals, trades, callings, or companies employing such professionals. The district Excise and Taxation Officer (ET officer) is empowered to enroll in a survey register every person engaged in any such business or profession and thereafter, give notice to said enrolled person. In the case of a new business, the company is required to ask the ET officer to enroll it by submitting a simple assessment form. The ET officer issues a demand number (registration number) that acts as the reference number for the registered company and is noted down on every bank challan when assessments are paid into the bank.

Procedure 8*. Register with the Punjab Employees Social Security Institution (PESSI)

Time: 7 days

Cost: No cost

Comments: According to the Punjab Industrial Policy, 2003, registration with the Employees Social Security Institution is governed at the provincial level by an independent self-generating institution called the Punjab ESSI. Employers covered under the scheme contribute 6% of the wages they pay to insurable workers. The wage ceiling should not exceed PKR 10,000 per month or PKR 400 per day. Registration is compulsory. The company must submit a simple form in order to be allotted a registration number and to receive an employee card.

Procedure 9*. Register with the Employees Old Age Benefits Institution (EOBI)

Time: 11 days

Cost: No cost

Comments: According to the amendment to EOBI Act, 1976, effective July 2008, every industry or commercial establishment with 5 or more employees must be registered with the federal EOBI. Under the EOBI, insured employees are entitled to a pension (upon retirement), disability (if permanently disabled), old-age grant (upon retirement if they do not have the minimum threshold for a pension), and survivor's pension. A contribution equal to 5% of minimum wages is paid by the employer and 1% by the employee.

For initial registration, the company must submit a simple form that is uploaded into the database. The allotment requests are sent to a center in Karachi that issues the registration numbers along with certificates and cards and sends them to the company. Computerization of records is underway.

Procedure 10*. Register under the West Pakistan Shops and Establishment Ordinance 1969 with the Labor Department of the District

Time: 7 days

Cost: PKR 10 (registration fee)

Comments: Pakistan Shops and Establishment Ordinance, 1969, requires every establishment other than a one-man shop to be registered with the Deputy Chief Inspector of the Labor Department in each district. This is to safeguard the labor standards of the workers.

To register, the employer must submit an application using Form A, accompanied by a bank challan. The application for a new establishment must be made within 2 months of setting it up. Registration fees are the following: 1–5 workers: PKR 2; 6–10 workers: PKR 3; 11–20 workers: PKR 5; more than 20 workers: PKR 10. Once the fee has been paid, the Deputy Chief Inspector registers the establishment in the Register of Establishments using Form B and issues a registration certificate using Form C. The certificate must be prominently displayed at the establishment.

* This procedure can be completed simultaneously with previous procedures.

STARTING A BUSINESS

Hyderabad, Sindh

Standard company legal form: Private Limited Liability Company

Paid-in minimum capital requirement: none

Data as of: December 2009

Procedure 1. Obtain approval of company name through the Companies Registration Office (CRO) of the Securities and Exchange Commission of Pakistan (SECP)

Time: 2 days

Cost: PKR 1,100 (PKR 500 offline application fee + PKR 600 transport cost between Hyderabad and Karachi)

Comments: According to the Companies Ordinance, 1984, and its amendments in 2002 and update in February 2009, the company proposes one or more names in order of preference and submits them for approval via e-Services or in person (offline) to the Securities and Exchange Commission of Pakistan (SECP). The availability of the suggested names can first be checked online by searching existing company names. The official confirmation (or denial) of the chosen name and its availability is received by email or via courier upon payment of the name search fee of PKR 200 (online name reservation) or PKR 500 (offline name reservation) at the bank designated by the SECP. A timely disposal of cases within 24 working hours is mandated by Regulation 9 of the CRO Regulation Act, 2003. The approved name is reserved for 90 days, by which time the company must be incorporated. The e-Services were successfully launched in August 2008 to improve the efficiency and effectiveness of the SECP's business processes. The use of online submissions is growing, but in some cities a majority of entrepreneurs still prefer to apply in person.

Procedure 2. Pay the fees for name registration and company incorporation using bank challans at the designated Muslim Commercial Bank (MCB)

Time: 1 day

Cost: No cost

Comments: The company must pay the fees for name search availability and incorporation according to the Sixth Schedule of the Companies Ordinance, 1984. The challans must be deposited with the Muslim Commercial Bank, Ltd. They can be downloaded from the SECP website or obtained at the SECP offices or at the bank.

Procedure 3. Register the company with the Companies Registration Office of the Securities and Exchange Commission of Pakistan (SECP)

Time: 4 days

Cost: PKR 14,600 (PKR 14,000 offline registration fee + PKR 600 transport cost between Hyderabad and Karachi)

Comments: The company can complete the registration online through e-Services or in person at the SECP. It must submit the following company incorporation documents on line or in person:

- Form 1: declaration of compliance;
- Form 21: identification of the office's location;
- Form 29: particulars of directors, secretary, chief accountant, auditors, and others;
- Four copies of the memorandum and articles of association with each member's signature (in the presence of a witness).

According to the Sixth Schedule of Fees, effective June 2009, the fees for incorporation of a company with authorized capital of up to PKR 600,000 are the following:

- Online submission: registration fee PKR 5,000 and filing fee PKR 2,000;
- Physical (offline) submission: registration fee PKR 10,000 and filing fee PKR 4,000.

Confirmation of either the online or in-person submission is received instantly and the actual certificate a few days later via email and courier. The company can register with any Company Registration Office, irrespective of the jurisdiction. All regional SECP offices are computerized.

Procedure 4. Make a company seal

Time: 2 days

Cost: PKR 1,000 (private sector fee)

Comments: The company seal is prepared after the certificate of incorporation is obtained. It is affixed on significant documents according to the provisions of the articles of association. For example, the company seal has to be affixed to the resolutions passed by directors in their board meetings. Entrepreneurs can get the seal made by private companies in a shop or in the market.

Procedure 5. Register for income tax by applying for a National Tax Number (NTN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)

Time: 5 days

Cost: No cost

Comments: According to the Income Tax Ordinance, 2001, every company must register for income tax and obtain the National Tax Number (NTN) that is generally required by other registering authorities such as Chambers of Commerce, the Import-Export Regulatory Authority, utility authorities, etc. Since 2002, after the introduction of the Income Tax Ordinance, 2001, an NTN is issued with a continuous valid term (without the need to renew the number).

To apply, the company must submit a simple one-page form (the NTN Form) as well as proof of registration, the memorandum and articles of association, bank account number, copies of the national identity cards of its directors, and an attestation of the registered business address at the nearest tax facilitation counter of the Regional Tax Office in Pakistan.

All applications are forwarded to the Central Registration Office (CRO) in Islamabad, which allots a uniform NTN to each company. The center processes the application and issues the NTN at no cost. The certificate is sent to the registered address of the applicant. The company can track the application online or through the RTO helpline. If undelivered, the NTN certification can be collected from the specified office at the Central Board of Revenue. The income tax is paid on filing the return, which is due within 6 months of the end of the company's financial year (usually on June 30). Reform has been introduced to make the tax registration fully electronic.

Procedure 6*. Register for sales tax by applying for a Sales Tax Number (STN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)

Time: 6 days

Cost: No cost

Comments: According to Sections 14, 15, and 16 of the Sales Tax Act, 1990, and Sales Tax Rules, 2006, the company must register for sales tax by submitting an application using Form STR-1 at any tax facilitation counter at the nearest Regional Tax Office (RTO). The local RTO forwards all applications to the Central Registration Office. After verification, the CRO issues a Registration Certificate bearing the registration number and mails the same to the registered company, on prescribed Form STR-5.

Procedure 7*. Register for professional tax with the Excise and Taxation Department of the District

Time: 5 days

Cost: No cost

Comments: Following the Devolution Plan, 2001, a professional tax is enforced at the district level by the Excise and Taxation Department of the relevant provincial district. According to the Sindh Professions, Trade, Callings and Employment Tax Rules, 1976, the tax is levied upon businesses, professionals, trades, callings, or companies employing such professionals. The district Excise and Taxation Officer (ET officer) is empowered to enroll in a survey register every person engaged in any such business or profession and thereafter, give notice to said enrolled person. In the case of a new business, the company is required to ask the ET officer to enroll it by submitting a simple assessment form. The ET officer issues a demand number (registration number) that acts as the reference number for the registered company and is noted down on every bank challan when assessments are paid into the bank.

Procedure 8*. Register with the Sindh Employees Social Security Institution (SESSI)

Time: 11 days

Cost: No cost

Comments: According to the Provincial Employees Social Security Ordinance, 1965, registration with the Employees Social Security Institution is governed at the provincial level by an independent self-generating institution called the Sindh ESSI. Employers covered under the scheme contribute 6% of the wages they pay to insurable workers. The wage ceiling should not exceed PKR 10,000 per month or PKR 400 per day. Registration is compulsory. The company must submit a simple form in order to be allotted a registration number and to receive an employee card.

Procedure 9*. Register with the Employees Old Age Benefits Institution (EOBI)**Time:** 7 days**Cost:** No cost

Comments: According to the amendment to EOBI Act, 1976, effective July 2008, every industry or commercial establishment with 5 or more employees must be registered with the federal EOBI. Under the EOBI, insured employees are entitled to a pension (upon retirement), disability (if permanently disabled), old-age grant (upon retirement if they do not have the minimum threshold for a pension), and survivor's pension. A contribution equal to 5% of minimum wages is paid by the employer and 1% by the employee.

For initial registration, the company must submit a simple form that is uploaded into the database. The allotment requests are sent to a center in Karachi that issues the registration numbers along with certificates and cards and sends them to the company. Computerization of records is underway.

Procedure 10*. Register under the West Pakistan Shops and Establishment Ordinance 1969 with the Labor Department of the District**Time:** 5 days**Cost:** PKR 10 (registration fee)

Comments: Pakistan Shops and Establishment Ordinance, 1969, requires every establishment other than a one-man shop to be registered with the Deputy Chief Inspector of the Labor Department in each district. This is to safeguard the labor standards of the workers.

To register, the employer must submit an application using Form A, accompanied by a bank challan. The application for a new establishment must be made within 2 months of setting it up. Registration fees are the following: 1–5 workers: PKR 2; 6–10 workers: PKR 3; 11–20 workers: PKR 5; more than 20 workers: PKR 10. Once the fee has been paid, the Deputy Chief Inspector registers the establishment in the Register of Establishments using Form B and issues a registration certificate using Form C. The certificate must be prominently displayed at the establishment.

* This procedure can be completed simultaneously with previous procedures.

STARTING A BUSINESS

Islamabad, ICT

Standard company legal form: Private Limited Liability Company

Paid-in minimum capital requirement: none

Data as of: December 2009

Procedure 1. Obtain approval of company name through the Securities and Exchange Commission of Pakistan (SECP)'s e-Service website**Time:** 1 day**Cost:** PKR 200 (e-Services online name reservation fee)

Comments: According to the Companies Ordinance, 1984, and its amendments in 2002 and update in February 2009, the company proposes one or more names in order of preference and submits them for approval via e-Services or in person (offline) to the Securities and Exchange Commission of Pakistan (SECP). The availability of the suggested names can first be checked online by searching existing company names.

The official confirmation (or denial) of the chosen name and its availability is received by email or via courier upon payment of the name search fee of PKR 200 (online name reservation) or PKR 500 (offline name reservation) at the bank designated by the SECP. A timely disposal of cases within 24 working hours is mandated by Regulation 9 of the CRO Regulation Act, 2003. The approved name is reserved for 90 days, by which time the company must be incorporated. The e-Services were successfully launched in August 2008 to improve the efficiency and effectiveness of the SECP's business processes. The use of online submissions is growing, but in some cities a majority of entrepreneurs still prefer to apply in person.

Procedure 2. Pay the fees for name registration and company incorporation using bank challans at the designated Muslim Commercial Bank (MCB)**Time:** 1 day**Cost:** No cost

Comments: The company must pay the fees for name search availability and incorporation according to the Sixth Schedule of the Companies Ordinance, 1984. The challans must be deposited with the Muslim Commercial Bank, Ltd. They can be downloaded from the SECP website or obtained at the SECP offices or at the bank.

Procedure 3. Register the company for incorporation with the Securities and Exchange Commission of Pakistan (SECP) through online e-Services**Time:** 2 days**Cost:** PKR 7,000 (online registration fee PKR 5,000 + filing fee PKR 2,000)

Comments: The company can complete the registration online through e-Services or in person at the SECP. It must submit the following company incorporation documents online or in person:

- Form 1: declaration of compliance;
- Form 21: identification of the office's location;
- Form 29: particulars of directors, secretary, chief accountant, auditors, and others;
- Four copies of the memorandum and articles of association with each member's signature (in the presence of a witness).

According to the Sixth Schedule of Fees, effective June 2009, the fees for incorporation of a company with authorized capital of up to PKR 600,000 are the following:

- Online submission: registration fee PKR 5,000 and filing fee PKR 2,000;
- Physical (offline) submission: registration fee PKR 10,000 and filing fee PKR 4,000.

Confirmation of either the online or in-person submission is received instantly and the actual certificate a few days later via email and courier. The company can register with any Company Registration Office, irrespective of the jurisdiction. All regional SECP offices are computerized.

Procedure 4. Obtain digital signatures from the National Institutional Facilitation Technologies (NIFT) through the SECP e-Services**Time:** 2 days**Cost:** PKR 1,277 (certificate charges PKR 650 + federal excise duty PKR 126.75 (at 19.5%) + validation charges PKR 500)

Comments: The digital signature is obtained from National Institutional Facilitation Technologies (NIFT) through e-Services or at SECP offices. NIFT serves as the witness of all digitally signed documentation. To apply, the company must submit the Digital Signature Certificate Request Form along with scanned copies of the directors' identity cards, Name Availability Certificate, and proof of payment.

Procedure 5. Register for income tax by applying for a National Tax Number (NTN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)**Time:** 3 days**Cost:** No cost

Comments: According to the Income Tax Ordinance, 2001, every company must register for income tax and obtain the National Tax Number (NTN) that is generally required by other registering authorities such as Chambers of Commerce, the Import-Export Regulatory Authority, utility authorities, etc. Since 2002, after the introduction of the Income Tax Ordinance, 2001, an NTN is issued with a continuous valid term (without the need to renew the number).

To apply, the company must submit a simple one-page form (the NTN Form) as well as proof of registration, the memorandum and articles of association, bank account number, copies of the national identity cards of its directors, and an attestation of the registered business address at the nearest tax facilitation counter of the Regional Tax Office in Pakistan.

All applications are forwarded to the Central Registration Office (CRO) in Islamabad, which allots a uniform NTN to each company. The center processes the application and issues the NTN at no cost. The certificate is sent to the registered address of the applicant. The company can track the application online or through the RTO helpline. If undelivered, the NTN certification can be collected from the specified office at the Central Board of Revenue. The income tax is paid on filing the return, which is due within 6 months of the end of the company's financial year (usually on June 30). Reform has been introduced to make the tax registration fully electronic.

Procedure 6*. Register for sales tax by applying for a Sales Tax Number (STN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)**Time:** 4 days**Cost:** No cost

Comments: According to Sections 14, 15, and 16 of the Sales Tax Act, 1990, and Sales Tax Rules, 2006, the company must register for sales tax by submitting an application using Form STR-1 at any tax facilitation counter at the nearest Regional Tax Office (RTO). The local RTO forwards all applications to the Central Registration Office. After verification, the CRO issues a Registration Certificate bearing the registration number and mails the same to the registered company, on prescribed Form STR-5.

Procedure 7*: Register for professional tax with the Excise and Taxation Department of the District**Time:** 5 days**Cost:** No cost

Comments: Following the Devolution Plan, 2001, a professional tax is enforced at the district level by the Excise and Taxation Department. This tax is levied upon businesses, professionals, trades, callings, or companies employing such professionals. The district Excise and Taxation Officer (ET officer) is empowered to enroll in a survey register every person engaged in any such business or profession and thereafter, give notice to said enrolled person. In the case of a new business, the company is required to ask the ET officer to enroll it by submitting a simple assessment form. The ET officer issues a demand number (registration number) that acts as the reference number for the registered company and is noted down on every bank challan when assessments are paid into the bank.

Procedure 8*: Register with the Employees Social Security Institution (ESSI)**Time:** 5 days**Cost:** No cost

Comments: Islamabad is a Federal area where this procedure has become enforceable in the city through an independent Directorate and is governed by the Islamabad Capital Territory ESSI. Employers covered under the scheme contribute 6% of the wages they pay to insurable workers. The wage ceiling should not exceed PKR 10,000 per month or PKR 400 per day. Registration is compulsory. The company must submit a simple form in order to be allotted a registration number and to receive an employee card.

Procedure 9*: Register with the Employees Old Age Benefits Institution (EOBI)**Time:** 5 days**Cost:** No cost

Comments: According to the amendment to EOBI Act, 1976, effective July 2008, every industry or commercial establishment with 5 or more employees must be registered with the federal EOBI. Under the EOBI, insured employees are entitled to a pension (upon retirement), disability (if permanently disabled), old-age grant (upon retirement if they do not have the minimum threshold for a pension), and survivor's pension. A contribution equal to 5% of minimum wages is paid by the employer and 1% by the employee.

For initial registration, the company must submit a simple form that is uploaded into the database. The allotment requests are sent to a center in Karachi that issues the registration numbers along with certificates and cards and sends them to the company. Computerization of records is underway.

Procedure 10*: Register under the West Pakistan Shops and Establishment Ordinance 1969 with the Labor Department of the District**Time:** 5 days**Cost:** PKR 10 (registration fee)

Comments: Pakistan Shops and Establishment Ordinance, 1969, requires every establishment other than a one-man shop to be registered with the Deputy Chief Inspector of the Labor Department in each district. This is to safeguard the labor standards of the workers.

To register, the employer must submit an application using Form A, accompanied by a bank challan. The application for a new establishment must be made within 2 months of setting it up. Registration fees are the following: 1–5 workers: PKR 2; 6–10 workers: PKR 3; 11–20 workers: PKR 5; more than 20 workers: PKR 10. Once the fee has been paid, the Deputy Chief Inspector registers the establishment in the Register of Establishments using Form B and issues a registration certificate using Form C. The certificate must be prominently displayed at the establishment.

* This procedure can be completed simultaneously with previous procedures.

STARTING A BUSINESS

Karachi, Sindh

Standard company legal form: Private Limited Liability Company

Paid-in minimum capital requirement: none

Data as of: December 2009

Procedure 1. Obtain approval of company name through the Securities and Exchange Commission of Pakistan (SECP)'s e-Service website**Time:** 1 day**Cost:** PKR 200 (e-Services online name reservation fee)

Comments: According to the Companies Ordinance, 1984, and its amendments in 2002 and update in February 2009, the company proposes one or more names in order of preference and submits them for approval via e-Services or in person (offline) to the Securities and Exchange Commission of Pakistan (SECP). The availability of the suggested names can first be checked online by searching existing company names.

The official confirmation (or denial) of the chosen name and its availability is received by email or via courier upon payment of the name search fee of PKR 200 (online name reservation) or PKR 500 (offline name reservation) at the bank designated by the SECP. A timely disposal of cases within 24 working hours is mandated by Regulation 9 of the CRO Regulation Act, 2003. The approved name is reserved for 90 days, by which time the company must be incorporated. The e-Services were successfully launched in August 2008 to improve the efficiency and effectiveness of the SECP's business processes. The use of online submissions is growing, but in some cities a majority of entrepreneurs still prefer to apply in person.

Procedure 2. Pay the fees for name registration and company incorporation using bank challans at the designated Muslim Commercial Bank (MCB)**Time:** 1 day**Cost:** No cost

Comments: The company must pay the fees for name search availability and incorporation according to the Sixth Schedule of the Companies Ordinance, 1984. The challans must be deposited with the Muslim Commercial Bank, Ltd. They can be downloaded from the SECP website or obtained at the SECP offices or at the bank.

Procedure 3. Register the company for incorporation with the Securities and Exchange Commission of Pakistan (SECP) through online e-Services**Time:** 2 days**Cost:** PKR 7,000 (online registration fee PKR 5,000 + filing fee PKR 2,000)

Comments: The company can complete the registration online through e-Services or in person at the SECP. It must submit the following company incorporation documents online or in person:

- a. Form 1: declaration of compliance;
- b. Form 21: identification of the office's location;
- c. Form 29: particulars of directors, secretary, chief accountant, auditors, and others;
- d. Four copies of the memorandum and articles of association with each member's signature (in the presence of a witness).

According to the Sixth Schedule of Fees, effective June 2009, the fees for incorporation of a company with authorized capital of up to PKR 600,000 are the following:

1. Online submission: registration fee PKR 5,000 and filing fee PKR 2,000;
2. Physical (offline) submission: registration fee PKR 10,000 and filing fee PKR 4,000.

Confirmation of either the online or in-person submission is received instantly and the actual certificate a few days later via email and courier. The company can register with any Company Registration Office, irrespective of the jurisdiction. All regional SECP offices are computerized.

Procedure 4. Obtain digital signatures from the National Institutional Facilitation Technologies (NIFT) through the SECP e-Services**Time:** 2 days**Cost:** PKR 1,277 (certificate charges PKR 650 + federal excise duty PKR 126.75 (at 19.5%) + validation charges PKR 500)

Comments: The digital signature is obtained from National Institutional Facilitation Technologies (NIFT) through e-Services or at SECP offices. NIFT serves as the witness of all digitally signed documentation. To apply, the company must submit the Digital Signature Certificate Request Form along with scanned copies of the directors' identity cards, Name Availability Certificate, and proof of payment.

Procedure 5. Register for income tax by applying for a National Tax Number (NTN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)**Time:** 2 days**Cost:** No cost

Comments: According to the Income Tax Ordinance, 2001, every company must register for income tax and obtain the National Tax Number (NTN) that is generally required by other registering authorities such as Chambers of Commerce, the Import-Export Regulatory Authority, utility authorities, etc. Since 2002, after the introduction of the Income Tax Ordinance, 2001, an NTN is issued with a continuous valid term (without the need to renew the number).

To apply, the company must submit a simple one-page form (the NTN Form) as well as proof of registration, the memorandum and articles of association, bank account number, copies of the national identity cards of its directors, and an attestation of the registered business address at the nearest tax facilitation counter of the Regional Tax Office in Pakistan.

All applications are forwarded to the Central Registration Office (CRO) in Islamabad, which allots a uniform NTN to each company. The center processes the application and issues the NTN at no cost. The certificate is sent to the registered address of the applicant. The company can track the application online or through the RTO helpline. If undelivered, the NTN certification can be collected from the specified office at the Central Board of Revenue. The income tax is paid on filing the return, which is due within 6 months of the end of the company's financial year (usually on June 30). Reform has been introduced to make the tax registration fully electronic.

Procedure 6*. Register for sales tax by applying for a Sales Tax Number (STN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)**Time:** 1 day**Cost:** No cost

Comments: According to Sections 14, 15, and 16 of the Sales Tax Act, 1990, and Sales Tax Rules, 2006, the company must register for sales tax by submitting an application using Form STR-1 at any tax facilitation counter at the nearest Regional Tax Office (RTO). The local RTO forwards all applications to the Central Registration Office. After verification, the CRO issues a Registration Certificate bearing the registration number and mails the same to the registered company, on prescribed Form STR-5.

Procedure 7*. Register for Professional Tax with the Excise and Taxation Department of the District**Time:** 7 days**Cost:** No cost

Comments: Following the Devolution Plan, 2001, a professional tax is enforced at the district level by the Excise and Taxation Department of the relevant provincial district. This tax is levied upon businesses, professionals, trades, callings, or companies employing such professionals. The district Excise and Taxation Officer (ET officer) is empowered to enroll in a survey register every person engaged in any such business or profession and thereafter, give notice to said enrolled person. In the case of a new business, the company is required to ask the ET officer to enroll it by submitting a simple assessment form. The ET officer issues a demand number (registration number) that acts as the reference number for the registered company and is noted down on every bank challan when assessments are paid into the bank.

Procedure 8*. Register with the Sindh Employees Social Security Institution (SESSI)**Time:** 11 days**Cost:** No cost

Comments: According to the Provincial Employees Social Security Ordinance, 1965, registration with the Employees Social Security Institution is governed at the provincial level by an independent self-generating institution called the Sindh ESSI. Employers covered under the scheme contribute 6% of the wages they pay to insurable workers. The wage ceiling should not exceed PKR 10,000 per month or PKR 400 per day. Registration is compulsory. The company must submit a simple form in order to be allotted a registration number and to receive an employee card.

Procedure 9*. Register with the Employees Old Age Benefits Institution (EOBI)**Time:** 11 days**Cost:** No cost

Comments: According to the amendment to EOBI Act, 1976, effective July 2008, every industry or commercial establishment with 5 or more employees must be registered with the federal EOBI. Under the EOBI, insured employees are entitled to a pension (upon retirement), disability (if permanently disabled), old-age grant (upon retirement if they do not have the minimum threshold for a pension), and survivor's pension. A contribution equal to 5% of minimum wages is paid by the employer and 1% by the employee.

For initial registration, the company must submit a simple form that is uploaded into the database. The allotment requests are sent to a center in Karachi that issues the registration numbers along with certificates and cards and sends them to the company. Computerization of records is underway.

Procedure 10*. Register under the West Pakistan Shops and Establishment Ordinance 1969 with the Labor Department of the District**Time:** 7 days**Cost:** PKR 10 (registration fee)

Comments: Pakistan Shops and Establishment Ordinance, 1969, requires every establishment other than a one-man shop to be registered with the Deputy Chief Inspector of the Labor Department in each district. This is to safeguard the labor standards of the workers.

To register, the employer must submit an application using Form A, accompanied by a bank challan. The application for a new establishment must be made within 2 months of setting it up. Registration fees are the following: 1–5 workers: PKR 2; 6–10 workers: PKR 3; 11–20 workers: PKR 5; more than 20 workers: PKR 10. Once the fee has been paid, the Deputy Chief Inspector registers the establishment in the Register of Establishments using Form B and issues a registration certificate using Form C. The certificate must be prominently displayed at the establishment.

* This procedure can be completed simultaneously with previous procedures.

STARTING A BUSINESS

Lahore, Punjab

Standard company legal form: Private Limited Liability Company

Paid-in minimum capital requirement: none

Data as of: December 2009

Procedure 1. Obtain approval of company name through the Securities and Exchange Commission of Pakistan (SECP)'s e-Service website**Time:** 1 day**Cost:** PKR 200 (e-Services online name reservation fee)

Comments: According to the Companies Ordinance, 1984, and its amendments in 2002 and update in February 2009, the company proposes one or more names in order of preference and submits them for approval via e-Services or in person (offline) to the Securities and Exchange Commission of Pakistan (SECP). The availability of the suggested names can first be checked online by searching existing company names. The official confirmation (or denial) of the chosen name and its availability is received by email or via courier upon payment of the name search fee of PKR 200 (online name reservation) or PKR 500 (offline name reservation) at the bank designated by the SECP. A timely disposal of cases within 24 working hours is mandated by Regulation 9 of the CRO Regulation Act, 2003. The approved name is reserved for 90 days, by which time the company must be incorporated. The e-Services were successfully launched in August 2008 to improve the efficiency and effectiveness of the SECP's business processes. The use of online submissions is growing, but in some cities a majority of entrepreneurs still prefer to apply in person.

Procedure 2. Pay the fees for name registration and company incorporation using bank challans at the designated Muslim Commercial Bank (MCB)**Time:** 1 day**Cost:** No cost

Comments: The company must pay the fees for name search availability and incorporation according to the Sixth Schedule of the Companies Ordinance, 1984. The challans must be deposited with the Muslim Commercial Bank, Ltd. They can be downloaded from the SECP website or obtained at the SECP offices or at the bank.

Procedure 3. Register the company for incorporation with the Securities and Exchange Commission of Pakistan (SECP) through online e-Services

Time: 2 days

Cost: PKR 7,000 (online registration fee PKR 5,000 + filing fee PKR 2,000)

Comments: The company can complete the registration online through e-Services or in person at the SECP. It must submit the following company incorporation documents on line or in person:

- Form 1: declaration of compliance;
- Form 21: identification of the office's location;
- Form 29: particulars of directors, secretary, chief accountant, auditors, and others;
- Four copies of the memorandum and articles of association with each member's signature (in the presence of a witness).

According to the Sixth Schedule of Fees, effective June 2009, the fees for incorporation of a company with authorized capital of up to PKR 600,000 are the following:

- Online submission: registration fee PKR 5,000 and filing fee PKR 2,000;
- Physical (offline) submission: registration fee PKR 10,000 and filing fee PKR 4,000.

Confirmation of either the online or in-person submission is received instantly and the actual certificate a few days later via email and courier. The company can register with any Company Registration Office, irrespective of the jurisdiction. All regional SECP offices are computerized.

Procedure 4. Obtain digital signatures from the National Institutional Facilitation Technologies (NIFT) through the SECP e-Services

Time: 2 days

Cost: PKR 1,277 (certificate charges PKR 650 + federal excise duty PKR 126.75 (at 19.5%) + validation charges PKR 500)

Comments: The digital signature is obtained from National Institutional Facilitation Technologies (NIFT) through e-Services or at SECP offices. NIFT serves as the witness of all digitally signed documentation. To apply, the company must submit the Digital Signature Certificate Request Form along with scanned copies of the directors' identity cards, Name Availability Certificate, and proof of payment.

Procedure 5. Register for income tax by applying for a National Tax Number (NTN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)

Time: 2 days

Cost: No cost

Comments: According to the Income Tax Ordinance, 2001, every company must register for income tax and obtain the National Tax Number (NTN) that is generally required by other registering authorities such as Chambers of Commerce, the Import-Export Regulatory Authority, utility authorities, etc. Since 2002, after the introduction of the Income Tax Ordinance, 2001, an NTN is issued with a continuous valid term (without the need to renew the number).

To apply, the company must submit a simple one-page form (the NTN Form) as well as proof of registration, the memorandum and articles of association, bank account number, copies of the national identity cards of its directors, and an attestation of the registered business address at the nearest tax facilitation counter of the Regional Tax Office in Pakistan.

All applications are forwarded to the Central Registration Office (CRO) in Islamabad, which allots a uniform NTN to each company. The center processes the application and issues the NTN at no cost. The certificate is sent to the registered address of the applicant. The company can track the application online or through the RTO helpline. If undelivered, the NTN certification can be collected from the specified office at the Central Board of Revenue. The income tax is paid on filing the return, which is due within 6 months of the end of the company's financial year (usually on June 30). Reform has been introduced to make the tax registration fully electronic.

Procedure 6*. Register for sales tax by applying for a Sales Tax Number (STN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)

Time: 6 days

Cost: No cost

Comments: According to Sections 14, 15, and 16 of the Sales Tax Act, 1990, and Sales Tax Rules, 2006, the company must register for sales tax by submitting an application using Form STR-1 at any tax facilitation counter at the nearest Regional Tax Office (RTO). The local RTO forwards all applications to the Central Registration Office. After verification, the CRO issues a Registration Certificate bearing the registration number and mails the same to the registered company, on prescribed Form STR-5.

Procedure 7*. Register for Professional Tax with the Excise and Taxation Department of the District

Time: 7 days

Cost: No cost

Comments: Following the Devolution Plan, 2001, a professional tax is enforced at the district level by the Excise and Taxation Department of the relevant provincial district. According to the Punjab Finance Act, 1977, the tax is levied upon businesses, professionals, trades, callings, or companies employing such professionals. The district Excise and Taxation Officer (ET officer) is empowered to enroll in a survey register every person engaged in any such business or profession and thereafter, give notice to said enrolled person. In the case of a new business, the company is required to ask the ET officer to enroll it by submitting a simple assessment form. The ET officer issues a demand number (registration number) that acts as the reference number for the registered company and is noted down on every bank challan when assessments are paid into the bank.

Procedure 8*. Register with the Punjab Employees Social Security Institution (PESSI)

Time: 7 days

Cost: No cost

Comments: According to the Punjab Industrial Policy, 2003, registration with the Employees Social Security Institution is governed at the provincial level by an independent self-generating institution called the Punjab ESSI. Employers covered under the scheme contribute 6% of the wages they pay to insurable workers. The wage ceiling should not exceed PKR 10,000 per month or PKR 400 per day. Registration is compulsory. The company must submit a simple form in order to be allotted a registration number and to receive an employee card.

Procedure 9*. Register with the Employees Old Age Benefits Institution (EOBI)

Time: 11 days

Cost: No cost

Comments: According to the amendment to EOBI Act, 1976, effective July 2008, every industry or commercial establishment with 5 or more employees must be registered with the federal EOBI. Under the EOBI, insured employees are entitled to a pension (upon retirement), disability (if permanently disabled), old-age grant (upon retirement if they do not have the minimum threshold for a pension), and survivor's pension. A contribution equal to 5% of minimum wages is paid by the employer and 1% by the employee.

For initial registration, the company must submit a simple form that is uploaded into the database. The allotment requests are sent to a center in Karachi that issues the registration numbers along with certificates and cards and sends them to the company. Computerization of records is underway.

Procedure 10*. Register under the West Pakistan Shops and Establishment Ordinance 1969 with the Labor Department of the District

Time: 7 days

Cost: PKR 10 (registration fee)

Comments: Pakistan Shops and Establishment Ordinance, 1969, requires every establishment other than a one-man shop to be registered with the Deputy Chief Inspector of the Labor Department in each district. This is to safeguard the labor standards of the workers.

To register, the employer must submit an application using Form A, accompanied by a bank challan. The application for a new establishment must be made within 2 months of setting it up. Registration fees are the following: 1–5 workers: PKR 2; 6–10 workers: PKR 3; 11–20 workers: PKR 5; more than 20 workers: PKR 10. Once the fee has been paid, the Deputy Chief Inspector registers the establishment in the Register of Establishments using Form B and issues a registration certificate using Form C. The certificate must be prominently displayed at the establishment.

* This procedure can be completed simultaneously with previous procedures

STARTING A BUSINESS

Multan, Punjab

Standard company legal form: Private Limited Liability Company

Paid-in minimum capital requirement: none

Data as of: December 2009

Procedure 1. Obtain approval of company name through the Companies Registration Office (CRO) of the Securities and Exchange Commission of Pakistan (SECP)

Time: 2 days

Cost: PKR 500 (name reservation in person fee)

Comments: According to the Companies Ordinance, 1984, and its amendments in 2002 and update in February 2009, the company proposes one or more names in order of preference and submits them for approval via e-Services or in person (offline) to the Securities and Exchange Commission of Pakistan (SECP). The availability of the suggested names can first be checked online by searching existing company names.

The official confirmation (or denial) of the chosen name and its availability is received by email or via courier upon payment of the name search fee of PKR 200 (online name reservation) or PKR 500 (offline name reservation) at the bank designated by the SECP. A timely disposal of cases within 24 working hours is mandated by Regulation 9 of the CRO Regulation Act, 2003. The approved name is reserved for 90 days, by which time the company must be incorporated. The e-Services were successfully launched in August 2008 to improve the efficiency and effectiveness of the SECP's business processes. The use of online submissions is growing, but in some cities a majority of entrepreneurs still prefer to apply in person.

Procedure 2. Pay the fees for name registration and company incorporation using bank challans at the designated Muslim Commercial Bank (MCB)

Time: 1 day

Cost: No cost

Comments: The company must pay the fees for name search availability and incorporation according to the Sixth Schedule of the Companies Ordinance, 1984. The challans must be deposited with the Muslim Commercial Bank, Ltd. They can be downloaded from the SECP website or obtained at the SECP offices or at the bank.

Procedure 3. Register the company with the Companies Registration Office of the Securities and Exchange Commission of Pakistan (SECP)

Time: 5 days

Cost: PKR 14,000 (offline registration fee PKR 10,000 + filing fee PKR 4,000)

Comments: The company can complete the registration online through e-Services or in person at the SECP. It must submit the following company incorporation documents on line or in person:

- Form 1: declaration of compliance;
- Form 21: identification of the office's location;
- Form 29: particulars of directors, secretary, chief accountant, auditors, and others;
- Four copies of the memorandum and articles of association with each member's signature (in the presence of a witness).

According to the Sixth Schedule of Fees, effective June 2009, the fees for incorporation of a company with authorized capital of up to PKR 600,000 are the following:

- Online submission: registration fee PKR 5,000 and filing fee PKR 2,000;
- Physical (offline) submission: registration fee PKR 10,000 and filing fee PKR 4,000.

Confirmation of either the online or in-person submission is received instantly and the actual certificate a few days later via email and courier. The company can register with any Company Registration Office, irrespective of the jurisdiction. All regional SECP offices are computerized.

Procedure 4. Make a company seal

Time: 2 days

Cost: PKR 1,000 (private sector fee)

Comments: The company seal is prepared after the certificate of incorporation is obtained. It is affixed on significant documents according to the provisions of the articles of association. For example, the company seal has to be affixed to the resolutions passed by directors in their board meetings. Entrepreneurs can get the seal made by private companies in a shop or in the market.

Procedure 5. Register for income tax by applying for a National Tax Number (NTN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)

Time: 3 days

Cost: No cost

Comments: According to the Income Tax Ordinance, 2001, every company must register for income tax and obtain the National Tax Number (NTN) that is generally required by other registering authorities such as Chambers of Commerce, the Import-Export Regulatory Authority, utility authorities, etc. Since 2002, after the introduction of the Income Tax Ordinance, 2001, an NTN is issued with a continuous valid term (without the need to renew the number).

To apply, the company must submit a simple one-page form (the NTN Form) as well as proof of registration, the memorandum and articles of association, bank account number, copies of the national identity cards of its directors, and an attestation of the registered business address at the nearest tax facilitation counter of the Regional Tax Office in Pakistan.

All applications are forwarded to the Central Registration Office (CRO) in Islamabad, which allots a uniform NTN to each company. The center processes the application and issues the NTN at no cost. The certificate is sent to the registered address of the applicant. The company can track the application online or through the RTO helpline. If undelivered, the NTN certification can be collected from the specified office at the Central Board of Revenue. The income tax is paid on filing the return, which is due within 6 months of the end of the company's financial year (usually on June 30). Reform has been introduced to make the tax registration fully electronic.

Procedure 6*. Register for sales tax by applying for a Sales Tax Number (STN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)

Time: 6 days

Cost: No cost

Comments: According to Sections 14, 15, and 16 of the Sales Tax Act, 1990, and Sales Tax Rules, 2006, the company must register for sales tax by submitting an application using Form STR-1 at any tax facilitation counter at the nearest Regional Tax Office (RTO). The local RTO forwards all applications to the Central Registration Office. After verification, the CRO issues a Registration Certificate bearing the registration number and mails the same to the registered company, on prescribed Form STR-5.

Procedure 7*. Register for Professional Tax with the Excise and Taxation Department of the District

Time: 5 days

Cost: No cost

Comments: Following the Devolution Plan, 2001, a professional tax is enforced at the district level by the Excise and Taxation Department of the relevant provincial district. According to the Punjab Finance Act, 1977, the tax is levied upon businesses, professionals, trades, callings, or companies employing such professionals. The district Excise and Taxation Officer (ET officer) is empowered to enroll in a survey register every person engaged in any such business or profession and thereafter, give notice to said enrolled person. In the case of a new business, the company is required to ask the ET officer to enroll it by submitting a simple assessment form. The ET officer issues a demand number (registration number) that acts as the reference number for the registered company and is noted down on every bank challan when assessments are paid into the bank.

Procedure 8*. Register with the Punjab Employees Social Security Institution (PESSI)

Time: 5 days

Cost: No cost

Comments: According to the Punjab Industrial Policy, 2003, registration with the Employees Social Security Institution is governed at the provincial level by an independent self-generating institution called the Punjab ESSI. Employers covered under the scheme contribute 6% of the wages they pay to insurable workers. The wage ceiling should not exceed PKR 10,000 per month or PKR 400 per day. Registration is compulsory. The company must submit a simple form in order to be allotted a registration number and to receive an employee card.

Procedure 9*. Register with the Employees Old Age Benefits Institution (EOBI)**Time:** 7 days**Cost:** No cost

Comments: According to the amendment to EOBI Act, 1976, effective July 2008, every industry or commercial establishment with 5 or more employees must be registered with the federal EOBI. Under the EOBI, insured employees are entitled to a pension (upon retirement), disability (if permanently disabled), old-age grant (upon retirement if they do not have the minimum threshold for a pension), and survivor's pension. A contribution equal to 5% of minimum wages is paid by the employer and 1% by the employee.

For initial registration, the company must submit a simple form that is uploaded into the database. The allotment requests are sent to a center in Karachi that issues the registration numbers along with certificates and cards and sends them to the company. Computerization of records is underway.

Procedure 10*. Register under the West Pakistan Shops and Establishment Ordinance 1969 with the Labor Department of the District**Time:** 5 days**Cost:** PKR 10 (registration fee)

Comments: Pakistan Shops and Establishment Ordinance, 1969, requires every establishment other than a one-man shop to be registered with the Deputy Chief Inspector of the Labor Department in each district. This is to safeguard the labor standards of the workers.

To register, the employer must submit an application using Form A, accompanied by a bank challan. The application for a new establishment must be made within 2 months of setting it up. Registration fees are the following: 1–5 workers: PKR 2; 6–10 workers: PKR 3; 11–20 workers: PKR 5; more than 20 workers: PKR 10. Once the fee has been paid, the Deputy Chief Inspector registers the establishment in the Register of Establishments using Form B and issues a registration certificate using Form C. The certificate must be prominently displayed at the establishment.

*This procedure can be completed simultaneously with previous procedures

STARTING A BUSINESS

Peshawar, Khyber Pakhtunkhwa

Standard company legal form: Private Limited Liability Company

Paid-in minimum capital requirement: none

Data as of: December 2009

Procedure 1. Obtain approval of company name through the Securities and Exchange Commission of Pakistan (SECP)'s e-Service website**Time:** 1 day**Cost:** PKR 200 (e-Services online name reservation fee)

Comments: According to the Companies Ordinance, 1984, and its amendments in 2002 and update in February 2009, the company proposes one or more names in order of preference and submits them for approval via e-Services or in person (offline) to the Securities and Exchange Commission of Pakistan (SECP). The availability of the suggested names can first be checked online by searching existing company names.

The official confirmation (or denial) of the chosen name and its availability is received by email or via courier upon payment of the name search fee of PKR 200 (online name reservation) or PKR 500 (offline name reservation) at the bank designated by the SECP. A timely disposal of cases within 24 working hours is mandated by Regulation 9 of the CRO Regulation Act, 2003. The approved name is reserved for 90 days, by which time the company must be incorporated. The e-Services were successfully launched in August 2008 to improve the efficiency and effectiveness of the SECP's business processes. The use of online submissions is growing, but in some cities a majority of entrepreneurs still prefer to apply in person.

Procedure 2. Pay the fees for name registration and company incorporation using bank challans at the designated Muslim Commercial Bank (MCB)**Time:** 1 day**Cost:** No cost

Comments: The company must pay the fees for name search availability and incorporation according to the Sixth Schedule of the Companies Ordinance, 1984. The challans must be deposited with the Muslim Commercial Bank, Ltd. They can be downloaded from the SECP website or obtained at the SECP offices or at the bank.

Procedure 3. Register the company for incorporation with the Securities and Exchange Commission of Pakistan (SECP) through online e-Services**Time:** 2 days**Cost:** PKR 7,000 (online registration fee PKR 5,000 + filing fee PKR 2,000)

Comments: The company can complete the registration online through e-Services or in person at the SECP. It must submit the following company incorporation documents on line or in person:

- Form 1: declaration of compliance;
- Form 21: identification of the office's location;
- Form 29: particulars of directors, secretary, chief accountant, auditors, and others;
- Four copies of the memorandum and articles of association with each member's signature (in the presence of a witness).

According to the Sixth Schedule of Fees, effective June 2009, the fees for incorporation of a company with authorized capital of up to PKR 600,000 are the following:

- Online submission: registration fee PKR 5,000 and filing fee PKR 2,000;
- Physical (offline) submission: registration fee PKR 10,000 and filing fee PKR 4,000.

Confirmation of either the online or in-person submission is received instantly and the actual certificate a few days later via email and courier. The company can register with any Company Registration Office, irrespective of the jurisdiction. All regional SECP offices are computerized.

Procedure 4. Obtain digital signatures from the National Institutional Facilitation Technologies (NIFT) through the SECP e-Services**Time:** 2 days**Cost:** PKR 1,277 (certificate charges PKR 650 + federal excise duty PKR 126.75 (at 19.5%) + validation charges PKR 500)

Comments: The digital signature is obtained from National Institutional Facilitation Technologies (NIFT) through e-Services or at SECP offices. NIFT serves as the witness of all digitally signed documentation. To apply, the company must submit the Digital Signature Certificate Request Form along with scanned copies of the directors' identity cards, Name Availability Certificate, and proof of payment.

Procedure 5. Register for income tax by applying for a National Tax Number (NTN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)**Time:** 5 days**Cost:** No cost

Comments: According to the Income Tax Ordinance, 2001, every company must register for income tax and obtain the National Tax Number (NTN) that is generally required by other registering authorities such as Chambers of Commerce, the Import-Export Regulatory Authority, utility authorities, etc. Since 2002, after the introduction of the Income Tax Ordinance, 2001, an NTN is issued with a continuous valid term (without the need to renew the number).

To apply, the company must submit a simple one-page form (the NTN Form) as well as proof of registration, the memorandum and articles of association, bank account number, copies of the national identity cards of its directors, and an attestation of the registered business address at the nearest tax facilitation counter of the Regional Tax Office in Pakistan.

All applications are forwarded to the Central Registration Office (CRO) in Islamabad, which allots a uniform NTN to each company. The center processes the application and issues the NTN at no cost. The certificate is sent to the registered address of the applicant. The company can track the application online or through the RTO helpline. If undelivered, the NTN certification can be collected from the specified office at the Central Board of Revenue. The income tax is paid on filing the return, which is due within 6 months of the end of the company's financial year (usually on June 30). Reform has been introduced to make the tax registration fully electronic.

Procedure 6*. Register for sales tax by applying for a Sales Tax Number (STN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)**Time:** 7 days**Cost:** No cost

Comments: According to Sections 14, 15, and 16 of the Sales Tax Act, 1990, and Sales Tax Rules, 2006, the company must register for sales tax by submitting an application using Form STR-1 at any tax facilitation counter at the nearest Regional Tax Office (RTO). The local RTO forwards all applications to the Central Registration Office. After verification, the CRO issues a Registration Certificate bearing the registration number and mails the same to the registered company, on prescribed Form STR-5.

Procedure 7*: Register for Professional Tax with the Excise and Taxation Department of the District

Time: 7 days

Cost: No cost

Comments: Following the Devolution Plan, 2001, a professional tax is enforced at the district level by the Excise and Taxation Department of the relevant provincial district. According to the Khyber Pakhtunkhwa Professions, Trades, Callings and Employment Tax Act 1979, the tax is levied upon businesses, professionals, trades, callings, or companies employing such professionals. The district Excise and Taxation Officer (ET officer) is empowered to enroll in a survey register every person engaged in any such business or profession and thereafter, give notice to said enrolled person. In the case of a new business, the company is required to ask the ET officer to enroll it by submitting a simple assessment form. The ET officer issues a demand number (registration number) that acts as the reference number for the registered company and is noted down on every bank challan when assessments are paid into the bank.

Procedure 8*: Register with the Khyber Pakhtunkhwa Employees Social Security Institution (KPKESSI)

Time: 11 days

Cost: No cost

Comments: According to the Provincial Employees Social Security Ordinance 1965, registration with the Employees Social Security Institution is governed at the provincial level by an independent self-generating institution called the Khyber Pakhtunkhwa Employee's Social Security Institution. Employers covered under the scheme contribute 6% of the wages to insurable workers. The wage ceiling should not exceed PKR 10,000 per month or PKR 400 per day. The registration is compulsory. The company has to fill up a simple form to be allotted a registration number and to receive later an employee card.

Procedure 9*: Register with the Employees Old Age Benefits Institution (EOBI)

Time: 11 days

Cost: No cost

Comments: According to the amendment to EOBI Act, 1976, effective July 2008, every industry or commercial establishment with 5 or more employees must be registered with the federal EOBI. Under the EOBI, insured employees are entitled to a pension (upon retirement), disability (if permanently disabled), old-age grant (upon retirement if they do not have the minimum threshold for a pension), and survivor's pension. A contribution equal to 5% of minimum wages is paid by the employer and 1% by the employee.

For initial registration, the company must submit a simple form that is uploaded into the database. The allotment requests are sent to a center in Karachi that issues the registration numbers along with certificates and cards and sends them to the company. Computerization of records is underway.

Procedure 10*: Register under the West Pakistan Shops and Establishment Ordinance 1969 with the Labor Department of the District

Time: 7 days

Cost: PKR 10 (registration fee)

Comments: Pakistan Shops and Establishment Ordinance, 1969, requires every establishment other than a one-man shop to be registered with the Deputy Chief Inspector of the Labor Department in each district. This is to safeguard the labor standards of the workers.

To register, the employer must submit an application using Form A, accompanied by a bank challan. The application for a new establishment must be made within 2 months of setting it up. Registration fees are the following: 1–5 workers: PKR 2; 6–10 workers: PKR 3; 11–20 workers: PKR 5; more than 20 workers: PKR 10. Once the fee has been paid, the Deputy Chief Inspector registers the establishment in the Register of Establishments using Form B and issues a registration certificate using Form C. The certificate must be prominently displayed at the establishment.

* This procedure can be completed simultaneously with previous procedures

STARTING A BUSINESS

Quetta, Balochistan

Standard company legal form: Private Limited Liability Company

Paid-in minimum capital requirement: none

Data as of: December 2009

Procedure 1. Obtain approval of company name through the Companies Registration Office (CRO) of the Securities and Exchange Commission of Pakistan (SECP)

Time: 1 day

Cost: PKR 500 (name reservation in person fee)

Comments: According to the Companies Ordinance, 1984, and its amendments in 2002 and update in February 2009, the company proposes one or more names in order of preference and submits them for approval via e-Services or in person (offline) to the Securities and Exchange Commission of Pakistan (SECP). The availability of the suggested names can first be checked online by searching existing company names.

The official confirmation (or denial) of the chosen name and its availability is received by email or via courier upon payment of the name search fee of PKR 200 (online name reservation) or PKR 500 (offline name reservation) at the bank designated by the SECP. A timely disposal of cases within 24 working hours is mandated by Regulation 9 of the CRO Regulation Act, 2003. The approved name is reserved for 90 days, by which time the company must be incorporated. The e-Services were successfully launched in August 2008 to improve the efficiency and effectiveness of the SECP's business processes. The use of online submissions is growing, but in some cities a majority of entrepreneurs still prefer to apply in person.

Procedure 2. Pay the fees for name registration and company incorporation using bank challans at the designated Muslim Commercial Bank (MCB)

Time: 1 day

Cost: No cost

Comments: The company must pay the fees for name search availability and incorporation according to the Sixth Schedule of the Companies Ordinance, 1984. The challans must be deposited with the Muslim Commercial Bank, Ltd. They can be downloaded from the SECP website or obtained at the SECP offices or at the bank.

Procedure 3. Register the company with the Companies Registration Office of the Securities and Exchange Commission of Pakistan (SECP)

Time: 5 days

Cost: PKR 14,000 (offline registration fee PKR 10,000 + filing fee PKR 4,000)

Comments: The company can complete the registration online through e-Services or in person at the SECP. It must submit the following company incorporation documents online or in person:

- Form 1: declaration of compliance;
- Form 21: identification of the office's location;
- Form 29: particulars of directors, secretary, chief accountant, auditors, and others;
- Four copies of the memorandum and articles of association with each member's signature (in the presence of a witness).

According to the Sixth Schedule of Fees, effective June 2009, the fees for incorporation of a company with authorized capital of up to PKR 600,000 are the following:

- Online submission: registration fee PKR 5,000 and filing fee PKR 2,000;
- Physical (offline) submission: registration fee PKR 10,000 and filing fee PKR 4,000.

Confirmation of either the online or in-person submission is received instantly and the actual certificate a few days later via email and courier. The company can register with any Company Registration Office, irrespective of the jurisdiction. All regional SECP offices are computerized.

Procedure 4. Make a company seal

Time: 2 days

Cost: PKR 1,000 (private sector fee)

Comments: The company seal is prepared after the certificate of incorporation is obtained. It is affixed on significant documents according to the provisions of the articles of association. For example, the company seal has to be affixed to the resolutions passed by directors in their board meetings. Entrepreneurs can get the seal made by private companies in a shop or in the market.

Procedure 5. Register for income tax by applying for a National Tax Number (NTN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)

Time: 5 days

Cost: No cost

Comments: According to the Income Tax Ordinance, 2001, every company must register for income tax and obtain the National Tax Number (NTN) that is generally required by other registering authorities such as Chambers of Commerce, the Import-Export Regulatory Authority, utility authorities, etc. Since 2002, after the introduction of the Income Tax Ordinance, 2001, an NTN is issued with a continuous valid term (without the need to renew the number).

To apply, the company must submit a simple one-page form (the NTN Form) as well as proof of registration, the memorandum and articles of association, bank account number, copies of the national identity cards of its directors, and an attestation of the registered business address at the nearest tax facilitation counter of the Regional Tax Office in Pakistan.

All applications are forwarded to the Central Registration Office (CRO) in Islamabad, which allots a uniform NTN to each company. The center processes the application and issues the NTN at no cost. The certificate is sent to the registered address of the applicant. The company can track the application online or through the RTO helpline. If undelivered, the NTN certification can be collected from the specified office at the Central Board of Revenue. The income tax is paid on filing the return, which is due within 6 months of the end of the company's financial year (usually on June 30). Reform has been introduced to make the tax registration fully electronic.

Procedure 6*. Register for sales tax by applying for a Sales Tax Number (STN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)

Time: 6 days

Cost: No cost

Comments: According to Sections 14, 15, and 16 of the Sales Tax Act, 1990, and Sales Tax Rules, 2006, the company must register for sales tax by submitting an application using Form STR-1 at any tax facilitation counter at the nearest Regional Tax Office (RTO). The local RTO forwards all applications to the Central Registration Office. After verification, the CRO issues a Registration Certificate bearing the registration number and mails the same to the registered company, on prescribed Form STR-5.

Procedure 7*. Register for Professional Tax with the Excise and Taxation Department of the District

Time: 7 days

Cost: No cost

Comments: Following the Devolution Plan, 2001, a professional tax is enforced at the district level by the Excise and Taxation Department of the relevant provincial district. According to the Balochistan Finance Act, 1996, the tax is levied upon businesses, professionals, trades, callings, or companies employing such professionals. The district Excise and Taxation Officer (ET officer) is empowered to enroll in a survey register every person engaged in any such business or profession and thereafter, give notice to said enrolled person. In the case of a new business, the company is required to ask the ET officer to enroll it by submitting a simple assessment form. The ET officer issues a demand number (registration number) that acts as the reference number for the registered company and is noted down on every bank challan when assessments are paid into the bank.

Procedure 8*. Register with the Balochistan Employees Social Security Institution (BESSI)

Time: 7 days

Cost: No cost

Comments: According to the Provincial Employees Social Security Ordinance, 1965, registration with the Employees Social Security Institution is governed at the provincial level by an independent self-generating institution called the Balochistan ESSI. Employers covered under the scheme contribute 6% of the wages they pay to insurable workers. The wage ceiling should not exceed PKR 10,000 per month or PKR 400 per day. Registration is compulsory. The company must submit a simple form in order to be allotted a registration number and to receive an employee card.

Procedure 9*. Register with the Employees Old Age Benefits Institution (EOBI)

Time: 7 days

Cost: No cost

Comments: According to the amendment to EOBI Act, 1976, effective July 2008, every industry or commercial establishment with 5 or more employees must be registered with the federal EOBI. Under the EOBI, insured employees are entitled to a pension (upon retirement), disability (if permanently disabled), old-age grant (upon retirement if they do not have the minimum threshold for a pension), and survivor's pension. A contribution equal to 5% of minimum wages is paid by the employer and 1% by the employee.

For initial registration, the company must submit a simple form that is uploaded into the database. The allotment requests are sent to a center in Karachi that issues the registration numbers along with certificates and cards and sends them to the company. Computerization of records is underway.

Procedure 10*. Register under the West Pakistan Shops and Establishment Ordinance 1969 with the Labor Department of the District

Time: 7 days

Cost: PKR 10 (registration fee)

Comments: Pakistan Shops and Establishment Ordinance, 1969, requires every establishment other than a one-man shop to be registered with the Deputy Chief Inspector of the Labor Department in each district. This is to safeguard the labor standards of the workers.

To register, the employer must submit an application using Form A, accompanied by a bank challan. The application for a new establishment must be made within 2 months of setting it up. Registration fees are the following: 1–5 workers: PKR 2; 6–10 workers: PKR 3; 11–20 workers: PKR 5; more than 20 workers: PKR 10. Once the fee has been paid, the Deputy Chief Inspector registers the establishment in the Register of Establishments using Form B and issues a registration certificate using Form C. The certificate must be prominently displayed at the establishment.

* This procedure can be completed simultaneously with previous procedures.

STARTING A BUSINESS

Rawalpindi, Punjab

Standard company legal form: Private Limited Liability Company

Paid-in minimum capital requirement: none

Data as of: December 2009

Procedure 1. Obtain approval of company name through the Companies Registration Office (CRO) of the Securities and Exchange Commission of Pakistan (SECP)

Time: 2 days

Cost: PKR 580 (name reservation in person fee PKR 500 + PKR 80 transport cost between Rawalpindi and Islamabad)

Comments: According to the Companies Ordinance, 1984, and its amendments in 2002 and update in February 2009, the company proposes one or more names in order of preference and submits them for approval via e-Services or in person (offline) to the Securities and Exchange Commission of Pakistan (SECP). The availability of the suggested names can first be checked online by searching existing company names.

The official confirmation (or denial) of the chosen name and its availability is received by email or via courier upon payment of the name search fee of PKR 200 (online name reservation) or PKR 500 (offline name reservation) at the bank designated by the SECP. A timely disposal of cases within 24 working hours is mandated by Regulation 9 of the CRO Regulation Act, 2003. The approved name is reserved for 90 days, by which time the company must be incorporated. The e-Services were successfully launched in August 2008 to improve the efficiency and effectiveness of the SECP's business processes. The use of online submissions is growing, but in some cities a majority of entrepreneurs still prefer to apply in person.

Procedure 2. Pay the fees for name registration and company incorporation using bank challans at the designated Muslim Commercial Bank (MCB)

Time: 1 day

Cost: No cost

Comments: The company must pay the fees for name search availability and incorporation according to the Sixth Schedule of the Companies Ordinance, 1984. The challans must be deposited with the Muslim Commercial Bank, Ltd. They can be downloaded from the SECP website or obtained at the SECP offices or at the bank.

Procedure 3. Register the company with the Companies Registration Office of the Securities and Exchange Commission of Pakistan (SECP)

Time: 4 days

Cost: PKR 14,080 (offline registration fee PKR 10,000 + filing fee PKR 4,000 + PKR 80 transport cost between Rawalpindi and Islamabad)

Comments: The company can complete the registration online through e-Services or in person at the SECP. It must submit the following company incorporation documents online or in person:

- Form 1: declaration of compliance;
- Form 21: identification of the office's location;
- Form 29: particulars of directors, secretary, chief accountant, auditors, and others;
- Four copies of the memorandum and articles of association with each member's signature (in the presence of a witness).

According to the Sixth Schedule of Fees, effective June 2009, the fees for incorporation of a company with authorized capital of up to PKR 600,000 are the following:

- Online submission: registration fee PKR 5,000 and filing fee PKR 2,000;
- Physical (offline) submission: registration fee PKR 10,000 and filing fee PKR 4,000.

Confirmation of either the online or in-person submission is received instantly and the actual certificate a few days later via email and courier. The company can register with any Company Registration Office, irrespective of the jurisdiction. All regional SECP offices are computerized.

Procedure 4. Make a company seal

Time: 2 days

Cost: PKR 1,000 (private sector fee)

Comments: The company seal is prepared after the certificate of incorporation is obtained. It is affixed on significant documents according to the provisions of the articles of association. For example, the company seal has to be affixed to the resolutions passed by directors in their board meetings. Entrepreneurs can get the seal made by private companies in a shop or in the market.

Procedure 5. Register for income tax by applying for a National Tax Number (NTN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)

Time: 3 days

Cost: No cost

Comments: According to the Income Tax Ordinance, 2001, every company must register for income tax and obtain the National Tax Number (NTN) that is generally required by other registering authorities such as Chambers of Commerce, the Import-Export Regulatory Authority, utility authorities, etc. Since 2002, after the introduction of the Income Tax Ordinance, 2001, an NTN is issued with a continuous valid term (without the need to renew the number).

To apply, the company must submit a simple one-page form (the NTN Form) as well as proof of registration, the memorandum and articles of association, bank account number, copies of the national identity cards of its directors, and an attestation of the registered business address at the nearest tax facilitation counter of the Regional Tax Office in Pakistan.

All applications are forwarded to the Central Registration Office (CRO) in Islamabad, which allots a uniform NTN to each company. The center processes the application and issues the NTN at no cost. The certificate is sent to the registered address of the applicant. The company can track the application online or through the RTO helpline. If undelivered, the NTN certification can be collected from the specified office at the Central Board of Revenue. The income tax is paid on filing the return, which is due within 6 months of the end of the company's financial year (usually on June 30). Reform has been introduced to make the tax registration fully electronic.

Procedure 6*. Register for sales tax by applying for a Sales Tax Number (STN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)

Time: 4 days

Cost: No cost

Comments: According to Sections 14, 15, and 16 of the Sales Tax Act, 1990, and Sales Tax Rules, 2006, the company must register for sales tax by submitting an application using Form STR-1 at any tax facilitation counter at the nearest Regional Tax Office (RTO). The local RTO forwards all applications to the Central Registration Office. After verification, the CRO issues a Registration Certificate bearing the registration number and mails the same to the registered company, on prescribed Form STR-5.

Procedure 7*. Register for Professional Tax with the Excise and Taxation Department of the District

Time: 5 days

Cost: No cost

Comments: Following the Devolution Plan, 2001, a professional tax is enforced at the district level by the Excise and Taxation Department of the relevant provincial district. According to the Punjab Finance Act, 1977, the tax is levied upon businesses, professionals, trades, callings, or companies employing such professionals. The district Excise and Taxation Officer (ET officer) is empowered to enroll in a survey register every person engaged in any such business or profession and thereafter, give notice to said enrolled person. In the case of a new business, the company is required to ask the ET officer to enroll it by submitting a simple assessment form. The ET officer issues a demand number (registration number) that acts as the reference number for the registered company and is noted down on every bank challan when assessments are paid into the bank.

Procedure 8*. Register with the Punjab Employees Social Security Institution (PESSI)

Time: 5 days

Cost: No cost

Comments: According to the Punjab Industrial Policy, 2003, registration with the Employees Social Security Institution is governed at the provincial level by an independent self-generating institution called the Punjab ESSI. Employers covered under the scheme contribute 6% of the wages they pay to insurable workers. The wage ceiling should not exceed PKR 10,000 per month or PKR 400 per day. Registration is compulsory. The company must submit a simple form in order to be allotted a registration number and to receive an employee card.

Procedure 9*. Register with the Employees Old Age Benefits Institution (EOBI)

Time: 5 days

Cost: No cost

Comments: According to the amendment to EOBI Act, 1976, effective July 2008, every industry or commercial establishment with 5 or more employees must be registered with the federal EOBI. Under the EOBI, insured employees are entitled to a pension (upon retirement), disability (if permanently disabled), old-age grant (upon retirement if they do not have the minimum threshold for a pension), and survivor's pension. A contribution equal to 5% of minimum wages is paid by the employer and 1% by the employee.

For initial registration, the company must submit a simple form that is uploaded into the database. The allotment requests are sent to a center in Karachi that issues the registration numbers along with certificates and cards and sends them to the company. Computerization of records is underway.

Procedure 10*. Register under the West Pakistan Shops and Establishment Ordinance 1969 with the Labor Department of the District

Time: 5 days

Cost: PKR 10 (registration fee)

Comments: Pakistan Shops and Establishment Ordinance, 1969, requires every establishment other than a one-man shop to be registered with the Deputy Chief Inspector of the Labor Department in each district. This is to safeguard the labor standards of the workers.

To register, the employer must submit an application using Form A, accompanied by a bank challan. The application for a new establishment must be made within 2 months of setting it up. Registration fees are the following: 1–5 workers: PKR 2; 6–10 workers: PKR 3; 11–20 workers: PKR 5; more than 20 workers: PKR 10. Once the fee has been paid, the Deputy Chief Inspector registers the establishment in the Register of Establishments using Form B and issues a registration certificate using Form C. The certificate must be prominently displayed at the establishment.

* This procedure can be completed simultaneously with previous procedures.

STARTING A BUSINESS

Sheikhupura, Punjab

Standard company legal form: Private Limited Liability Company

Paid-in minimum capital requirement: none

Data as of: December 2009

Procedure 1. Obtain approval of company name through the Companies Registration Office (CRO) of the Securities and Exchange Commission of Pakistan (SECP)

Time: 2 days

Cost: PKR 620 (name reservation in person fee PKR 500 + PKR 120 transport cost between Sheikhupura and Lahore)

Comments: According to the Companies Ordinance, 1984, and its amendments in 2002 and update in February 2009, the company proposes one or more names in order of preference and submits them for approval via e-Services or in person (offline) to the Securities and Exchange Commission of Pakistan (SECP). The availability of the suggested names can first be checked online by searching existing company names. The official confirmation (or denial) of the chosen name and its availability is received by email or via courier upon payment of the name search fee of PKR 200 (online name reservation) or PKR 500 (offline name reservation) at the bank designated by the SECP. A timely disposal of cases within 24 working hours is mandated by Regulation 9 of the CRO Regulation Act, 2003. The approved name is reserved for 90 days, by which time the company must be incorporated. The e-Services were successfully launched in August 2008 to improve the efficiency and effectiveness of the SECP's business processes. The use of online submissions is growing, but in some cities a majority of entrepreneurs still prefer to apply in person.

Procedure 2. Pay the fees for name registration and company incorporation using bank challans at the designated Muslim Commercial Bank (MCB)

Time: 1 day

Cost: No cost

Comments: The company must pay the fees for name search availability and incorporation according to the Sixth Schedule of the Companies Ordinance, 1984. The challans must be deposited with the Muslim Commercial Bank, Ltd. They can be downloaded from the SECP website or obtained at the SECP offices or at the bank.

Procedure 3. Register the company with the Companies Registration Office of the Securities and Exchange Commission of Pakistan (SECP)

Time: 4 days

Cost: PKR 14,120 (offline registration fee PKR 10,000 + filing fee PKR 4,000 + PKR 120 transport cost between Sheikhupura and Lahore)

Comments: The company can complete the registration online through e-Services or in person at the SECP. It must submit the following company incorporation documents online or in person:

- Form 1: declaration of compliance;
- Form 21: identification of the office's location;
- Form 29: particulars of directors, secretary, chief accountant, auditors, and others;
- Four copies of the memorandum and articles of association with each member's signature (in the presence of a witness).

According to the Sixth Schedule of Fees, effective June 2009, the fees for incorporation of a company with authorized capital of up to PKR 600,000 are the following:

- Online submission: registration fee PKR 5,000 and filing fee PKR 2,000;
- Physical (offline) submission: registration fee PKR 10,000 and filing fee PKR 4,000.

Confirmation of either the online or in-person submission is received instantly and the actual certificate a few days later via email and courier. The company can register with any Company Registration Office, irrespective of the jurisdiction. All regional SECP offices are computerized.

Procedure 4. Make a company seal

Time: 2 days

Cost: PKR 1,000 (private sector fee)

Comments: The company seal is prepared after the certificate of incorporation is obtained. It is affixed on significant documents according to the provisions of the articles of association. For example, the company seal has to be affixed to the resolutions passed by directors in their board meetings. Entrepreneurs can get the seal made by private companies in a shop or in the market.

Procedure 5. Register for income tax by applying for a National Tax Number (NTN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)

Time: 7 days

Cost: No cost

Comments: According to the Income Tax Ordinance, 2001, every company must register for income tax and obtain the National Tax Number (NTN) that is generally required by other registering authorities such as Chambers of Commerce, the Import-Export Regulatory Authority, utility authorities, etc. Since 2002, after the introduction of the Income Tax Ordinance, 2001, an NTN is issued with a continuous valid term (without the need to renew the number).

To apply, the company must submit a simple one-page form (the NTN Form) as well as proof of registration, the memorandum and articles of association, bank account number, copies of the national identity cards of its directors, and an attestation of the registered business address at the nearest tax facilitation counter of the Regional Tax Office in Pakistan.

All applications are forwarded to the Central Registration Office (CRO) in Islamabad, which allots a uniform NTN to each company. The center processes the application and issues the NTN at no cost. The certificate is sent to the registered address of the applicant. The company can track the application online or through the RTO helpline. If undelivered, the NTN certification can be collected from the specified office at the Central Board of Revenue. The income tax is paid on filing the return, which is due within 6 months of the end of the company's financial year (usually on June 30). Reform has been introduced to make the tax registration fully electronic.

Procedure 6*. Register for sales tax by applying for a Sales Tax Number (STN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)

Time: 10 days

Cost: No cost

Comments: According to Sections 14, 15, and 16 of the Sales Tax Act, 1990, and Sales Tax Rules, 2006, the company must register for sales tax by submitting an application using Form STR-1 at any tax facilitation counter at the nearest Regional Tax Office (RTO). The local RTO forwards all applications to the Central Registration Office. After verification, the CRO issues a Registration Certificate bearing the registration number and mails the same to the registered company, on prescribed Form STR-5.

Procedure 7*. Register for Professional Tax with the Excise and Taxation Department of the District

Time: 5 days

Cost: No cost

Comments: Following the Devolution Plan, 2001, a professional tax is enforced at the district level by the Excise and Taxation Department of the relevant provincial district. According to the Punjab Finance Act, 1977, the tax is levied upon businesses, professionals, trades, callings, or companies employing such professionals. The district Excise and Taxation Officer (ET officer) is empowered to enroll in a survey register every person engaged in any such business or profession and thereafter, give notice to said enrolled person. In the case of a new business, the company is required to ask the ET officer to enroll it by submitting a simple assessment form. The ET officer issues a demand number (registration number) that acts as the reference number for the registered company and is noted down on every bank challan when assessments are paid into the bank.

Procedure 8*. Register with the Punjab Employees Social Security Institution (PESSI)

Time: 7 days

Cost: No cost

Comments: According to the Punjab Industrial Policy, 2003, registration with the Employees Social Security Institution is governed at the provincial level by an independent self-generating institution called the Punjab ESSI. Employers covered under the scheme contribute 6% of the wages they pay to insurable workers. The wage ceiling should not exceed PKR 10,000 per month or PKR 400 per day. Registration is compulsory. The company must submit a simple form in order to be allotted a registration number and to receive an employee card.

Procedure 9*. Register with the Employees Old Age Benefits Institution (EOBI)**Time:** 7 days**Cost:** No cost

Comments: According to the amendment to EOBI Act, 1976, effective July 2008, every industry or commercial establishment with 5 or more employees must be registered with the federal EOBI. Under the EOBI, insured employees are entitled to a pension (upon retirement), disability (if permanently disabled), old-age grant (upon retirement if they do not have the minimum threshold for a pension), and survivor's pension. A contribution equal to 5% of minimum wages is paid by the employer and 1% by the employee.

For initial registration, the company must submit a simple form that is uploaded into the database. The allotment requests are sent to a center in Karachi that issues the registration numbers along with certificates and cards and sends them to the company. Computerization of records is underway.

Procedure 10*. Register under the West Pakistan Shops and Establishment Ordinance 1969 with the Labor Department of the District**Time:** 7 days**Cost:** PKR 10 (registration fee)

Comments: Pakistan Shops and Establishment Ordinance, 1969, requires every establishment other than a one-man shop to be registered with the Deputy Chief Inspector of the Labor Department in each district. This is to safeguard the labor standards of the workers.

To register, the employer must submit an application using Form A, accompanied by a bank challan. The application for a new establishment must be made within 2 months of setting it up. Registration fees are the following: 1–5 workers: PKR 2; 6–10 workers: PKR 3; 11–20 workers: PKR 5; more than 20 workers: PKR 10. Once the fee has been paid, the Deputy Chief Inspector registers the establishment in the Register of Establishments using Form B and issues a registration certificate using Form C. The certificate must be prominently displayed at the establishment.

*This procedure can be completed simultaneously with previous procedures.

STARTING A BUSINESS

Sialkot, Punjab

Standard company legal form: Private Limited Liability Company

Paid-in minimum capital requirement: none

Data as of: December 2009

Procedure 1. Obtain approval of company name through the Companies Registration Office (CRO) of the Securities and Exchange Commission of Pakistan (SECP)**Time:** 1 day**Cost:** PKR 1,200 (name reservation in person fee PKR 500 + PKR 700 transport cost between Sialkot and Lahore)

Comments: According to the Companies Ordinance, 1984, and its amendments in 2002 and update in February 2009, the company proposes one or more names in order of preference and submits them for approval via e-Services or in person (offline) to the Securities and Exchange Commission of Pakistan (SECP). The availability of the suggested names can first be checked online by searching existing company names. The official confirmation (or denial) of the chosen name and its availability is received by email or via courier upon payment of the name search fee of PKR 200 (online name reservation) or PKR 500 (offline name reservation) at the bank designated by the SECP. A timely disposal of cases within 24 working hours is mandated by Regulation 9 of the CRO Regulation Act, 2003. The approved name is reserved for 90 days, by which time the company must be incorporated. The e-Services were successfully launched in August 2008 to improve the efficiency and effectiveness of the SECP's business processes. The use of online submissions is growing, but in some cities a majority of entrepreneurs still prefer to apply in person.

Procedure 2. Pay the fees for name registration and company incorporation using bank challans at the designated Muslim Commercial Bank (MCB)**Time:** 1 day**Cost:** No cost

Comments: The company must pay the fees for name search availability and incorporation according to the Sixth Schedule of the Companies Ordinance, 1984. The challans must be deposited with the Muslim Commercial Bank, Ltd. They can be downloaded from the SECP website or obtained at the SECP offices or at the bank.

Procedure 3. Register the company with the Companies Registration Office of the Securities and Exchange Commission of Pakistan (SECP)**Time:** 3 days**Cost:** PKR 14,700 (offline registration fee PKR 10,000 + filing fee PKR 4,000 + PKR 700 return travel cost from Sialkot to Lahore)

Comments: The company can complete the registration online through e-Services or in person at the SECP. It must submit the following company incorporation documents online or in person:

- Form 1: declaration of compliance;
- Form 21: identification of the office's location;
- Form 29: particulars of directors, secretary, chief accountant, auditors, and others;
- Four copies of the memorandum and articles of association with each member's signature (in the presence of a witness).

According to the Sixth Schedule of Fees, effective June 2009, the fees for incorporation of a company with authorized capital of up to PKR 600,000 are the following:

- Online submission: registration fee PKR 5,000 and filing fee PKR 2,000;
- Physical (offline) submission: registration fee PKR 10,000 and filing fee PKR 4,000.

Confirmation of either the online or in-person submission is received instantly and the actual certificate a few days later via email and courier. The company can register with any Company Registration Office, irrespective of the jurisdiction. All regional SECP offices are computerized.

Procedure 4. Make a company seal**Time:** 2 days**Cost:** PKR 1,000 (private sector fee)

Comments: The company seal is prepared after the certificate of incorporation is obtained. It is affixed on significant documents according to the provisions of the articles of association. For example, the company seal has to be affixed to the resolutions passed by directors in their board meetings. Entrepreneurs can get the seal made by private companies in a shop or in the market.

Procedure 5. Register for income tax by applying for a National Tax Number (NTN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)**Time:** 2 days**Cost:** No cost

Comments: According to the Income Tax Ordinance, 2001, every company must register for income tax and obtain the National Tax Number (NTN) that is generally required by other registering authorities such as Chambers of Commerce, the Import-Export Regulatory Authority, utility authorities, etc. Since 2002, after the introduction of the Income Tax Ordinance, 2001, an NTN is issued with a continuous valid term (without the need to renew the number).

To apply, the company must submit a simple one-page form (the NTN Form) as well as proof of registration, the memorandum and articles of association, bank account number, copies of the national identity cards of its directors, and an attestation of the registered business address at the nearest tax facilitation counter of the Regional Tax Office in Pakistan.

All applications are forwarded to the Central Registration Office (CRO) in Islamabad, which allots a uniform NTN to each company. The center processes the application and issues the NTN at no cost. The certificate is sent to the registered address of the applicant. The company can track the application online or through the RTO helpline. If undelivered, the NTN certification can be collected from the specified office at the Central Board of Revenue. The income tax is paid on filing the return, which is due within 6 months of the end of the company's financial year (usually on June 30). Reform has been introduced to make the tax registration fully electronic.

Procedure 6*. Register for sales tax by applying for a Sales Tax Number (STN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)**Time:** 6 days**Cost:** No cost

Comments: According to Sections 14, 15, and 16 of the Sales Tax Act, 1990, and Sales Tax Rules, 2006, the company must register for sales tax by submitting an application using Form STR-1 at any tax facilitation counter at the nearest Regional Tax Office (RTO). The local RTO forwards all applications to the Central Registration Office. After verification, the CRO issues a Registration Certificate bearing the registration number and mails the same to the registered company, on prescribed Form STR-5.

Procedure 7*: Register for Professional Tax with the Excise and Taxation Department of the District**Time:** 7 days**Cost:** No cost

Comments: Following the Devolution Plan, 2001, a professional tax is enforced at the district level by the Excise and Taxation Department of the relevant provincial district. According to the Punjab Finance Act, 1977, the tax is levied upon businesses, professionals, trades, callings, or companies employing such professionals. The district Excise and Taxation Officer (ET officer) is empowered to enroll in a survey register every person engaged in any such business or profession and thereafter, give notice to said enrolled person. In the case of a new business, the company is required to ask the ET officer to enroll it by submitting a simple assessment form. The ET officer issues a demand number (registration number) that acts as the reference number for the registered company and is noted down on every bank challan when assessments are paid into the bank.

Procedure 8*: Register with the Punjab Employees Social Security Institution (PESSI)**Time:** 11 days**Cost:** No cost

Comments: According to the Punjab Industrial Policy, 2003, registration with the Employees Social Security Institution is governed at the provincial level by an independent self-generating institution called the Punjab ESSI. Employers covered under the scheme contribute 6% of the wages they pay to insurable workers. The wage ceiling should not exceed PKR 10,000 per month or PKR 400 per day. Registration is compulsory. The company must submit a simple form in order to be allotted a registration number and to receive an employee card.

Procedure 9*: Register with the Employees Old Age Benefits Institution (EOBI)**Time:** 11 days**Cost:** No cost

Comments: According to the amendment to EOBI Act, 1976, effective July 2008, every industry or commercial establishment with 5 or more employees must be registered with the federal EOBI. Under the EOBI, insured employees are entitled to pension (upon retirement), disability (if permanently disabled), old-age grant (upon retirement if they do not have the minimum threshold for a pension), and survivor's pension. A contribution equal to 5% of minimum wages is paid by the employer and 1% by the employee.

For initial registration, the company must submit a simple form that is uploaded into the database. The allotment requests are sent to a center in Karachi that issues the registration numbers along with certificates and cards and sends them to the company. Computerization of records is underway.

Procedure 10*: Register under the West Pakistan Shops and Establishment Ordinance 1969 with the Labor Department of the District**Time:** 7 days**Cost:** PKR 10 (registration fee)

Comments: Pakistan Shops and Establishment Ordinance, 1969, requires every establishment other than a one-man shop to be registered with the Deputy Chief Inspector of the Labor Department in each district. This is to safeguard the labor standards of the workers.

To register, the employer must submit an application using Form A, accompanied by a bank challan. The application for a new establishment must be made within 2 months of setting it up. Registration fees are the following: 1–5 workers: PKR 2; 6–10 workers: PKR 3; 11–20 workers: PKR 5; more than 20 workers: PKR 10. Once the fee has been paid, the Deputy Chief Inspector registers the establishment in the Register of Establishments using Form B and issues a registration certificate using Form C. The certificate must be prominently displayed at the establishment.

*This procedure can be completed simultaneously with previous procedures.

STARTING A BUSINESS

Sukkur, Sindh*Standard company legal form: Private Limited Liability Company**Paid-in minimum capital requirement: none**Data as of: December 2009***Procedure 1. Obtain approval of company name through the Companies Registration Office (CRO) of the Securities and Exchange Commission of Pakistan (SECP)****Time:** 2 days**Cost:** PKR 500 (name reservation in person fee)

Comments: According to the Companies Ordinance, 1984, and its amendments in 2002 and update in February 2009, the company proposes one or more names in order of preference and submits them for approval via e-Services or in person (offline) to the Securities and Exchange Commission of Pakistan (SECP). The availability of the suggested names can first be checked online by searching existing company names.

The official confirmation (or denial) of the chosen name and its availability is received by email or via courier upon payment of the name search fee of PKR 200 (online name reservation) or PKR 500 (offline name reservation) at the bank designated by the SECP. A timely disposal of cases within 24 working hours is mandated by Regulation 9 of the CRO Regulation Act, 2003. The approved name is reserved for 90 days, by which time the company must be incorporated. The e-Services were successfully launched in August 2008 to improve the efficiency and effectiveness of the SECP's business processes. The use of online submissions is growing, but in some cities a majority of entrepreneurs still prefer to apply in person.

Procedure 2. Pay the fees for name registration and company incorporation using bank challans at the designated Muslim Commercial Bank (MCB)**Time:** 1 day**Cost:** No cost

Comments: The company must pay the fees for name search availability and incorporation according to the Sixth Schedule of the Companies Ordinance, 1984. The challans must be deposited with the Muslim Commercial Bank, Ltd. They can be downloaded from the SECP website or obtained at the SECP offices or at the bank.

Procedure 3. Register the company with the Companies Registration Office of the Securities and Exchange Commission of Pakistan (SECP)**Time:** 3 days**Cost:** PKR 14,000 (offline registration fee PKR 10,000 + filing fee PKR 4,000)

Comments: The company can complete the registration online through e-Services or in person at the SECP. It must submit the following company incorporation documents online or in person:

- Form 1: declaration of compliance;
- Form 21: identification of the office's location;
- Form 29: particulars of directors, secretary, chief accountant, auditors, and others;
- Four copies of the memorandum and articles of association with each member's signature (in the presence of a witness).

According to the Sixth Schedule of Fees, effective June 2009, the fees for incorporation of a company with authorized capital of up to PKR 600,000 are the following:

- Online submission: registration fee PKR 5,000 and filing fee PKR 2,000;
- Physical (offline) submission: registration fee PKR 10,000 and filing fee PKR 4,000.

Confirmation of either the online or in-person submission is received instantly and the actual certificate a few days later via email and courier. The company can register with any Company Registration Office, irrespective of the jurisdiction. All regional SECP offices are computerized.

Procedure 4. Make a company seal**Time:** 2 days**Cost:** PKR 1,000 (private sector fee)

Comments: The company seal is prepared after the certificate of incorporation is obtained. It is affixed on significant documents according to the provisions of the articles of association. For example, the company seal has to be affixed to the resolutions passed by directors in their board meetings. Entrepreneurs can get the seal made by private companies in a shop or in the market.

Procedure 5. Register for income tax by applying for a National Tax Number (NTN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)

Time: 5 days

Cost: No cost

Comments: According to the Income Tax Ordinance, 2001, every company must register for income tax and obtain the National Tax Number (NTN) that is generally required by other registering authorities such as Chambers of Commerce, the Import-Export Regulatory Authority, utility authorities, etc. Since 2002, after the introduction of the Income Tax Ordinance, 2001, an NTN is issued with a continuous valid term (without the need to renew the number).

To apply, the company must submit a simple one-page form (the NTN Form) as well as proof of registration, the memorandum and articles of association, bank account number, copies of the national identity cards of its directors, and an attestation of the registered business address at the nearest tax facilitation counter of the Regional Tax Office in Pakistan.

All applications are forwarded to the Central Registration Office (CRO) in Islamabad, which allots a uniform NTN to each company. The center processes the application and issues the NTN at no cost. The certificate is sent to the registered address of the applicant. The company can track the application online or through the RTO helpline. If undelivered, the NTN certification can be collected from the specified office at the Central Board of Revenue. The income tax is paid on filing the return, which is due within 6 months of the end of the company's financial year (usually on June 30). Reform has been introduced to make the tax registration fully electronic.

Procedure 6*. Register for sales tax by applying for a Sales Tax Number (STN) at the tax facilitation center of the Regional Tax Office (RTO) of the Federal Board of Revenue (FBR)

Time: 6 days

Cost: No cost

Comments: According to Sections 14, 15, and 16 of the Sales Tax Act, 1990, and Sales Tax Rules, 2006, the company must register for sales tax by submitting an application using Form STR-1 at any tax facilitation counter at the nearest Regional Tax Office (RTO). The local RTO forwards all applications to the Central Registration Office. After verification, the CRO issues a Registration Certificate bearing the registration number and mails the same to the registered company, on prescribed Form STR-5.

Procedure 7*. Register for Professional Tax with the Excise and Taxation Department of the District

Time: 5 days

Cost: No cost

Comments: Following the Devolution Plan, 2001, a professional tax is enforced at the district level by the Excise and Taxation Department of the relevant provincial district. According to the Sindh Professions, Trade, Callings and Employment Tax Rules, 1976, the tax is levied upon businesses, professionals, trades, callings, or companies employing such professionals. The district Excise and Taxation Officer (ET officer) is empowered to enroll in a survey register every person engaged in any such business or profession and thereafter, give notice to said enrolled person. In the case of a new business, the company is required to ask the ET officer to enroll it by submitting a simple assessment form. The ET officer issues a demand number (registration number) that acts as the reference number for the registered company and is noted down on every bank challan when assessments are paid into the bank.

Procedure 8*. Register with the Sindh Employees Social Security Institution (SESSI)

Time: 11 days

Cost: No cost

Comments: According to the Provincial Employees Social Security Ordinance 1965, registration with the Employees Social Security Institution is governed at the provincial level by an independent self-generating institution called the Sindh ESSI. Employers covered under the scheme contribute 6% of the wages to insurable workers. The wage ceiling should not exceed PKR 10,000 per month or PKR 400 per day. The registration is compulsory. The company has to fill up a simple form to be allotted a registration number and to receive later an employee card.

Procedure 9*. Register with the Employees Old Age Benefits Institution (EOBI)

Time: 11 days

Cost: No cost

Comments: According to the amendment to EOBI Act, 1976, effective July 2008, every industry or commercial establishment with 5 or more employees must be registered with the federal EOBI. Under the EOBI, insured employees are entitled to a pension (upon retirement), disability (if permanently disabled), old-age grant (upon retirement if they do not have the minimum threshold for a pension), and survivor's pension. A contribution equal to 5% of minimum wages is paid by the employer and 1% by the employee.

For initial registration, the company must submit a simple form that is uploaded into the database. The allotment requests are sent to a center in Karachi that issues the registration numbers along with certificates and cards and sends them to the company. Computerization of records is underway.

Procedure 10*. Register under the West Pakistan Shops and Establishment Ordinance 1969 with the Labor Department of the District

Time: 7 days

Cost: PKR 10 (registration fee)

Comments: Pakistan Shops and Establishment Ordinance, 1969, requires every establishment other than a one-man shop to be registered with the Deputy Chief Inspector of the Labor Department in each district. This is to safeguard the labor standards of the workers.

To register, the employer must submit an application using Form A, accompanied by a bank challan. The application for a new establishment must be made within 2 months of setting it up. Registration fees are the following: 1–5 workers: PKR 2; 6–10 workers: PKR 3; 11–20 workers: PKR 5; more than 20 workers: PKR 10. Once the fee has been paid, the Deputy Chief Inspector registers the establishment in the Register of Establishments using Form B and issues a registration certificate using Form C. The certificate must be prominently displayed at the establishment.

* This procedure can be completed simultaneously with previous procedures.

LIST OF PROCEDURES

Dealing with construction permits

Faisalabad, Punjab

Procedures to build a warehouse

Warehouse value: USD 149,056 = PKR 9,800,000

Data as of: December 2009

Procedure 1. Request and obtain land record (record fard) from the local Patwari

Time: 30 days

Cost: PKR 40

Comments: The building company must obtain a land record (record fard) from the local Patwari at the Revenue Department. The request can be made either in person or in writing and the building company must specify the purpose of the certified copy, i.e., to apply for a building permit. The building company must submit the following documents when requesting the fard:

- Copy of the certificate of incorporation;
- Power of attorney for the person who acts on the company's behalf;
- Proof of ownership: land title or sale deed.

The fard specifies the land use and plot size and confirms ownership. The building company must pay the following fees:

- Rural areas: PKR 20 per copy;
- Urban areas: PKR 40 per copy.

Procedure 2. Request and obtain a building permit from the Town Municipal Administration (TMA)

Time: 45 days

Cost: PKR 73,500 (PKR 70,000 building approval fee + PKR 3,500 scrutiny fee)

Comments: According to the TMA Faisalabad Building and Zoning Regulations of 2008, to get approval to execute the works, the building company must apply in writing to the Town Officer (Planning and Coordination) of the relevant TMA and submit the following documents:

- Application form signed by the registered architect and by the attorney-in-fact;
- Three sets of architectural drawings;
- Three sets of structural drawings (for buildings taller than 2 floors);

- d. Record fard;
- e. Copy of the title deed;
- f. Copy of the company's memorandum of incorporation;
- g. Power of attorney to act on behalf of the company and a copy of the national identification card.

The building company must pay a building approval fee of PKR 5 per square foot of covered area and a scrutiny fee equal to 5% of the building approval fee. Both fees are paid at the TMA office.

When approved, the building company receives a signed copy of the drawings and a letter of approval.

If the building company does not receive a response to its application within 45 days of submission, it can send a written communication by registered post to the relevant TMA. If such communication is not answered within 15 days, the building company can assume that the building plan approval has been granted and start construction (as per Art. 27.6, Section 192, Fourth Schedule, Chapter 14 of the Punjab Local Government Ordinance, 2001).

Procedure 3. Receive inspection from the Town Municipal Administration (TMA)

Time: 1 day

Cost: No cost

Procedure 4. Request and obtain electricity connection from Faisalabad Electric Supply Company (FESCO)

Time: 52 days

Cost: PKR 228,000

Comments: The building company must submit an application to FESCO along with the following documents:

- a. Copy of approved building plan and letter of approval;
- b. Wiring test report;
- c. Copy of a neighbor's electricity bill;
- d. Proof of ownership;
- e. Copy of the company's memorandum of incorporation;
- f. Power of attorney to act on behalf of the company and copy of the national identification card of the attorney-in-practice;
- g. Affidavit declaring that the building company has no arrears with FESCO.

FESCO will inspect the site and issue an assessment letter. The company receives the connection upon payment of a connection fee.

Procedure 5*. Request and obtain water and sewerage connection from the Water and Sanitation Agency (WASA)

Time: 10 days

Cost: PKR 3,000

Comments: In order to obtain a connection to the water and sewerage systems, the building company must submit an application form to WASA along with the following documents:

- a. Copy of the letter of approval of the building plan;
- b. Copy of the company's memorandum of incorporation;
- c. Power of attorney to act on behalf of the company and a copy of the national identification card.

Procedure 6*. Request and obtain telephone connection from Pakistan Telecommunication Company Limited (PTCL)

Time: 7 days

Cost: PKR 750 (amount paid with the first bill)

Comments: As a result of the recent improvements of PTCL services, the building company can apply for a new landline connection online (www.ptcl.com.pk) or by calling the helpline at 0800 8 0800. In order to obtain a commercial landline connection, the company must provide the following information:

- a. National identity card number and contact details of the applicant;
- b. Company registration number and national tax number;
- c. Address where the connection will be installed.

The PTCL lineman will install the new landline connection within 7 days of placement of the order.

Procedure 7*. Receive electricity inspection from Faisalabad Electric Supply Company (FESCO)

Time: 1 day

Cost: No cost

Procedure 8*. Receive inspection from the Water and Sanitation Agency (WASA)

Time: 1 day

Cost: No cost

Procedure 9. Submit completion notice and request final inspection from the Town Municipal Administration (TMA)

Time: 1 day

Cost: No cost

Comments: Within one month of completion of the works, the building company must submit a notice of completion to the Town Officer (Planning and Coordination) of the TMA in order to receive the final inspection and certificate of completion (as per Art. 10.9.1 of TMA Faisalabad Building and Zoning Bye Laws, 2008).

Procedure 10*. Receive final inspection from the Town Municipal Administration (TMA)

Time: 1 day

Cost: No cost

Comments: Once the completion notice has been received by the TMA, an inspector from the Town Office (Planning and Coordination) inspects the building to verify that construction has been carried out according to the approved building plan and the standards set by the bylaws (as per Art. 10.9.2 of the TMA Faisalabad Building and Zoning Bye Laws, 2008).

Procedure 11*. Receive completion certificate from the Town Municipal Administration (TMA)

Time: 30 days

Cost: No cost

Comments: After the final inspection has taken place, and provided that the works have been carried out according to the approved building plan, the Town Municipal Officer of TMA issues a certificate of completion (as per Art.10.9.3 of TMA Faisalabad Building and Zoning Bye Laws, 2008).

* This procedure can be completed simultaneously with previous procedures.

DEALING WITH CONSTRUCTION PERMITS

Gujranwala, Punjab

Procedures to build a warehouse

Warehouse value: USD 149,056 = PKR 9,800,000

Data as of: December 2009

Procedure 1. Request and obtain land record (record fard) from the local Patwari

Time: 21 days

Cost: PKR 40

Comments: To apply for the building permit, the building company must submit fresh proof of ownership. The fard is only valid for 3 months, so the company must request and obtain a new copy before submitting the building plans.

Procedure 2. Request and obtain a building permit from the Town Municipal Administration (TMA)

Time: 45 days

Cost: PKR 44,100 (PKR 42,000 building approval fee + PKR 2,100 scrutiny fee)

Comments: According to the TMA Gujranwala Building and Zoning Regulations of 2009, to obtain approval to execute the works, the building company must apply in writing to the Town Officer (Planning and Coordination) of the relevant TMA and submit the following documents:

- a. Application form signed by the registered architect and the attorney-in-practice;
- b. Three sets of architectural drawings including building plan, key plan, and site plan;
- c. Three sets of structural drawings (for buildings taller than 2 floors);
- d. Record fard (valid for 3 months);
- e. Copy of the title deed;

- f. Copy of the company's memorandum of incorporation;
- g. Power of attorney to act on behalf of the company and a copy of the national identification card of the attorney-in-practice.

The building company must pay a building approval fee of PKR 3 per square foot of covered area and a scrutiny fee equal to 5% of the building approval fee. Both fees are paid at the TMA office.

If the building company does not receive a response to its application within 45 days of submission, it can send a written communication by registered post to the relevant TMA. If such communication is not answered within 15 days, the building company can assume that the building plan approval has been granted and start construction (as per Art. 27.6, Section 192, Fourth Schedule, Chapter 14 of the Punjab Local Government Ordinance, 2001).

Procedure 3. Receive demarcation inspection from the Town Municipal Administration (TMA)

Time: 1 day
Cost: No cost

Procedure 4. Receive inspection from the Town Municipal Administration (TMA)

Time: 1 day
Cost: No cost

Procedure 5. Request and obtain electricity connection from Gujranwala Electric and Power Supply Company (GEPCO)

Time: 60 days
Cost: PKR 228,000

Comments: The building company must submit an application to GEPCO along with the following documents:

- a. Copy of the approved building plan and of the letter of approval;
- b. Wiring test report;
- c. Copy of a neighbor's electricity bill;
- d. Proof of ownership of the plot;
- e. Copy of the company's memorandum of incorporation;
- f. Power of attorney to act on behalf of the company and a copy of the national identification card of the attorney-in-practice;
- g. Affidavit declaring that the building company has no arrears with GEPCO.

The electric supply company will inspect the site and issue an assessment letter. The company receives the connection upon payment of the established connection fees. A description of procedures and fees is available at www.gepco.com.pk.

Procedure 6*. Request and obtain water and sewerage connection from the Water and Sanitation Agency (WASA)

Time: 30 days
Cost: PKR 2,750 (PKR 750 for water connection + PKR 2,000 for sewerage connection)

Comments: In order to obtain a connection to the water and sewerage systems, the building company must submit an application to WASA along with the following documents:

- a. Copy of the approved building plan and of the letter of approval;
- b. Copy of the company's memorandum of incorporation;
- c. Power of attorney to act on behalf of the company and a copy of the national identification card.

Procedure 7*. Request and obtain telephone connection from Pakistan Telecommunication Company Limited (PTCL)

Time: 7 days
Cost: PKR 750 (amount paid with the first bill)

Comments: As a result of the recent improvements of PTCL services, the building company can apply for a new landline connection online (www.ptcl.com.pk) or by calling the helpline at 0800 8 0800. In order to obtain a commercial landline connection, the company must provide the following information:

- a. National identity card number and contact details of the applicant;
- b. Company registration number and national tax number;
- c. Address where the connection will be installed.

The PTCL lineman will install the new landline connection within 7 days of placement of the order.

Procedure 8*. Receive electricity inspection from Gujranwala Electric and Power Supply Company (GEPCO)

Time: 1 day
Cost: No cost

Procedure 9*. Receive inspection from Water and Sanitation Agency (WASA)

Time: 1 day
Cost: No cost

Procedure 10. Submit completion notice and request final inspection from the Town Municipal Administration (TMA)

Time: 1 day
Cost: PKR 5,000 (completion certificate fee)

Comments: After the building has been completed, the building company must submit the following documents to the TMA in order to receive the final inspection and the completion certificate:

- a. Completion notice;
- b. Plans of the building as completed, signed by a licensed architect.

Procedure 11*. Receive final inspection from the Town Municipal Administration (TMA)

Time: 1 day
Cost: No cost

Comments: An inspector from TMA inspects the building to verify that construction has been carried out according to the approved building plan and the standards set by the bylaws.

Procedure 12*. Receive completion certificate from the Town Municipal Administration (TMA)

Time: 20 days
Cost: No cost

* This procedure can be completed simultaneously with previous procedures.

DEALING WITH CONSTRUCTION PERMITS

Hyderabad, Sindh

Procedures to build a warehouse

Warehouse value: USD 149,056 = PKR 9,800,000

Data as of: December 2009

Procedure 1. Request and obtain letter confirming the land title from the Revenue Department

Time: 30 days
Cost: PKR 10

Comments: The building company must obtain a letter from the Revenue Department confirming the land title and use and dimensions of the plot.

Procedure 2. Request and obtain no-objection certificate (NOC) and site plan from the Planning and Development Control Department of Hyderabad Development Authority (HDA)

Time: 2 days
Cost: No cost

Comments: In order to obtain a clearance from the Planning and Development Control Department of HDA and the site plan of the plot, the building company must submit an application along with proof of ownership of the plot, a copy of the company's memorandum of incorporation, power of attorney to act on behalf of the company, and a copy of the national identification card of the attorney-in-practice.

Procedure 3. Request and obtain no-objection certificate (NOC) from the Water and Sanitation Agency of Hyderabad Development Authority (HDA)

Time: 2 days
Cost: No cost

Comments: In order to obtain this document, the building company must submit an application to the Water and Sanitation Agency of HDA. This clearance, required when applying for the building permit, testifies that the company has no arrears with WASA.

Procedure 4. Request and obtain a building permit from the Building Control Department of Hyderabad Development Authority (HDA)

Time: 45 days

Cost: PKR 230,250 (scrutiny fee + demolition service fee + betterment charges + no-objection certificate fee + rent of stacking material fee + building material charges)

Comments: The building company must submit an application (Forms A and B) to the Building Control Department of HDA along with the following documents:

- Seven sets of architectural drawings with tracings;
- Structural drawings with design calculations;
- Certificate of undertaking signed by a licensed architect;
- Proof of ownership;
- Site plan;
- No-objection certificate (NOC) from the Planning and Development Control Department of HDA;
- No-objection certificate (NOC) from the Water and Sanitation Agency of HDA;
- Copy of the company's memorandum of incorporation;
- Power of attorney to act on behalf of the company and a copy of the national identification card of the attorney-in-practice.

The fees can be paid directly to HDA or at a designated bank. The following fees are charged:

- Scrutiny fee: PKR 49,000 per square yard;
- Demolition service fee: 50% of the scrutiny fee;
- Betterment charges: PKR 50,000;
- No-objection certificate (NOC) fee: 75% of the scrutiny fee;
- Rent of stacking materials: PKR 50,000;
- Building materials charges: PKR 20,000.

If the building company does not receive a response to its application within 45 days of submission, it can send a written communication by registered post to HDA. If such communication is not answered within 15 days, the building company can assume that the building plan approval has been granted and start construction (as per Art. 27.6, Section 192, Sixth Schedule, Chapter 19 of the Sindh Local Government Ordinance, 2001).

Procedure 5. Request plinth-level inspection from the Building Control Department of Hyderabad Development Authority (HDA)

Time: 1 day

Cost: No cost

Comments: Once the works have reached plinth level (i.e., 2 feet above the ground), the building company must notify the Building Control Department of HDA and wait for permission to continue the works.

Procedure 6. Receive plinth-level inspection from the Building Control Department of Hyderabad Development Agency (HDA)

Time: 14 days

Cost: No cost

Comments: A team of inspectors from the Building Control Department of HDA inspects the site and, after verifying that the works have been carried out according to the approved building plan, gives permission to continue the works.

Procedure 7. Request and obtain electricity connection from Hyderabad Electric Supply Company (HESCO)

Time: 75 days

Cost: PKR 228,000

Comments: The building company must submit an application to HESCO along with the following documents:

- Copy of the approved building plan and letter of approval;
- Wiring test report;
- Copy of a neighbor's electricity bill;
- Proof of ownership (of the plot);
- Copy of the company's memorandum of incorporation;
- Power of attorney to act on behalf of the company and a copy of the national identification card of the attorney-in-practice.

The electricity supply company will inspect the site and issue an assessment letter. The company receives the connection upon payment of a connection fee. The application form is available online at www.hesco.gov.pk.

Procedure 8*. Request and obtain water and sewerage connection from the Water and Sanitation Agency (WASA)

Time: 49 days

Cost: PKR 11,000

Comments: The building company must submit an application to the Water and Sanitation Agency along with the following documents:

- Copy of the approved building plan and letter of approval;
- Proof of ownership of the plot.

Procedure 9*. Request and obtain telephone connection from Pakistan Telecommunication Company Limited (PTCL)

Time: 7 days

Cost: PKR 750 (amount paid with the first bill)

Comments: As a result of the recent improvements of PTCL services, the building company can apply for a new landline connection online (www.ptcl.com.pk) or by calling the helpline at 0800 8 0800. In order to obtain a commercial landline connection, the company must provide the following information:

- National identity card number and contact details of the applicant;
- Company registration number and national tax number;
- Address where the connection will be installed.

The PTCL lineman will install the new landline connection within 7 days of placement of the order.

Procedure 10*. Receive electricity inspection from Hyderabad Electric Supply Company (HESCO)

Time: 1 day

Cost: No cost

Procedure 11*. Receive inspection from the Water and Sanitation Agency (WASA)

Time: 1 day

Cost: No cost

Procedure 12. Submit completion notice and request final inspection by the Building Control Department of Hyderabad Development Authority (HDA)

Time: 1 day

Cost: PKR 24,500 (completion certificate fee)

Comments: Within three days of the building's completion, the building company must submit a notice of completion and permission for occupation to the Building Control Department of HDA. Such notice must be submitted along with the following documents:

- Architect's certificate declaring that the works have been carried out under his or her supervision;
- Certificate stating that the building has been connected to the ground (Earthing Certificate);
- Copy of the no-objection certificate (NOC) from the Water and Sanitation Agency of HDA.

The certificate of completion fee, equal to 50% of the scrutiny fee, can be paid at a designated bank or directly to HDA.

Procedure 13*. Receive final inspection by the Building Control Department of Hyderabad Development Authority (HDA)

Time: 1 day

Cost: No cost

Comments: After the application has been submitted, a team of inspectors from the Building Control Department of HDA inspects the site to verify that the works have been carried out according to the approved building plans and standards prescribed by the bylaws and by other municipal regulations (parapets, lighting system, landing slides, electricity meters, etc).

Procedure 14*. Receive completion certificate from the Building Control Department of Hyderabad Development Authority (HDA)

Time: 21 days

Cost: No cost

Comments: After the final inspection has taken place, and provided that the works have been carried out according to the approved building plan, the Building Control Department of HDA issues a certificate of completion.

* This procedure can be completed simultaneously with previous procedures.

DEALING WITH CONSTRUCTION PERMITS

Islamabad, ICT

Procedures to build a warehouse

Warehouse value: USD 149,056 = PKR 9,800,000

Data as of: December 2009

Procedure 1. Request and obtain letter confirming the land title from the One Window Operation (OWO) office of the Capital Development Authority (CDA)

Time: 10 days

Cost: PKR 1,000

Comments: The company must obtain the ownership document/letter to submit with the building plans to the Capital Development Authority (CDA) when applying for building approval.

Procedure 2. Request and obtain a building permit from the One Window Operation (OWO) office of the Capital Development Authority (CDA)

Time: 45 days

Cost: PKR 140,000 (building approval fee of PKR 10 per square foot of covered area)

Comments: The building company must apply for the building plan approval to the OWO of CDA submitting the following documents:

- a. Four sets of building plans;
- b. Ownership documents;
- c. Particulars of the licensed professionals employed to prepare the plan and supervise work, including the professional registration number;
- d. Specification of the building's intended use;
- e. Full particulars of the land plot with a specification of its intended use (such as residential, commercial, etc.).

Concerned staff of CDA scrutinize these documents to confirm their orderliness and whether the plans comply with the regulations or bylaws of the CDA Ordinance (1960).

Procedure 3. Request foundation inspection from the Capital Development Authority (CDA)

Time: 1 day

Cost: No cost

Procedure 4. Receive foundation inspection from the Capital Development Authority (CDA)

Time: 5 days

Cost: No cost

Procedure 5. Request water and sewerage connection at the One Window Operation (OWO) office of the Capital Development Authority (CDA)

Time: 75 days

Cost: PKR 75,000

Comments: The building company must submit the following documents to the CDA:

- a. Water supply agreement form;
- b. Form A-3 along with its enclosures;
- c. Copy of the national identity card of the applicant;
- d. Copy of allotment letter;
- e. Copy of possession letter;
- f. Copy of approval plan.

Procedure 6*. Request and obtain electricity connection from Islamabad Electric Supply Company (IESCO)

Time: 55 days

Cost: PKR 228,000

Comments: The building company must submit an application to IESCO along with the following documents:

- a. Copy of approved building plan and letter of approval;
- b. Wiring test report;
- c. Copy of a neighbor's electricity bill;

- d. Proof of ownership of the plot;
- e. Copy of the company's memorandum of incorporation;
- f. Power of attorney to act on behalf of the company and a copy of the national identification card of the attorney-in-practice;
- g. Affidavit declaring that the building company has no arrears with IESCO.

IESCO will inspect the site and issue an assessment letter. The company receives the connection upon payment of the established connection fees. A detailed description of procedures and fees and downloadable application forms are available at www.iesco.com.pk.

Procedure 7*. Request and obtain telephone connection from Pakistan Telecommunication Company Limited (PTCL)

Time: 7 days

Cost: PKR 750 (amount paid with the first bill)

Comments: As a result of the recent improvements of PTCL services, the building company can apply for a new landline connection online (www.ptcl.com.pk) or by calling the helpline at 0800 8 0800. In order to obtain a commercial landline connection, the company must provide the following information:

- a. National identity card number and contact details of the applicant;
- b. Company registration number and national tax number;
- c. Address where the connection will be installed.

The PTCL lineman will install the new landline connection within 7 days of placement of the order.

Procedure 8*. Receive electricity inspection from Islamabad Electric Supply Company (IESCO)

Time: 1 day

Cost: No cost

Procedure 9*. Receive inspection from the Water and Sewerage Development Directorate of the Capital Development Authority (CDA)

Time: 1 day

Cost: No cost

Procedure 10. Submit completion notice to the One Window Operation (OWO) office of the Capital Development Authority (CDA)

Time: 1 day

Cost: PKR 70,000 (completion certificate fee)

Comments: Within one month of completion of the works, the building company must submit a notice of completion to the CDA along with the following documents:

- a. Four sets of completion drawings signed by the architect and by the attorney-in-practice;
- b. Power of attorney to act on behalf of the company and a copy of the national identification card of the attorney-in-practice.

Procedure 11*. Receive final inspection by the Capital Development Authority (CDA)

Time: 1 day

Cost: No cost

Comments: CDA officials inspect the building to verify that it has been completed according to the completion plan.

Procedure 12*. Receive completion certificate from the Capital Development Authority (CDA)

Time: 12 days

Cost: No cost

*This procedure can be completed simultaneously with previous procedures.

DEALING WITH CONSTRUCTION PERMITS

Karachi, Sindh

Procedures to build a warehouse

Warehouse value: USD 149,056 = PKR 9,800,000

Data as of: December 2009

Procedure 1. Obtain letter from concerned authority confirming the land title

Time: 30 days

Cost: No cost

Comments: The company must obtain a letter from the concerned authority confirming the title or land use, the dimensions of the plot, and the possible existence of any road widening, cut line, or reservation. In Karachi, the lands are administered by various authorities, such as the Karachi Development Authority, the Karachi Municipal Corporation and the Board of Revenue, Government of Sindh. If the land falls under the authority of the Karachi Municipal Corporation, for example, the required letter or certificate must be obtained from that same authority.

Procedure 2. Obtain building permit

Time: 60 days

Cost: PKR 140,000

Comments: An application form must be submitted to the Karachi Building Control Authority (KBCA) along with the following documents:

1. A building plan, together with:
 - a. Full particulars of the land plot with a specification of its intended use (residential, commercial);
 - b. Two sets of all documents relating to the plot and a letter from the relevant authority confirming the title or land use, the plot dimensions, and the possible existence of any road widening, cut line, or reservation.
2. A plan description:
 - a. Any proposed and/or revised addition and/or alteration;
 - b. Any previous approval, if applicable;
 - c. Details of any litigation relating to the plot.

Note: The drawings should show plans, sections, and elevations, together with other necessary details pertaining to RCC elements, joinery work, covered areas, and the like, of every floor, including the basement, if there is one. In addition, a block plan of the site, drawn to a scale of not less than 1:500 (1":8') should be included. Such plan and sections should show the building's intended use; the access to and from the various parts of the building; the position dimensions; the means of ventilation; the proposed plinth height; the superstructure at each floor level; and the dimensions and descriptions of all the walls, floors, roofs, staircases, elevators, and the like.

3. A description of the proposed construction:
 - a. Type of building;
 - b. Total floor area;
 - c. Number of floors;
 - d. Number of units (for public sale projects only);
 - e. Parking spaces;
 - f. Area of amenity space.
4. Particulars of the licensed professionals employed to prepare the plan and supervise the work:
 - a. Name;
 - b. License number/professional registration number from the Public Engineering Council (PEC);
 - c. National identity card number;
 - d. Mailing and permanent address and telephone number;
 - e. Office address and telephone number.
5. A specification of the building's intended use (i.e., whether it is destined for public sale).
6. A list of other documents to be attached to the application (photocopies should be duly attested by the professional):
 - a. Lease/sale deed, allotment order, mutation (or transfer) order (or extract);
 - b. Possession order;
 - c. Acknowledgment of possession;
 - d. Site plan;
 - e. No-objection certificate (NOC), if applicable;
 - f. National identity card;

- g. Letter from the owner, or the owner's attorney, authorizing a named professional whose license or registration number should also be provided, to complete and comply with the requirements of the Sindh Building Control Ordinance of 1979 (and amendments), and with the requirements of the Karachi Building and Town Planning Regulations of 2002 (and amendments). The letter should also indicate that a plinth certificate notice will be provided at the completion of the plinth level as required under Section 3-2.10 of the Karachi Building and Town Planning Regulations of 2002. The letter should also specify that the owner will abide by all the aforementioned rules and regulations, and it must be signed by the owner or the owner's attorney, contain his or her national identity card number, email address, mailing and permanent address, and telephone number as well as the signature and particulars of the architect and structural engineer.

7. A form specifying the architect's and structural engineer's undertaking:

The KBCA operates under the Sindh Building Control Ordinance 1979, and falls under the control of the Minister for Local Government, Katchi Abadis and Spatial Development Department, Government of Sindh. The Minister for Local Government, Katchi Abadis and Spatial Development Department acts as chief executive of KBCA.

If the property is in a military cantonment jurisdiction, the company must send the documents to the Cantonment Board, which takes about 30 days. The model considered here assumes that the property is not located in this type of jurisdiction.

Procedure 3. Notify the Karachi Building Control Authority (KBCA) in writing of the completion of foundations

Time: 1 day

Cost: No cost

Comments: Upon completion of the plinth level, the building company is required to notify the KBCA so that the latter can verify the building lines.

Procedure 4. Receive foundations work inspection from the Karachi Building Control Authority (KBCA)

Time: 15 days

Cost: No cost

Comments: With the exception of Category 1 building works, Regulation No. 3-2.10 of the 2002 Regulations requires the building company to notify the KBCA upon completion of the plinth level and, in the case of a basement, upon completion of foundations, so that KBCA can verify the building lines. Regulation No. 3-2.10 also indicates that no further work can be carried out for the 15-day period following the notification date.

During this period, the KBCA either approves the building lines or informs the owner or owner's representative of any possible errors found. If no response is received from the KBCA within the 15-day period, the owner can proceed with the building works after notifying the KBCA, provided that the construction is consistent with the approved building plan.

Procedure 5. Request electricity connection

Time: 75 days

Cost: PKR 228,000

Comments: To apply for electricity connection, an application form is to be submitted to the Karachi Electric Supply Corporation Limited, along with the following documents:

- a. Application form, duly verified by a licensed electrical contractor;
- b. Copy of the applicant's national identity card;
- c. Copy of approved building plan (excluding projects approved for members of ABAD);
- d. Copy of the letter under cover of which the approved building plan was issued.

Procedure 6*. Request telephone connection

Time: 7 days

Cost: PKR 750

Comments: As a result of the recent improvements of PTCL services, the building company can apply for a new landline connection online (www.ptcl.com.pk) or by calling the helpline at 0800 8 0800. In order to obtain a commercial landline connection, the company must provide the following information:

- a. National identity card number and contact details of the applicant;
- b. Company registration number and national tax number;
- c. Address where the connection will be installed.

The PTCL lineman will install the new landline connection within 7 days of placement of the order.

Procedure 7*. Obtain copy of property tax valuation and copy of the certificate from the tax authorities**Time:** 30 days**Cost:** No cost

Comments: The company must obtain a copy of the property tax valuation and a copy of the certificate from the tax authorities, confirming that the company does not owe them any money. These documents are submitted along with the water connection application.

The Excise and Taxation Department of the Government of Sindh provides the property tax valuation after the building is completed. The department inspects the building and issues a certificate to the owner of the building. The certificate provides an assessment of the value of the building. If the building company has any objections to this assessment, it is required to make them known within 14 days. Otherwise, the department issues a PT-1 Form, a certificate that provides the assessed value of the property and the resultant property tax to be charged.

The documents needed are the following:

- Application providing information relating to the building;
- Title documents/ documents evidencing title of the property;
- Approved building plan;
- National identity card of the applicant.

Procedure 8. Receive inspection from the Excise and Taxation Department**Time:** 1 day**Cost:** No cost**Procedure 9*. Request water and sewerage connection****Time:** 60 days**Cost:** PKR 90,000

Comments: An application form is to be submitted to the Karachi Water and Sewerage Board along with the following documents to apply for water and sewerage connection:

- Copy of the approved building plan along with a copy of the letter under cover of which the approved building plan was issued by the KBCA;
- Proof of ownership of the plot, or, for a tenancy, a copy of the lease agreement;
- Copy of the property tax valuation;
- Copy of the certificate from the tax authorities, confirming that the company owes them no money;
- Copy of the applicant's national identity card.

Procedure 10. Apply for occupancy permit and request final inspection**Time:** 1 day**Cost:** No cost

Comments: After the building is completed, a "notice of completion and permission for occupation" form is to be submitted along with the architect's certificate. After receipt of this notice, the KBCA inspects the building to verify that it has been built according to the approved plans.

Procedure 11*. Receive final inspection**Time:** 1 day**Cost:** No cost**Procedure 12. Receive completion certificate from the Karachi Building Control Authority (KBCA)****Time:** 51 days**Cost:** No cost

*This procedure can be completed simultaneously with previous procedures.

DEALING WITH CONSTRUCTION PERMITS

Lahore, Punjab*Procedures to build a warehouse**Warehouse value: USD 149,056 = PKR 9,800,000**Data as of: December 2009***Procedure 1. Request and obtain building plan approval from Lahore Development Authority (LDA)****Time:** 45 days**Cost:** PKR 70,000 (building approval fee of PKR 5 per square foot of covered area)

Comments: According to the Building and Zoning Bye Laws of 2007, to get approval to execute the works, the building company must apply in writing to the Building Department of Lahore Development Authority (LDA) and submit the following documents:

- Application form signed by the registered architect, the attorney-in-practice, and a registered structural engineer;
- Five sets of building plans (site plan, architectural drawings with elevations and sections, structural drawings, and stability certificate), each signed by the relevant professional (either the architect or the structural engineer);
- Proof of ownership (copy of the sale deed, copy of the allotment letter, or fard);
- Copy of the company's memorandum of incorporation;
- Power of attorney to act on behalf of the company and a copy of the national identification card of the attorney-in-practice.

The building company must pay building approval fees of PKR 5 per square foot of covered area. When approved, the building company receives a signed copy of the drawings and a letter of approval.

If the building company does not receive a response to its application within 45 days of submission, it can send a written communication by registered post to the relevant TMA. If such communication is not answered within 15 days, the building company can assume that the building plan approval has been granted and start construction (as per Art. 27.6, Section 192, Fourth Schedule, Chapter 14 of the Punjab Local Government Ordinance, 2001).

Procedure 2. Request and receive inspection at foundation level from Lahore Development Authority (LDA)**Time:** 2 days**Cost:** No cost

Comments: Inspectors from LDA must inspect the building site when the foundations have been laid. Inspections are free of cost.

Procedure 3. Receive inspection from Lahore Development Authority (LDA)**Time:** 1 day**Cost:** No cost**Procedure 4. Request and obtain electricity connection from Lahore Electric Supply Company (LESCO)****Time:** 60 days**Cost:** PKR 228,000

Comments: The building company must submit an application to LESCO along with the following documents:

- Copy of the approved building plan and of the letter of approval;
- Wiring test report;
- Copy of a neighbor's electricity bill;
- Proof of ownership of the plot;
- Copy of the company's memorandum of incorporation;
- Power of attorney to act on behalf of the company and a copy of the national identification card of the attorney-in-practice;
- Affidavit declaring that the building company has no arrears with LESCO.

The electricity supply company will inspect the site and issue an assessment letter. The company receives the connection upon payment of the established connection fees. A detailed description of procedures and fees and downloadable application forms are available at www.lesco.gov.pk.

Procedure 5*. Receive electricity inspection from Lahore Electric Supply Company (LESCO)**Time:** 1 day**Cost:** No cost

Procedure 6*. Request and obtain water and sewerage connection from the Water and Sanitation Agency (WASA)**Time:** 30 days**Cost:** PKR 10,000

Comments: The Water and Sanitation Agency (WASA) of Lahore is an agency of the Lahore Development Authority created by the LDA Act of 1975. WASA Lahore is responsible for the provision of water and sewerage to all areas (both those administered by TMAs and by LDA) within the approved scheme area. In order to obtain a connection to water and sewerage the following documents must be submitted:

- Copy of the approved building plan;
- Application form;
- Attested copy of the national identity card of the applicant;
- Attested copy of the sale deed/proof of ownership;
- Site plan indicating location of property.

After the application has been submitted, technical staff from WASA will be sent to inspect the site. After inspection they will provide the building company with a copy of the assessment of the materials needed and the fee charged for connection.

Procedure 7*. Receive inspection from the Water and Sanitation Agency (WASA)**Time:** 1 day**Cost:** No cost**Procedure 8*. Request and obtain telephone connection from Pakistan Telecommunication Company Limited (PTCL)****Time:** 7 days**Cost:** PKR 750 (amount paid with the first bill)

Comments: As a result of the recent improvements of PTCL services, the building company can apply for a new landline connection online (www.ptcl.com.pk) or by calling the helpline at 0800 8 0800. In order to obtain a commercial landline connection, the company must provide the following information:

- National identity card number and contact details of the applicant;
- Company registration number and national tax number;
- Address where the connection will be installed.

The PTCL lineman will install the new landline connection within 7 days of placement of the order.

Procedure 9. Submit completion notice and request final inspection from Lahore Development Authority (LDA)**Time:** 1 day**Cost:** No cost

Comments: After the building is completed, the building company must submit the following documents to the Building Department of LDA in order to receive the final inspection and the completion certificate:

- Completion notice;
- Plans of the building as completed, signed by a licensed architect.

Procedure 10*. Receive final inspection from Lahore Development Authority (LDA)**Time:** 1 day**Cost:** No cost

Comments: Once the completion notice has been received by LDA, an inspector inspects the building to verify that construction has been carried out according to the approved building plan and standards set by the bylaws.

Procedure 11*. Receive completion certificate from Lahore Development Authority (LDA)**Time:** 36 days**Cost:** No cost

Comments: After the final inspection has taken place, and provided that the works have been carried out according to the approved building plan, the Lahore Development Authority (LDA) issues a certificate of completion.

* This procedure can be completed simultaneously with previous procedures.

DEALING WITH CONSTRUCTION PERMITS

Multan, Punjab*Procedures to build a warehouse**Warehouse value: USD 149,056 = PKR 9,800,000**Data as of: December 2009***Procedure 1. Request and obtain land record (record fard) from the local Patwari****Time:** 21 days**Cost:** PKR 40

Comments: The building company must obtain a land record (record fard) from the relevant Patwari at the Revenue Department. The request can be done either in person or in writing and the building company must specify the purpose of the certified copy, i.e., to apply for a building permit. The building company must submit the following documents when requesting the fard:

- Copy of the certificate of incorporation;
- Power of attorney in favor of the person to act on behalf of the company;
- Proof of ownership: land title or sale deed.

The fard specifies the land use and plot size and confirms ownership. The building company must pay the following fees:

- Rural areas: PKR 20 per copy;
- Urban areas: PKR 40 per copy.

Procedure 2. Request and obtain building plan approval from the Town Municipal Administration (TMA)**Time:** 37 days**Cost:** PKR 42,000 (scrutiny fee PKR 3 per square foot of covered area)

Comments: According to the TMA Multan Building and Zoning Regulations of September 2007, to obtain approval to execute the works, the building company must apply in writing to the Town Officer (Planning and Coordination) of the relevant TMA and submit the following documents:

- Application form signed by the registered architect and by the attorney-in-practice;
- Three sets of architectural drawings;
- Three sets of structural drawings (for buildings taller than 2 floors);
- Record fard;
- Copy of the title deed;
- Copy of the company's memorandum of incorporation;
- Power of attorney to act on behalf of the company and a copy of the national identification card.

The building company must pay building scrutiny fees of PKR 3 per square foot of covered area at the TMA office. When approved, the building company receives a signed copy of the drawings and a letter of approval.

If the building company does not receive a response to its application within 45 days of submission, it can send a written communication by registered post to the relevant TMA. If such communication is not answered within 15 days, the building company can assume that the building plan approval has been granted and start construction (as per Art. 27.6, Section 192, Fourth Schedule, Chapter 14 of the Punjab Local Government Ordinance, 2001).

Procedure 3. Receive inspection from the Town Municipal Administration (TMA)**Time:** 1 day**Cost:** No cost**Procedure 4. Request and obtain electricity connection from Multan Electric and Power Supply Company (MEPCO)****Time:** 45 days**Cost:** PKR 228,000

Comments: The building company must submit an application to MEPCO along with the following documents:

- Copy of approved building plan and letter of approval;
- Wiring test report;
- Copy of a neighbor's electricity bill;
- Proof of ownership of the plot;
- Copy of the company's memorandum of incorporation;

- f. Power of attorney to act on behalf of the company and a copy of the national identification card of the attorney-in-practice;
- g. Affidavit declaring that the building company has no arrears with MEPCO. The electricity supply company will inspect the site and issue an assessment letter. The company receives the connection upon payment of the established connection fees. The application process is described online at www.mepco.com.pk, but the application forms are not available for download.

Procedure 5*. Request and obtain water and sewerage connection from the Water and Sanitation Agency (WASA)

Time: 30 days

Cost: PKR 1,500

Comments: The building company must submit an application form to the Water and Sanitation Agency (WASA) along with the following documents:

- Copy of the approved building plan;
- Copy of title documents;
- Copy of the company's memorandum of incorporation;
- Power of attorney to act on behalf of the company and a copy of the national identification card of the attorney-in-practice.

Procedure 6*. Request and obtain telephone connection from Pakistan Telecommunication Company Limited (PTCL)

Time: 7 days

Cost: PKR 750 (amount paid with the first bill)

Comments: As a result of the recent improvements of PTCL services, the building company can apply for a new landline connection online (www.ptcl.com.pk) or by calling the helpline at 0800 8 0800. In order to obtain a commercial landline connection, the company must provide the following information:

- National identity card number and contact details of the applicant;
- Company registration number and national tax number;
- Address where the connection will be installed.

The PTCL lineman will install the new landline connection within 7 days of placement of the order.

Procedure 7*. Receive electricity inspection from Multan Electric and Power Supply Company (MEPCO)

Time: 1 day

Cost: No cost

Procedure 8*. Receive inspection from the Water and Sanitation Agency (WASA)

Time: 1 day

Cost: No cost

Procedure 9. Submit completion notice and request final inspection from the Town Municipal Administration (TMA)

Time: 1 day

Cost: No cost

Comments: Within one month of the completion of the works, the building company must submit the following documents to the Town Officer (Planning and Coordination) of the TMA in order to receive the final inspection and the completion certificate (as per Art. 10.9.1 of TMA Multan Building and Zoning Bye Laws, 2007):

- Completion notice;
- Plans of the building as completed, signed by a licensed architect.

Procedure 10*. Receive final inspection from the Town Municipal Administration (TMA)

Time: 1 day

Cost: No cost

Comments: Once the completion notice has been received by the TMA, an inspector from the Town Office (Planning and Coordination) inspects the building to verify that construction has been carried out according to the approved building plan and standards set by the bylaws (as per Art. 10.9.2 of the TMA Multan Building and Zoning Bye Laws, 2007).

Procedure 11*. Receive completion certificate from the Town Municipal Administration (TMA)

Time: 44 days

Cost: No cost

Comments: After the final inspection has taken place, and provided that the works have been carried out according to the approved building plan, the Town Municipal Officer of TMA issues a certificate of completion (as per Art.10.9.3 of TMA Multan Building and Zoning Bye Laws, 2007).

* This procedure can be completed simultaneously with previous procedures.

DEALING WITH CONSTRUCTION PERMITS

Peshawar, Khyber Pakhtunkhwa

Procedures to build a warehouse

Warehouse value: USD 149,056 = PKR 9,800,000

Data as of: December 2009

Procedure 1. Request and obtain letter confirming the land title from the Revenue Department

Time: 15 days

Cost: PKR 250

Comments: The building company must obtain a letter from the Revenue Department confirming the land title and use and dimensions of the plot.

Procedure 2. Request and obtain approval of building plan from the Town Municipal Authority (TMA)

Time: 30 days

Cost: PKR 70,000

Comments: In order to obtain approval to execute the works, the building company must apply in writing to the Building Control Agency of TMA and provide the following documents:

- Application form with company and project details;
- Four sets of submission drawings (architectural drawings with sections and elevations; specifications on openings; details on foundations and sewerage line; and key and site plan);
- Copy of the title deed (proof of ownership);
- Copy of the company's memorandum of incorporation;
- Power of attorney to act on behalf of the company and a copy of the national identification card of the attorney-in-practice.

The building approval fee of PKR 5 per square foot of covered area is paid using a bank challan (invoice). The officials responsible for the issuance of building plan approvals meet twice a month to assess the applications and issue the approvals.

Procedure 3*. Pay building plan approval fees at a bank using a challan

Time: 1 day

Cost: No cost

Procedure 4. Request and receive foundation inspection from the Building Control Authority (BCA) of the TMA

Time: 1 day

Cost: No cost

Procedure 5. Receive site inspection from the Building Control Authority (BCA) of the TMA

Time: 1 day

Cost: No cost

Procedure 6. Request electricity connection from Peshawar Electric Supply Company (PESCO)

Time: 40 days

Cost: PKR 228,000

Comments: In order to obtain the electricity connection, the building company must submit the following documents to PESCO:

- Application and agreement form (with load details);

- b. Abridged conditions of supply;
- c. Attested copy of I.D. card of applicant;
- d. Attested copy of I.D. card of a witness;
- e. Proof of ownership;
- f. Affidavit;
- g. Memorandum and articles of association;
- h. Form-29 (list of directors);
- i. Form-A (list of shareholders);
- j. Resolution from Board of Directors in favor of signatory.

The electricity supply company will inspect the site and issue an assessment letter. The company receives the connection upon payment of the established connection fees. Information on the application process and fees and downloadable application forms are available at www.pesco.gov.pk.

Procedure 7*: Request and obtain water connection from the Public Health Department

Time: 14 days

Cost: PKR 4,000

Comments: To obtain the water connection, the building company must submit an application along with the following documents:

- a. Copy of the approved building plan;
- b. Copy of the company's memorandum of incorporation;
- c. Power of attorney to act on behalf of the company and a copy of the national identification card of the attorney-in-practice.

Procedure 8*: Request and obtain telephone connection from Pakistan Telecommunication Company Limited (PTCL)

Time: 7 days

Cost: PKR 750 (amount paid with the first bill)

Comments: As a result of the recent improvements of PTCL services, the building company can apply for a new landline connection online (www.ptcl.com.pk) or by calling the helpline at 0800 8 0800. In order to obtain a commercial landline connection, the company must provide the following information:

- a. National identity card number and contact details of the applicant;
- b. Company registration number and national tax number;
- c. Address where the connection will be installed.

The PTCL lineman will install the new landline connection within 7 days of placement of the order.

Procedure 9*: Request and obtain sewerage connection from the Town Municipal Administration (TMA)

Time: 4 days

Cost: PKR 1,000

Comments: The building company must apply for the sewerage connection to the TMA and pay the relevant fee.

Procedure 10*: Receive electricity inspection from Peshawar Electric Supply Company (PESCO)

Time: 1 day

Cost: No cost

Procedure 11*: Receive inspection from the Public Health Department

Time: 1 day

Cost: No cost

Procedure 12. Apply for completion certificate and request final inspection from the Town Municipal Administration (TMA)

Time: 1 day

Cost: No cost

Comments: Upon completion of the works, the building company must submit a notice of completion to the Building Control Agency of the TMA in order to receive final inspection and completion certificate.

Procedure 13*: Receive final inspection from the Town Municipal Administration (TMA)

Time: 1 day

Cost: No cost

Comments: An inspector from the TMA Building Control Agency inspects the building to verify that construction has been carried out according to the approved building plan and standards set by the bylaws.

Procedure 14*: Receive completion certificate from the Town Municipal Administration (TMA)

Time: 35 days

Cost: No cost

Comments: After the final inspection has taken place, and provided that the works have been carried out according to the approved building plan, the TMA issues a certificate of completion.

* This procedure can be completed simultaneously with previous procedures.

DEALING WITH CONSTRUCTION PERMITS

Quetta, Balochistan

Procedures to build a warehouse

Warehouse value: USD 149,056 = PKR 9,800,000

Data as of: December 2009

Procedure 1. Request and obtain letter confirming the land title from the Revenue Department

Time: 30 days

Cost: PKR 40

Comments: The building company must obtain a letter from the Revenue Department confirming the land title and use and dimensions of the plot.

Procedure 2. Request and obtain a building plan approval from the Town Municipal Administration (TMA)

Time: 60 days

Cost: PKR 84,200 (PKR 200 application fee + PKR 28,000 inspection fee + PKR 28,000 covered area charges + PKR 28,000 road charges)

Comments: In order to obtain approval to execute the works, the building company must apply in writing to the Town Officer (Planning and Coordination) of the relevant TMA and submit the following documents:

- a. Application form signed by a licensed architect and by the attorney-in-practice;
- b. Three sets of submission drawings (plans, elevations, sections, site plan, foundation details, specifications and details of openings, details regarding the building company, and plot number in which the building is to be built);
- c. Letter confirming the land title;
- d. Letter of the building company that describes the project;
- e. Copy of the company's memorandum of incorporation;
- f. Power of attorney to act on behalf of the company and a copy of the national identification card.

The building company must pay the building approval fees at the designated bank (National Bank of Pakistan). The following fees will be charged:

1. Application fee: PKR 200;
2. Inspection fee: PKR 2 per square foot;
3. Covered-area charges: PKR 2 per square foot;
4. Road charges: PKR 2 per square foot;
5. Debris charges: PKR 25 (refundable after completion of the construction).

When approved, the building company receives a signed copy of the drawings and a letter of approval.

If the building company does not receive a response to its application within 45 days of submission, it can send a written communication by registered post to the relevant TMA. If such communication is not answered within 15 days, the building company can assume that the building plan approval has been granted and start construction (as per Art. 27.6, Section 195, Sixth Schedule, Chapter 19 of the Balochistan Local Government Ordinance, 2001).

Procedure 3*: Pay building plan approval fees at a bank using a challan**Time:** 1 day**Cost:** No cost**Comments:** The building company must pay the established fees at the National Bank of Pakistan using a bank challan.**Procedure 4. Request and obtain foundation inspection from the Town Municipal Administration (TMA)****Time:** 1 day**Cost:** No cost**Procedure 5. Request and obtain plinth-level and slab inspection from the Town Municipal Administration (TMA)****Time:** 1 day**Cost:** No cost**Procedure 6. Request and obtain first-floor inspection from the Town Municipal Administration (TMA)****Time:** 1 day**Cost:** No cost**Procedure 7. Request and obtain electricity connection from Quetta Electric Supply Company (QESCO)****Time:** 70 days**Cost:** PKR 228,000**Comments:** The building company must submit an application to QESCO along with the following documents:

- a. Copy of approved building plan and letter of approval;
- b. Wiring test report;
- c. Copy of a neighbor's electricity bill;
- d. Proof of ownership of the plot;
- e. Copy of the company's memorandum of incorporation;
- f. Power of attorney to act on behalf of the company and a copy of the national identification card of the attorney-in-practice;
- g. Affidavit declaring that the building company has no arrears with QESCO.

The electricity supply company will inspect the site and issue an assessment letter. The company receives the connection upon payment of the established connection fees.

Procedure 8*: Request and obtain water and sewerage connection from the Water and Sanitation Agency (WASA)**Time:** 42 days**Cost:** PKR 5,000 (water connection charges)**Comments:** In order to obtain a connection to the water and sewerage system, the building company must submit an application to the Sub-divisional Officer of WASA along with the following documents:

- a. Stamp paper for water connection;
- b. Copy of a neighbor's utility bill;
- c. Copy of the company's memorandum of incorporation;
- d. Power of attorney to act on behalf of the company and a copy of the national identification card.

Procedure 9*: Request and obtain telephone connection from Pakistan Telecommunication Company Limited (PTCL)**Time:** 7 days**Cost:** PKR 750 (amount paid with the first bill)**Comments:** As a result of the recent improvements of PTCL services, the building company can apply for a new landline connection online (www.ptcl.com.pk) or by calling the helpline at 0800 8 0800. In order to obtain a commercial landline connection, the company must provide the following information:

- a. National identity card number and contact details of the applicant;
- b. Company registration number and national tax number;
- c. Address where the connection will be installed.

The PTCL lineman will install the new landline connection within 7 days of placement of the order.

Procedure 10*: Receive electricity inspection from Quetta Electric Supply Company (QESCO)**Time:** 1 day**Cost:** No cost**Procedure 11*: Receive inspection from the Water and Sanitation Agency (WASA)****Time:** 1 day**Cost:** No cost**Procedure 12. Submit completion notice and request final inspection from the Town Municipal Administration (TMA)****Time:** 1 day**Cost:** No cost**Comments:** After the building is completed, the building company must notify the completion of the works to the Town Officer of the relevant TMA. After the notification has been submitted, the inspectors of Town Office (Planning and Coordination) inspect the building to verify that construction has been carried out according to the approved building plan.**Procedure 13*: Receive final inspection from the Town Municipal Administration (TMA)****Time:** 1 day**Cost:** No cost**Procedure 14*: Receive completion certificate from the Town Municipal Administration (TMA)****Time:** 31 days**Cost:** No cost

* This procedure can be completed simultaneously with previous procedures.

DEALING WITH CONSTRUCTION PERMITS

Rawalpindi, Punjab*Procedures to build a warehouse**Warehouse value: USD 149,056 = PKR 9,800,000**Data as of: December 2009***Procedure 1. Request and obtain land record (record fard) from the local Patwari****Time:** 20 days**Cost:** PKR 40**Comments:** The building company must obtain a land record (record fard) from the local Patwari at the Revenue Department. The request can be done either in person or in writing and the building company must specify the purpose of the certified copy, i.e., to apply for a building permit. The building company must submit the following documents when requesting the fard:

- a. Copy of the certificate of incorporation;
- b. Power of attorney in favor of the person to act on behalf of the company;
- c. Proof of ownership: land title or sale deed.

The fard specifies the land use and plot size and confirms ownership. The building company must pay the following fees:

1. Rural areas: PKR 20 per copy;
2. Urban areas: PKR 40 per copy.

Procedure 2. Request and obtain a building permit from the Town Municipal Administration (TMA)**Time:** 35 days**Cost:** PKR 70,000 (scrutiny fee of PKR 5 per square foot of covered area)**Comments:** According to the TMA Rawalpindi Building and Zoning Regulations of 2007, to get the approval to execute the works, the building company must apply in writing to the Town Officer (Planning and Coordination) of the concerned TMA and submit the following documents:

- a. Application form signed by the registered architect and by the attorney-in-practice;
- b. Five sets of submission drawings (architectural drawings with elevations and sections, details about floors and roof, site plan, diagram of the sewerage disposal system, and area statement);
- c. Record Fard;

- d. Copy of the memorandum of incorporation of the company;
- e. Power of attorney to act on behalf of the company and a copy of the national identification card.

The building company has to pay a scrutiny fee of PKR 5 per square foot of covered area. The fee can be paid directly at the TMA or through a bank challan.

When approved, the building company receives a signed copy of the drawings and a letter of approval.

If the building company does not receive a response to its application within 45 days of submission, it can send a written communication by registered post to the relevant TMA. If such communication is not answered within 15 days, the building company can assume that the building plan approval has been granted and start construction (as per Art. 27.6, Section 192, Fourth Schedule, Chapter 14 of the Punjab Local Government Ordinance, 2001).

Procedure 3. Request and receive setting out inspection from the Town Municipal Administration (TMA)

Time: 1 day

Cost: No cost

Comments: After outlining the structure of the building on the ground, the building company must notify the Town Officer (Planning and Coordination) of the relevant TMA. An authorized official of TMA will inspect the site and verify that the operation has been carried out according to the approved building plan.

Procedure 4. Receive inspection by the Town Municipal Administration (TMA)

Time: 1 day

Cost: No cost

Procedure 5. Request and obtain electricity connection from Islamabad Electric Supply Company Limited (IESCO)

Time: 70 days

Cost: PKR 228,000

Comments: The building company must submit an application to IESCO along with the following documents:

- a. Copy of the approved building plan and letter of approval;
- b. Wiring test report;
- c. Copy of a neighbor's electricity bill;
- d. Proof of ownership of the plot;
- e. Copy of the company's memorandum of incorporation;
- f. Power of attorney to act on behalf of the company and a copy of the national identification card of the attorney-in-practice;
- g. Affidavit declaring that the building company has no arrears with IESCO.

The electricity supply company will inspect the site and issue an assessment letter. The company receives the connection upon payment of the established connection fees. A detailed description of procedures and fees and downloadable application forms are available at www.iesco.com.pk.

Procedure 6*. Request and obtain water and sewerage connection from the Water and Sanitation Agency (WASA)

Time: 25 days

Cost: PKR 6,425

Comments: The building company must submit an application form to the Water and Sanitation Agency (WASA) along with the following documents:

- a. Copy of the letter of approval of the building plan;
- b. Copy of the site plan;
- c. Proof of ownership;
- d. Copy of the company's memorandum of incorporation;
- e. Power of attorney to act on behalf of the company and a copy of the national identification card of the attorney-in-practice.

Procedure 7*. Request and obtain telephone connection from Pakistan Telecommunication Company Limited (PTCL)

Time: 7 days

Cost: PKR 750 (amount paid with the first bill)

Comments: As a result of the recent improvements of PTCL services, the building company can apply for a new landline connection online (www.ptcl.com.pk) or by calling the helpline at 0800 8 0800. In order to obtain a commercial landline connection, the company must provide the following information:

- a. National identity card number and contact details of the applicant;
- b. Company registration number and national tax number;
- c. Address where the connection will be installed.

The PTCL lineman will install the new landline connection within 7 days of placement of the order.

Procedure 8*. Receive electricity inspection from Islamabad Electric Supply Company (IESCO)

Time: 1 day

Cost: No cost

Procedure 9*. Receive inspection from the Water and Sanitation Agency (WASA)

Time: 1 day

Cost: No cost

Procedure 10. Submit completion notice and request final inspection from the Town Municipal Administration (TMA)

Time: 1 day

Cost: No cost

Comments: Within one month of completion of the works, the building company must submit a notice of completion to the Town Officer (Planning and Coordination) of the TMA in order to receive final inspection and completion certificate. (as per Art. 10.9.1 of TMA Rawalpindi Building and Zoning Bye Laws, 2007).

Procedure 11*. Receive final inspection from the Town Municipal Administration (TMA)

Time: 1 day

Cost: No cost

Comments: Once the completion notice has been received by the TMA, an inspector from the Town Office (Planning and Coordination) inspects the building to verify that construction has been carried out according to the approved building plan and standards set by the bylaws (as per Art. 10.9.2 of the TMA Rawalpindi Building and Zoning Bye Laws, 2007).

Procedure 12*. Receive completion certificate from the Town Municipal Administration (TMA)

Time: 23 days

Cost: No cost

Comments: After the final inspection has taken place, and provided that the works have been carried out according to the approved building plan, the Town Municipal Officer of TMA issues a certificate of completion (as per Art.10.9.3 of TMA Rawalpindi Building and Zoning Bye Laws, 2007).

* This procedure can be completed simultaneously with previous procedures.

DEALING WITH CONSTRUCTION PERMITS

Sheikhupura, Punjab

Procedures to build a warehouse

Warehouse value: USD 149,056 = PKR 9,800,000

Data as of: December 2009

Procedure 1. Request and obtain land record (record fard) and site plan (aks shajra) from the local Patwari

Time: 20 days

Cost: PKR 80 (record fard and aks shajra)

Comments: The building company must obtain a land record (record fard) and a site plan (aks shajra) from the local Patwari. The request can be made either in person or in writing. The fard specifies the land use and plot size and confirms ownership. The aks shajra is a site plan, sketched by the Patwari, that depicts the plot and surrounding area.

Procedure 2. Request and obtain a building plan approval from the Tehsil Municipal Administration (TMA)

Time: 45 days

Cost: PKR 14,000 (scrutiny fee of PKR 1 per square foot of covered area)

Comments: In order to obtain approval to execute the works, the building company must apply in writing to the Town Officer (Planning and Coordination) of the relevant TMA and submit the following documents:

- a. Application form;
- b. Five sets of architectural drawings;
- c. Structural drawings;
- d. Record fard;
- e. Aks shajra;
- f. Copy of the company's memorandum of incorporation;
- g. Power of attorney to act on behalf of the company and a copy of the national identification card of the attorney-in-practice.

The building company can pay the scrutiny fee either at the designated bank or directly to the Building Plan Clerk of the TMA. When approved, the building company receives a signed copy of the drawings and a letter of approval.

If the building company does not receive a response to its application within 45 days of submission, it can send a written communication by registered post to the relevant TMA. If such communication is not answered within 15 days, the building company can assume that the building plan approval has been granted and start construction (as per Art. 27.6, Section 192, Fourth Schedule, Chapter 14 of the Punjab Local Government Ordinance, 2001).

Procedure 3. Request plinth-level inspection from the Tehsil Municipal Administration (TMA)

Time: 1 day

Cost: No cost

Comments: Once the building has reached the plinth level (i.e. 2 feet above the ground), the building company must stop the works and notify the Town Officer (Planning and Coordination) of TMA.

Procedure 4. Receive plinth-level inspection from the Tehsil Municipal Administration (TMA)

Time: 3 days

Cost: No cost

Comments: Once the building company has reached the plinth level, an inspector from TO (P&C) of the TMA visits the construction site and verifies that construction is being carried out according to the approved building plan. The inspection results are given immediately to the building company. If no inconsistency is found, the building company can resume the works immediately.

Procedure 5. Receive inspection from the Tehsil Municipal Administration (TMA)

Time: 1 day

Cost: No cost

Procedure 6. Request and obtain electricity connection from Lahore Electric Supply Company Limited (LESCO)

Time: 65 days

Cost: PKR 228,000

Comments: The building company must submit an application to LESCO along with the following documents:

- a. Copy of the approved building plan and letter of approval;
- b. Wiring test report;
- c. Copy of a neighbor's electricity bill;
- d. Proof of ownership of the plot;
- e. Copy of the company's memorandum of incorporation;
- f. Power of attorney to act on behalf of the company and a copy of the national identification card of the attorney-in-practice;
- g. Affidavit declaring that the building company has no arrears with LESCO.

The electricity supply company will inspect the site and issue an assessment letter. The company receives the connection upon payment of the established connection fees. A detailed description of procedures and fees and downloadable application forms are available at www.lesco.gov.pk.

Procedure 7*. Request and obtain water and sewerage connection from the Town Office (Infrastructure and Services) of the Tehsil Municipal Administration (TMA)

Time: 40 days

Cost: PKR 2,500

Comments: In order to obtain a connection to the water and sewerage systems, the building company submits an application to the Town Office (Infrastructure and Services) of TMA, along with the following documents:

- a. Copy of the company's memorandum of incorporation;
- b. Power of attorney to act on behalf of the company and a copy of the national identification card;
- c. Proof of ownership.

Procedure 8*. Request and obtain telephone connection from Pakistan Telecommunication Company Limited (PTCL)

Time: 7 days

Cost: PKR 750 (amount paid with the first bill)

Comments: As a result of the recent improvements of PTCL services, the building company can apply for a new landline connection online (www.ptcl.com.pk) or by calling the helpline at 0800 8 0800. In order to obtain a commercial landline connection, the company must provide the following information:

- a. National identity card number and contact details of the applicant;
- b. Company registration number and national tax number;
- c. Address where the connection will be installed.

The PTCL lineman will install the new landline connection within 7 days of placement of the order.

Procedure 9*. Receive electricity inspection from Lahore Electric Supply Company (LESCO)

Time: 1 day

Cost: No cost

Procedure 10*. Receive inspection from the Town Office (Infrastructure and Service) of the Tehsil Municipal Administration (TMA)

Time: 1 day

Cost: No cost

Procedure 11. Submit completion notice and request final inspection from the Tehsil Municipal Administration (TMA)

Time: 1 day

Cost: No cost

Comments: After the building is completed, the building company must notify the Town Officer (Planning and Coordination) of the Tehsil Municipal Administration. After the notification has been submitted, inspectors of the Town Office (Planning and Coordination) will inspect the building to certify that construction has been carried out according to the approved building plan.

Procedure 12*. Receive final inspection from the Tehsil Municipal Administration (TMA)

Time: 1 day

Cost: No cost

Procedure 13*. Receive completion certificate from the Tehsil Municipal Administration (TMA)

Time: 42 days

Cost: No cost

* This procedure can be completed simultaneously with previous procedures.

DEALING WITH CONSTRUCTION PERMITS

Sialkot, Punjab

Procedures to build a warehouse

Warehouse value: USD 149,056 = PKR 9,800,000

Data as of: December 2009

Procedure 1. Request and obtain letter confirming the land title from the local Patwari

Time: 15 days

Cost: PKR 40

Comments: The building company must obtain a land record (record fard) from the local Patwari at the Revenue Department. The request can be done either in person or in writing and the building company must specify the purpose of the certified copy, i.e., to apply for a building permit. The building company must submit the following documents when requesting the fard:

- a. Copy of the certificate of incorporation;

- b. Power of attorney in favor of the person to act on behalf of the company;
- c. Proof of ownership: land title or sale deed.

The fard specifies the land use and the plot size and confirms ownership. The building company must pay the following fees:

1. Rural areas: PKR 20 per copy;
2. Urban areas: PKR 40 per copy.

Procedure 2. Request and obtain a no-objection certificate (NOC) from the Environmental Protection Agency (EPA)

Time: 30 days

Cost: PKR 15,000

Comments: Every non-residential project must obtain a clearance from the District Office of the Environmental Protection Agency (EPA) in Sialkot. The building company must submit a copy of the building plan along with a detailed description of the project. Inspectors from the EPA will visit the site and draft a report that will be examined along with the other documents submitted. If the building company does not receive any answer within 30 days, it can be assumed that the no-objection certificate (NOC) has been granted.

Procedure 3*. Receive inspection from the Environmental Protection Agency (EPA)

Time: 1 day

Cost: No cost

Procedure 4. Request and obtain a building permit from the Town Municipal Administration (TMA)

Time: 38 days

Cost: PKR 70,000 (scrutiny fee of PKR 5 per square foot of covered area)

Comments: According to the TMA Sialkot Building and Zoning Regulations of 2007, to get approval to execute the works, the building company must apply in writing to the Town Officer (Planning and Coordination) of the relevant TMA and submit the following documents:

- a. Application (Forms A and B) signed by a registered architect and by the attorney-in-practice;
- b. Six sets of submission drawings (building plan with sections and elevations, site plan, and key plan) signed by a registered architect;
- c. Record fard;
- d. Copy of the company's memorandum of incorporation;
- e. Power of attorney to act on behalf of the company and copy of the national identification card.

The building company must pay building scrutiny fees of PKR 5 per square foot of covered area at the TMA office.

When approved, the building company receives a signed copy of the drawings and a letter of approval.

If the building company does not receive a response to its application within 45 days of submission, it can send a written communication by registered post to the relevant TMA. If such communication is not answered within 15 days, the building company can assume that the building plan approval has been granted and start construction (as per Art. 27.6, Section 192, Fourth Schedule, Chapter 14 of the Punjab Local Government Ordinance, 2001).

Procedure 5. Request and receive demarcation inspection from the Town Municipal Administration (TMA)

Time: 3 days

Cost: No cost

Comments: Inspectors from TMA inspect the building site after the demarcation of the outline of the building.

Procedure 6. Receive inspection from the Town Municipal Administration (TMA)

Time: 1 day

Cost: No cost

Procedure 7. Receive inspection from the Town Municipal Administration (TMA)

Time: 1 day

Cost: No cost

Procedure 8. Request and obtain electricity connection from Gujranwala Electric and Power Supply Company (GEPCO)

Time: 45 days

Cost: PKR 228,000

Comments: The building company must submit an application to GEPCO along with the following documents:

- a. Copy of the approved building plan and letter of approval;
- b. Wiring test report;
- c. Copy of a neighbor's electricity bill;
- d. Proof of ownership of the plot;
- e. Copy of the company's memorandum of incorporation;
- f. Power of attorney to act on behalf of the company and copy of the national identification card of the attorney-in-practice;
- g. Affidavit declaring that the building company has no arrears with GEPCO.

The electricity supply company will inspect the site and issue an assessment letter. The company receives the connection upon payment of the established connection fees. A description of procedures and fees are available at www.gepcocom.pk.

Procedure 9*. Request and obtain water and sewerage connection from the Town Municipal Administration (TMA)

Time: 25 days

Cost: PKR 3,200 (water connection charges)

Comments: In order to obtain a connection to the water and sewerage systems, the building company must submit an application to the Town Office (Infrastructure and Service) of TMA along with the following documents:

- a. Copy of the approved building plan along with a copy of the letter of approval;
- b. Proof of ownership of the plot.
- c. Copy of the company's memorandum of incorporation;
- d. Power of attorney to act on behalf of the company and copy of the national identification card of the attorney-in-practice.

Procedure 10*. Request and obtain telephone connection from Pakistan Telecommunication Company Limited (PTCL)

Time: 7 days

Cost: PKR 750 (amount paid with the first bill)

Comments: As a result of the recent improvements of PTCL services, the building company can apply for a new landline connection online (www.ptcl.com.pk) or by calling the helpline at 0800 8 0800. In order to obtain a commercial landline connection, the company must provide the following information:

- a. National identity card number and contact details of the applicant;
- b. Company registration number and national tax number;
- c. Address where the connection will be installed.

The PTCL lineman will install the new landline connection within 7 days of placement of the order.

Procedure 11*. Receive electricity inspection from Gujranwala Electric and Power Supply Company (GEPCO)

Time: 1 day

Cost: No cost

Procedure 12*. Receive water and sewerage inspection from the Town Municipal Administration (TMA)

Time: 1 day

Cost: No cost

Procedure 13. Submit completion notice and request final inspection from the Town Municipal Administration (TMA)

Time: 1 day

Cost: No cost

Comments: In order to receive the final inspection and the completion certificate, the building company must submit the following documents to the Town Officer (Planning and Coordination) of the TMA within one month of completion of the works (as per Art. 10.9.1 of TMA Sialkot Building and Zoning Bye Laws, 2007):

- a. Completion notice;
- b. Plans of the building as completed, signed by a licensed architect.

Procedure 14*: Receive final inspection from the Town Municipal Administration (TMA)**Time:** 1 day**Cost:** No cost

Comments: Once the completion notice has been received by the TMA, an inspector from the Town Office (Planning and Coordination) inspects the building to verify that construction has been carried out according to the approved building plan and standards set by the bylaws (as per Art. 10.9.2 of the TMA Sialkot Building and Zoning Bye Laws, 2007).

Procedure 15*: Receive completion certificate from the Town Municipal Administration (TMA)**Time:** 29 days**Cost:** No cost

Comments: After the final inspection has taken place, and provided that the works have been carried out according to the approved building plan, the Town Municipal Officer of TMA issues a certificate of completion (as per Art.10.9.3 of TMA Sialkot Building and Zoning Bye Laws, 2007).

*This procedure can be completed simultaneously with previous procedures.

DEALING WITH CONSTRUCTION PERMITS

Sukkur, Sindh

Procedures to build a warehouse

Warehouse value: USD 149,056 = PKR 9,800,000

Data as of: December 2009

Procedure 1. Request and obtain letter confirming the land title from the Revenue Department**Time:** 21 days**Cost:** PKR 10

Comments: The building company must obtain a letter from the Revenue Department confirming the land title and use and dimensions of the plot.

Procedure 2. Request and obtain a building permit from the Taluka Municipal Administration (TMA)**Time:** 30 days**Cost:** PKR 70,000

Comments: In order to obtain approval to execute the works, the building company must apply in writing to the Town Office (Planning and Coordination) of the Taluka Municipal Administration and submit the following documents:

- Application form;
- Architectural drawings;
- Structural drawings;
- Fresh proof of ownership;
- Copy of the company's memorandum of incorporation;
- Power of attorney to act on behalf of the company and a copy of the national identification card of the attorney-in-practice.

When approved, the building company receives a signed copy of the drawings and a letter of approval.

If the building company does not receive a response to its application within 45 days of submission, it can send a written communication by registered post to the Taluka Municipal Administration. If such communication is not answered within 15 days, the building company can assume that the building plan approval has been granted and start construction (as per Art. 27.6, Section 192, Sixth Schedule, Chapter 19 of the Sindh Local Government Ordinance, 2001).

Procedure 3. Request plinth-level inspection from the Taluka Municipal Administration (TMA)**Time:** 1 day**Cost:** No cost

Comments: Once the works have reached plinth level, the building company must notify the Taluka Municipal Administration and wait for permission to continue.

Procedure 4. Receive plinth-level inspection from the Taluka Municipal Administration (TMA)**Time:** 6 days**Cost:** No cost

Comments: A team of inspectors from the Taluka Municipal Administration inspects the site and, after verifying that the works have been carried out according to the approved building plan, gives permission to continue the works.

Procedure 5. Request and obtain electricity connection from Hyderabad Electric Supply Company (HESCO)**Time:** 75 days**Cost:** PKR 228,000

Comments: The building company must submit an application to HESCO along with the following documents:

- Copy of the approved building plan and letter of approval;
- Wiring test report;
- Copy of a neighbor's electricity bill;
- Proof of ownership of the plot;
- Copy of the company's memorandum of incorporation;
- Power of attorney to act on behalf of the company and a copy of the national identification card of the attorney-in-practice.

The electricity supply company will inspect the site and issue an assessment letter. The company receives the connection upon payment of the connection fee. The application form is available online at www.hesco.gov.pk.

Procedure 6*. Request and obtain water and sewerage connection from the Taluka Municipal Administration (TMA)**Time:** 30 days**Cost:** PKR 2,000

Comments: The building company must submit an application to the Town Office (Infrastructure and Services) of the Taluka Municipal Administration along with the following documents:

- Copy of the approved building plan along with a copy of the letter of approval;
- Proof of ownership of the plot;
- Copy of the company's memorandum of incorporation;
- Power of attorney to act on behalf of the company and a copy of the national identification card of the attorney-in-practice.

Procedure 7*. Request and obtain telephone connection from Pakistan Telecommunication Company Limited (PTCL)**Time:** 7 days**Cost:** PKR 750 (amount paid with the first bill)

Comments: As a result of the recent improvements of PTCL services, the building company can apply for a new landline connection online (www.ptcl.com.pk) or by calling the helpline at 0800 8 0800. In order to obtain a commercial landline connection, the company must provide the following information:

- National identity card number and contact details of the applicant;
- Company registration number and national tax number;
- Address where the connection will be installed.

The PTCL lineman will install the new landline connection within 7 days of placement of the order.

Procedure 8*. Receive electricity inspection from Hyderabad Electric Supply Company (HESCO)**Time:** 1 day**Cost:** No cost**Procedure 9*. Receive water and sewerage inspection from the Taluka Municipal Administration (TMA)****Time:** 1 day**Cost:** No cost**Procedure 10. Submit completion notice and request final inspection from the Taluka Municipal Administration (TMA)****Time:** 1 day**Cost:** No cost

Comments: After the building is completed, the building company must notify the Taluka Municipal Administration (TMA). After the notification has been submitted, TMA inspectors will carry out an inspection to certify that construction has been carried out according to the approved building plans.

Procedure 11*: Receive final inspection from the Taluka Municipal Administration (TMA)**Time:** 1 day**Cost:** No cost

Comments: Once the completion notice has been received by the Taluka Municipal Administration (TMA), an inspector inspects the building to verify that construction has been carried out according to the approved building plan and the standards set by the bylaws.

Procedure 12*: Receive completion certificate from Taluka Municipal Administration (TMA)**Time:** 22 days**Cost:** No cost

Comments: After the final inspection has taken place, and provided that the works have been carried out according to the approved building plan, the Taluka Municipal Administration issues a certificate of completion.

* This procedure can be completed simultaneously with previous procedures.

LIST OF PROCEDURES

Registering property**Faisalabad, Punjab**

Property value: USD 49,050 = PKR 3,225,038

Data as of: December 2009

Procedure 1. Obtain a fard jamabandi document from the local Patwari**Time:** 3 days**Cost:** PKR 50

Comments: By law, the “fard jamabandi”—a proof of ownership that confirms that the property is in the owner’s rightful possession and is free of all encumbrances—is to be obtained by the seller on behalf of the buyer from the local Patwari, the subordinate official at the Revenue Office. In practice, however, it is the buyer who usually approaches the Patwari directly and obtains the ownership document. In Faisalabad, a non-encumbrance certificate used to be obtained by advertising the transaction in the newspapers. This practice has now been replaced by the more convenient one of obtaining the fard jamabandi document.

Procedure 2. Pay the stamp duty and the capital value tax at the local branch of the State Bank or National Bank of Pakistan**Time:** 1 day

Cost: PKR 193,502 (2% of the property value for stamp duty + 4% of the property value for the capital value tax)

Comments: After the proof of ownership has been obtained from the Patwari, the buyer pays the stamp duty—2% of the property value in Punjab, as listed in the appendix to the Stamp Act, 1889—at the Government Treasury or at a local branch of the National Bank of Pakistan. At the same time, the buyer pays the capital value tax—4% of the property value as per the Federal Budget—whose proof of payment will be necessary later on to register the sale deed.

Procedure 3. Obtain stamp paper from the Treasury Office**Time:** 1 day**Cost:** No cost

Comments: After the stamp duty has been paid, the buyer presents the receipt as proof of payment to the Treasury Office or stamp vendors in order to obtain the relevant stamp paper, on which the sale purchase agreement will be drafted by a lawyer or a certified deed writer.

Procedure 4. Hire a deed writer or a lawyer to draft the sale purchase agreement**Time:** 1 day**Cost:** PKR 1,000 (legal fees)

Comments: The buyer hires a lawyer or a certified deed writer to write the leasehold right on the stamp paper, as well as all the necessary operative terms and conditions in the deed. The deed contains inter alia all the details regarding the parties, the property transacted, the property value, rights, easements available, and all other necessary information.

Procedure 5. Execute and register the sale deed, pay the registration fee and pay the transfer of immovable property tax at the Registrar's Office**Time:** 3 days

Cost: PKR 64,501 (1% of the property value for registration fee + 1% of the property value for the transfer of immovable property tax)

Comments: The buyer presents the sale deed at the Registration Office for formal execution. Before the sale deed can be executed, the buyer must pay the registration fee—1% of the property value as per the Registration Act of 1908—and the transfer of immovable property tax—fixed at 1% of the property value by the Tehsil Municipal Administration (TMA) bylaws—to the TMA representative at the Registrar’s office. After all the payments have been completed, the Sub Registrar issues the buyer a collection receipt, which the buyer can use to obtain a copy of the sale deed from the same office. The Sub Registrar then executes the sale deed and registers it, retains one copy, and forwards another to the Revenue Office for further processing.

Procedure 6. Transfer the property title to the new owner at the Revenue Office**Time:** 25 days**Cost:** No cost

Comments: The buyer submits the registered sale deed to the Registration Office or to the Patwari to transfer the property to his name. The Patwari registers the transfer and sends it to the Girdawar, who compares the sale deed with his records. The Girdawar then sends the registered sale deed to the Tehsildar, who is in charge of its final transfer and entry into the revenue records.

* This procedure can be completed simultaneously with previous procedures

Gujranwala, Punjab

Property value: USD 49,050 = PKR 3,225,038

Data as of: December 2009

Procedure 1. Obtain a fard jamabandi document from the local Patwari**Time:** 3 days**Cost:** PKR 50

Comments: By law, the “fard jamabandi”—a proof of ownership that confirms that the property is in the owner’s rightful possession and is free of all encumbrances—is to be obtained by the seller on behalf of the buyer from the local Patwari, the subordinate official at the Revenue Office. In practice, however, it is the buyer who usually approaches the Patwari directly and obtains the ownership document. In Gujranwala, a non-encumbrance certificate used to be obtained by advertising the transaction in the newspapers. This practice has now been replaced by the more convenient one of obtaining the fard jamabandi document.

Procedure 2. Pay the stamp duty and the capital value tax at the local branch of the State Bank or National Bank of Pakistan**Time:** 1 day

Cost: PKR 193,502 (2% of the property value for stamp duty + 4% of the property value for the capital value tax)

Comments: After the proof of ownership has been obtained from the Patwari, the buyer pays the stamp duty—2% of the property value in Punjab, as listed in the appendix to the Stamp Act, 1889—at the Government Treasury or at a local branch of the National Bank of Pakistan. At the same time, the buyer pays the capital value tax—4% of the property value as per the Federal Budget—whose proof of payment will be necessary later on to register the sale deed.

Procedure 3. Obtain stamp paper from the Treasury Office**Time:** 1 day**Cost:** No cost

Comments: After the stamp duty has been paid, the buyer presents the receipt as proof of payment to the Treasury Office or stamp vendors in order to obtain the relevant stamp paper, on which the sale purchase agreement will be drafted by a lawyer or a certified deed writer.

Procedure 4. Hire a deed writer or a lawyer to draft the sale purchase agreement**Time:** 1 day**Cost:** PKR 2,000 (legal fees)

Comments: The buyer hires a lawyer or a certified deed writer to write the leasehold right on the stamp paper, as well as all the necessary operative terms and conditions in the deed. The deed contains inter alia all the details regarding the parties, the property transacted, the property value, rights, easements available, and all other necessary information.

Procedure 5. Execute and register the sale deed, pay the registration fee and pay the transfer of immovable property tax at the Registrar's Office**Time:** 4 days**Cost:** PKR 64,501 (1% of the property value for registration fee + 1% of the property value for the transfer of immovable property tax)

Comments: The buyer presents the sale deed at the Registration Office for formal execution. Before the sale deed can be executed, the buyer must pay the registration fee—1% of the property value as per the Registration Act of 1908—and the transfer of immovable property tax—fixed at 1% of the property value by the Tehsil Municipal Administration (TMA) bylaws—to the TMA representative at the Registrar's office. After all the payments have been completed, the Sub Registrar issues the buyer a collection receipt, which the buyer can use to obtain a copy of the sale deed from the same office. The Sub Registrar then executes the sale deed and registers it, retains one copy, and forwards another to the Revenue Office for further processing.

Procedure 6. Transfer the property title to the new owner at the Revenue Office**Time:** 30 days**Cost:** No cost

Comments: The buyer submits the registered sale deed to the Registration Office or to the Patwari to transfer the property to his name. The Patwari registers the transfer and sends it to the Girdawar, who compares the sale deed with his records. The Girdawar then sends the registered sale deed to the Tehsildar, who is in charge of its final transfer and entry into the revenue records.

* This procedure can be completed simultaneously with previous procedures

REGISTERING PROPERTY

Hyderabad, Sindh

Property value: USD 49,050 = PKR 3,225,038

Data as of: December 2009

Procedure 1. Advertise the transaction in a newspaper to invite objections**Time:** 14 days**Cost:** PKR 1,000

Comments: The buyer publishes a public notice in an Urdu newspaper, inviting objections / claims on the transaction. After publication, there is a fourteen-day waiting period for objections, if any. Advertisements are published in local newspapers (dailies) having a large circulation. Simultaneously, the buyer will verify the authenticity of the documents presented by the seller, the seller's authority to act on behalf of the company to sell this property, and the presence of any encumbrances attached to the property to be transferred.

Procedure 2*. Obtain a non-encumbrance certificate from the Tehsildar's Office**Time:** 1 day**Cost:** No cost

Comments: The seller must obtain a non-encumbrance certificate on behalf of the buyer at the Sub Registrar / Tehsildar under whose jurisdiction the property falls by submitting the following documents:

- Application form;
- Original of the national identity card of the property owner;
- Photocopy of the sale deed;
- Affidavit;
- Record of rights / fard.

The document confirms that the property is free of all encumbrances (pending legal disputes, mortgages, etc.). Should the seller obtain the certificate from the Revenue Record Department, written confirmation is made on the fard itself.

Procedure 3. Pay the stamp duty and the capital value tax at the local branch of the State Bank or National Bank of Pakistan**Time:** 1 day**Cost:** PKR 225,753 (3% of the property value for stamp duty + 4% of the property value for the capital value tax)

Comments: After the proof of ownership has been obtained from the Patwari, the buyer pays the stamp duty—3% of the property value in Sindh, as listed in the appendix to the Stamp Act, 1889—at the Government Treasury or at a local branch of the National Bank of Pakistan. At the same time, the buyer pays the capital value tax—4% of property value as per the Federal Budget—whose proof of payment will be necessary later on to register the sale deed.

Procedure 4. Obtain stamp paper from the Treasury Office**Time:** 1 day**Cost:** No cost

Comments: After the stamp duty has been paid, the buyer presents the receipt as proof of payment to the Treasury Office or stamp vendors in order to obtain the relevant stamp paper, on which the sale purchase agreement will be drafted by the lawyer or a certified deed writer.

Procedure 5. Hire a deed writer or a lawyer to draft the sale purchase agreement**Time:** 1 day**Cost:** PKR 5,000 (legal fees)

Comments: The buyer hires a lawyer or a certified deed writer to write the leasehold right on the stamp paper, as well as all the necessary operative terms and conditions in the deed. The deed contains inter alia all the details regarding the parties, the property transacted, the property value, rights, easements available, and all other necessary information.

Procedure 6. Execute and register the sale deed, pay the registration fee and pay the transfer of immovable property tax at the Registrar's Office**Time:** 34 days**Cost:** PKR 64,501 (1% of the property value for registration fee + 1% of the property value for the transfer of immovable property tax)

Comments: The buyer presents the sale deed at the Registration Office for formal execution. Before the sale deed can be executed, the buyer must pay the registration fee—1% of the property value as per the Registration Act of 1908—and the transfer of immovable property tax—fixed at 1% of the property value by the Taluka Municipal Administration (TMA) bylaws—to the TMA representative at the Registrar's office. After all the payments have been completed, the Sub Registrar issues the buyer a collection receipt, which the buyer can use to obtain a copy of the sale deed from the same office. The Sub Registrar then executes the sale deed and registers it, retains one copy, and forwards another to the Revenue Office for further processing.

* This procedure can be completed simultaneously with previous procedures

REGISTERING PROPERTY

Islamabad, ICT

Property value: USD 49,050 = PKR 3,225,038

Data as of: December 2009

Procedure 1. Obtain a fard jamabandi document from the local Patwari**Time:** 3 days**Cost:** PKR 50

Comments: By law, the "fard jamabandi"—a proof of ownership that confirms that the property is in the owner's rightful possession and is free of all encumbrances—is to be obtained by the seller on behalf of the buyer from the local Patwari, the subordinate official at the Revenue Office. In practice, however, it is the buyer who usually approaches the Patwari directly and obtains the ownership document. In Islamabad, a non-encumbrance certificate used to be obtained by advertising the transaction in the newspapers. This practice has now been replaced by the more convenient one of obtaining the fard jamabandi document.

Procedure 2. Pay the stamp duty and the capital value tax at the local branch of the State Bank or National Bank of Pakistan**Time:** 1 day**Cost:** PKR 129,002 (2% of the property value for stamp duty + 4% of the property value for the capital value tax)

Comments: After the proof of ownership has been obtained from the Patwari, the buyer pays the stamp duty—2% of the property value in Islamabad, as mentioned in the table appended with the Stamp Act, 1889—at the Government Treasury or at a local branch of the National Bank of Pakistan. At the same time, the buyer pays the capital value tax—4% of property value as per the Federal Budget—whose proof of payment will be necessary later on to register the sale deed.

Procedure 3. Obtain stamp paper from the Treasury Office

Time: 1 day

Cost: No cost

Comments: After the stamp duty has been paid, the buyer presents the receipt as proof of payment to the Treasury Office or stamp vendors in order to obtain the relevant stamp paper, on which the sale purchase agreement will be drafted by a lawyer or a certified deed writer.

Procedure 4. Hire a deed writer or a lawyer to draft the sale purchase agreement

Time: 1 day

Cost: PKR 1,000 (legal fees)

Comments: The buyer hires a lawyer or a certified deed writer to write the leasehold right on the stamp paper, as well as all the necessary operative terms and conditions in the deed. The deed contains inter alia all the details regarding the parties, the property transacted, the property value, rights, easements available, and all other necessary information.

Procedure 5. Execute and register the sale deed, pay the registration fee and pay the transfer of immovable property tax at the Registrar's Office

Time: 3 days

Cost: PKR 32,250 (1% of the property value for registration fee)

Comments: The buyer presents the sale deed at the Registration Office for formal execution. Before the sale deed can be executed, the buyer must pay the registration fee—1% of the property value as per the Registration Act of 1908. After all the payments have been completed, the Sub Registrar issues the buyer a collection receipt, which the buyer can use to obtain a copy of the sale deed from the same office. The Sub Registrar then executes the sale deed and registers it, retains one copy, and forwards another to the Revenue Office for further processing.

Procedure 6. Transfer the property title to the new owner at the Revenue Office

Time: 30 days

Cost: No cost

Comments: The buyer submits the registered sale deed to the Registration Office or to the Patwari to transfer the property to his name. The Patwari registers the transfer and sends it to the Girdawar, who compares the sale deed with his records. The Girdawar then sends the registered sale deed to the Tehsildar, who is in charge of its final transfer and entry into the revenue records.

* This procedure can be completed simultaneously with previous procedures

REGISTERING PROPERTY

Karachi, Sindh

Property value: USD 49,050 = PKR 3,225,038

Data as of: December 2009

Procedure 1. Advertise the transaction in newspapers to invite objections

Time: 8 days

Cost: PKR 3,000

Comments: The buyer publishes a public notice in an Urdu newspaper, inviting objections / claims on the transaction. After publication, there is a seven-day waiting period for objections, if any. Advertisements are published in local newspapers (dailies) having a large circulation. Simultaneously, the buyer will verify the authenticity of the documents presented by the seller, the seller's authority to act on behalf of the company to sell this property, and the presence of any encumbrances attached to the property to be transferred.

Procedure 2. Hire a deed writer or a lawyer to draft the sale purchase agreement

Time: 1 day

Cost: PKR 5,000

Comments: It is common practice in Pakistan to hire a lawyer or deed writer to draft the sale purchase agreement.

Procedure 3. Pay the stamp duty, capital value tax, registration fee and transfer of immovable property tax at the local branch of the State Bank or National Bank of Pakistan

Time: 1 day

Cost: PKR 290,253 (3% of the property value for stamp duty + 4% of the property value for the capital value tax + 1% of the property value for registration fee + 1% of the property value for the transfer of immovable property tax)

Comments: The capital value tax (CVT, 4% of the property value as per the Finance Act, 2009) is applicable in urban areas for residential property exceeding one kanal in area and, in the case of commercial properties, without any threshold of land area or size of the property. However, where the value of such property is not recorded, the CVT is payable at PKR 50 per square yard. Fees are paid at the Government Treasury or National Bank of Pakistan, an autonomous bank jointly owned by the Government of Pakistan and the public, who issue a receipt that is taken to the Stamp Office. The Stamp Office will, upon production of receipt, issue a stamp paper of the value (money deposited) on the sale deed. Such typed stamp paper will be presented later before the Registrar, who registers the change of ownership.

Procedure 4. Obtain a non-encumbrance certificate from the Town Nazim

Time: 1 day

Cost: No cost

Comments: The town Nazim issues a no-objection certificate (NOC) permitting the sale of property by the seller, provided all amounts due and payable in respect of the property have been satisfied.

Procedure 5. Obtain stamp paper from the stamp office

Time: 1 day

Cost: No cost

Comments: The receipt of payment obtained in procedure 4 is taken to the Stamp Office of the Government, which then issues a stamp paper for the value of the sale deed. The stamp paper will be presented later to the Registrar, who registers the change of ownership.

Procedure 6. Execute and register the sale deed at the Registration's authority

Time: 38 days

Cost: No cost

Comments: The conveyance deed must be executed before the registering authority. Execution of the deed is done before the Sub Registrar of Conveyance/Assurances of the area, the official responsible under the Registration Act. Registration of the deed automatically follows the execution of the sale deed. A receipt is issued immediately, but the deed is delivered a few weeks later. The name of the buyer is recorded in the new deed, showing the change in ownership. The documents should include:

- Conveyance / sale deed (stamped after payment in procedure 4);
- National identity cards of both parties;
- Original title deed of seller;
- Power of attorney in original, with copies (if the parties have authorized someone else through a power of attorney).

* This procedure can be completed simultaneously with previous procedures

REGISTERING PROPERTY

Lahore, Punjab

Property value: USD 49,050 = PKR 3,225,038

Data as of: December 2009

Procedure 1. Obtain a fard jamabandi document from the local Patwari

Time: 3 days

Cost: PKR 50

Comments: By law, the “fard jamabandi”—a proof of ownership that confirms that the property is in the owner’s rightful possession and is free of all encumbrances—is to be obtained by the seller on behalf of the buyer from the local Patwari, the subordinate official at the Revenue Office. In practice, however, it is the buyer who usually approaches the Patwari directly and obtains the ownership document. In Lahore, a non-encumbrance certificate used to be obtained by advertising the transaction in the newspapers. This practice has now been replaced by the more convenient one of obtaining the fard jamabandi document.

Procedure 2. Pay the stamp duty and the capital value tax at the local branch of the State Bank or National Bank of Pakistan

Time: 1 day

Cost: PKR 193,502 (2% of the property value for stamp duty + 4% of the property value for the capital value tax)

Comments: After the proof of ownership has been obtained from the Patwari, the buyer pays the stamp duty—2% of the property value in Punjab, as mentioned in the table appended with the Stamp Act, 1889—at the Government Treasury or at a local branch of the National Bank of Pakistan. At the same time, the buyer pays the capital value tax—4% of property value as per the Federal Budget—whose proof of payment will be necessary later on to register the sale deed.

Procedure 3. Obtain stamp paper from the Treasury Office

Time: 1 day

Cost: No cost

Comments: After the stamp duty has been paid, the buyer presents the receipt as proof of payment to the Treasury Office or stamp vendors in order to obtain the relevant stamp paper, on which the sale purchase agreement will be drafted by a lawyer or a certified deed writer.

Procedure 4. Hire a deed writer or a lawyer to draft the sale purchase agreement

Time: 1 day

Cost: PKR 2,000 (legal fees)

Comments: The buyer hires a lawyer or a certified deed writer to write the leasehold right on the stamp paper, as well as all the necessary operative terms and conditions in the deed. The deed contains inter alia all the details regarding the parties, the property transacted, the property value, rights, easements available, and all other necessary information.

Procedure 5. Execute and register the sale deed, pay the registration fee and pay the transfer of immovable property tax at the Registrar’s Office

Time: 5 days

Cost: PKR 64,501 (1% of the property value for registration fee + 1% of the property value for the transfer of immovable property tax)

Comments: The buyer presents the sale deed at the Registration Office for formal execution. Before the sale deed can be executed, the buyer must pay the registration fee—1% of the property value as per the Registration Act of 1908—and the transfer of immovable property tax—fixed at 1% of the property value by the Tehsil Municipal Administration (TMA) bylaws—to the TMA representative at the Registrar’s office. After all the payments have been completed, the Sub Registrar issues the buyer a collection receipt, which the buyer can use to obtain a copy of the sale deed from the same office. The Sub Registrar then executes the sale deed and registers it, retains one copy, and forwards another to the Revenue Office for further processing.

Procedure 6. Transfer the property title to the new owner at the Revenue Office

Time: 19 days

Cost: No cost

Comments: The buyer submits the registered sale deed to the Registration Office or to the Patwari to transfer the property under his name. The Patwari registers the transfer, then sends it to the Girdawar who compares the sale deed with his records. The Girdawar then sends the registered sale deed to the Tehsildar, who is in charge of the final transfer and entry into the revenue records.

* This procedure can be completed simultaneously with previous procedures

REGISTERING PROPERTY

Multan, Punjab

Property value: USD 49,050 = PKR 3,225,038

Data as of: December 2009

Procedure 1. Obtain a fard jamabandi document from the local Patwari

Time: 3 days

Cost: PKR 50

Comments: By law, the “fard jamabandi”—a proof of ownership that confirms that the property is in the owner’s rightful possession and is free of all encumbrances—is to be obtained by the seller on behalf of the buyer from the local Patwari, the subordinate official at the Revenue Office. In practice, however, it is the buyer who usually approaches the Patwari directly and obtains the ownership document. In Multan, a non-encumbrance certificate used to be obtained by advertising the transaction in the newspapers. This practice has now been replaced by the more convenient one of obtaining the fard jamabandi document.

Procedure 2. Pay the stamp duty and the capital value tax at the local branch of the State Bank or National Bank of Pakistan

Time: 1 day

Cost: PKR 193,502 (2% of the property value for stamp duty + 4% of the property value for the capital value tax)

Comments: After the proof of ownership has been obtained from the Patwari, the buyer pays the stamp duty—2% of the property value in Punjab, as listed in the appendix to the Stamp Act, 1889—at the Government Treasury or at a local branch of the National Bank of Pakistan. At the same time, the buyer pays the capital value tax—4% of property value as per the Federal Budget—whose proof of payment will be necessary later on to register the sale deed.

Procedure 3. Obtain stamp paper from the Treasury Office

Time: 1 day

Cost: No cost

Comments: After the stamp duty has been paid, the buyer presents the receipt as proof of payment to the Treasury Office or stamp vendors in order to obtain the relevant stamp paper, on which the sale purchase agreement will be drafted by a lawyer or a certified deed writer.

Procedure 4. Hire a deed writer or a lawyer to draft the sale purchase agreement

Time: 1 day

Cost: PKR 3,000 (legal fees)

Comments: The buyer hires a lawyer or a certified deed writer to write the leasehold right on the stamp paper, as well as all the necessary operative terms and conditions in the deed. The deed contains inter alia all the details regarding the parties, the property transacted, the property value, rights, easements available, and all other necessary information.

Procedure 5. Execute and register the sale deed, pay the registration fee and pay the transfer of immovable property tax at the Registrar’s Office

Time: 5 days

Cost: PKR 64,501 (1% of the property value for registration fee + 1% of the property value for the transfer of immovable property tax)

Comments: The buyer presents the sale deed at the Registration Office for formal execution. Before the sale deed can be executed, the buyer must pay the registration fee—1% of the property value as per the Registration Act of 1908—and the transfer of immovable property tax—fixed at 1% of the property value by the Tehsil Municipal Administration (TMA) bylaws—to the TMA representative at the Registrar’s office.

After all the payments have been completed, the Sub Registrar issues the buyer a collection receipt, which the buyer can use to obtain a copy of the sale deed from the same office. The Sub Registrar then executes the sale deed and registers it, retains one copy, and forwards another to the Revenue Office for further processing.

Procedure 6. Transfer the property title to the new owner at the Revenue Office

Time: 30 days

Cost: No cost

Comments: The buyer submits the registered sale deed to the Registration Office or to the Patwari to transfer the property to his name. The Patwari registers the transfer and sends it to the Girdawar, who compares the sale deed with his records. The Girdawar then sends the registered sale deed to the Tehsildar, who is in charge of its final transfer and entry into the revenue records.

*This procedure can be completed simultaneously with previous procedures

REGISTERING PROPERTY

Peshawar, Khyber Pakhtunkhwa

Property value: USD 49,050 = PKR 3,225,038

Data as of: December 2009

Procedure 1. Obtain a fard jamabandi document from the local Patwari

Time: 3 days

Cost: PKR 50

Comments: By law, the “fard jamabandi”—a proof of ownership that confirms that the property is in the owner’s rightful possession and is free of all encumbrances—is to be obtained by the seller on behalf of the buyer from the local Patwari, the subordinate official at the Revenue Office. In practice, however, it is the buyer who usually approaches the Patwari directly and obtains the ownership document. In Peshawar, a non-encumbrance certificate used to be obtained by advertising the transaction in the newspapers. This practice has now been replaced by the more convenient one of obtaining the fard jamabandi document.

Procedure 2. Pay the stamp duty and the capital value tax at the local branch of the State Bank or National Bank of Pakistan

Time: 1 day

Cost: PKR 225,753 (3% of the property value for stamp duty + 4% of the property value for the capital value tax)

Comments: After the proof of ownership has been obtained from the Patwari, the buyer pays the stamp duty—3% of the property value in Khyber Pakhtunkhwa, as listed in the appendix to the Stamp Act, 1889—at the Government Treasury or at a local branch of the National Bank of Pakistan. At the same time, the buyer pays the capital value tax—4% of property value as per the Federal Budget—whose proof of payment will be necessary later on to register the sale deed.

Procedure 3. Obtain stamp paper from the Treasury Office

Time: 1 day

Cost: No cost

Comments: After the stamp duty has been paid, the buyer presents the receipt as proof of payment to the Treasury Office or stamp vendors in order to obtain the relevant stamp paper, on which the sale purchase agreement will be drafted by a lawyer or a certified deed writer.

Procedure 4. Hire a deed writer or a lawyer to draft the sale purchase agreement

Time: 1 day

Cost: PKR 200 (legal fees)

Comments: The buyer hires a lawyer or a certified deed writer to write the leasehold right on the stamp paper, as well as all the necessary operative terms and conditions in the deed. The deed contains inter alia all the details regarding the parties, the property transacted, the property value, rights, easements available, and all other necessary information.

Procedure 5. Execute and register the sale deed, pay the registration fee and pay the transfer of immovable property tax at the Registrar's Office

Time: 8 days

Cost: PKR 64,501 (1% of the property value for registration fee + 1% of the property value for the transfer of immovable property tax)

Comments: The buyer presents the sale deed at the Registration Office for formal execution. Before the sale deed can be executed, the buyer must pay the registration fee—1% of the property value as per the Registration Act of 1908—and the transfer of immovable property tax—fixed at 1% of the property value by the Town Municipal Administration (TMA) bylaws—to the TMA representative at the Registrar’s office. After all the payments have been completed, the Sub Registrar issues the buyer a collection receipt, which the buyer can use to obtain a copy of the sale deed from the same office. The Sub Registrar then executes the sale deed and registers it, retains one copy, and forwards another to the Revenue Office for further processing.

Procedure 6. Transfer the property title to the new owner at the Revenue Office

Time: 28 days

Cost: No cost

Comments: The buyer submits the registered sale deed to the Registration Office or to the Patwari to transfer the property to his name. The Patwari registers the transfer and sends it to the Girdawar, who compares the sale deed with his records. The Girdawar then sends the registered sale deed to the Tehsildar, who is in charge of its final transfer and entry into the revenue records.

*This procedure can be completed simultaneously with previous procedures

REGISTERING PROPERTY

Quetta, Balochistan

Property value: USD 49,050 = PKR 3,225,038

Data as of: December 2009

Procedure 1. Obtain a fard jamabandi document from the local Patwari

Time: 4 days

Cost: PKR 50

Comments: By law, the “fard jamabandi”—a proof of ownership that confirms that the property is in the owner’s rightful possession and is free of all encumbrances—is to be obtained by the seller on behalf of the buyer from the local Patwari, the subordinate official at the Revenue Office. In practice, however, it is the buyer who usually approaches the Patwari directly and obtains the ownership document. In Quetta, a non-encumbrance certificate used to be obtained by advertising the transaction in the newspapers. This practice has now been replaced by the more convenient one of obtaining the fard jamabandi document.

Procedure 2. Pay the stamp duty and the capital value tax at the local branch of the State Bank or National Bank of Pakistan

Time: 1 day

Cost: PKR 290,253 (5% of the property value for stamp duty + 4% of the property value for the capital value tax)

Comments: After the proof of ownership has been obtained from the Patwari, the buyer pays the stamp duty—5% of the property value in Balochistan, as listed in the appendix to the Stamp Act, 1889—at the Government Treasury or at a local branch of the National Bank of Pakistan. At the same time, the buyer pays the capital value tax—4% of property value as per the Federal Budget—whose proof of payment will be necessary later on to register the sale deed.

Procedure 3. Obtain stamp paper from the Treasury Office

Time: 1 day

Cost: No cost

Comments: After the stamp duty has been paid, the buyer presents the receipt as proof of payment to the Treasury Office or stamp vendors in order to obtain the relevant stamp paper, on which the sale purchase agreement will be drafted by a lawyer or a certified deed writer.

Procedure 4. Hire a deed writer or a lawyer to draft the sale purchase agreement**Time:** 1 day**Cost:** PKR 1,000 (legal fees)

Comments: The buyer hires a lawyer or a certified deed writer to write the leasehold right on the stamp paper, as well as all the necessary operative terms and conditions in the deed. The deed contains inter alia all the details regarding the parties, the property transacted, the property value, rights, easements available, and all other necessary information.

Procedure 5. Execute and register the sale deed, pay the registration fee and pay the transfer of immovable property tax at the Registrar's Office**Time:** 20 days**Cost:** PKR 64,501 (1% of the property value for registration fee + 1% of the property value for the transfer of immovable property tax)

Comments: The buyer presents the sale deed at the Registration Office for formal execution. Before the sale deed can be executed, the buyer must pay the registration fee—1% of the property value as per the Registration Act of 1908—and the transfer of immovable property tax—fixed at 1% of the property value by the Tehsil Municipal Administration (TMA) bylaws—to the TMA representative at the Registrar's office. After all the payments have been completed, the Sub Registrar issues the buyer a collection receipt, which the buyer can use to obtain a copy of the sale deed from the same office. The Sub Registrar then executes the sale deed and registers it, retains one copy, and forwards another to the Revenue Office for further processing.

Procedure 6. Transfer the property title to the new owner at the Revenue Office**Time:** 25 days**Cost:** No cost

Comments: The buyer submits the registered sale deed to the Registration Office or to the Patwari to transfer the property to his name. The Patwari registers the transfer and sends it to the Girdawar, who compares the sale deed with his records. The Girdawar then sends the registered sale deed to the Tehsildar, who is in charge of its final transfer and entry into the revenue records.

* This procedure can be completed simultaneously with previous procedures

REGISTERING PROPERTY

Rawalpindi, Punjab

Property value: USD 49,050 = PKR 3,225,038

Data as of: December 2009

Procedure 1. Obtain a fard jamabandi document from the local Patwari**Time:** 3 days**Cost:** PKR 50

Comments: By law, the "fard jamabandi"—a proof of ownership that confirms that the property is in the owner's rightful possession and is free of all encumbrances—is to be obtained by the seller on behalf of the buyer from the local Patwari, the subordinate official at the Revenue Office. In practice, however, it is the buyer who usually approaches the Patwari directly and obtains the ownership document. In Rawalpindi, a non-encumbrance certificate used to be obtained by advertising the transaction in the newspapers. This practice has now been replaced by the more convenient one of obtaining the fard jamabandi document.

Procedure 2. Pay the stamp duty and the capital value tax at the local branch of the State Bank or National Bank of Pakistan**Time:** 1 day**Cost:** PKR 193,502 (2% of the property value for stamp duty + 4% of the property value for the capital value tax)

Comments: After the proof of ownership has been obtained from the Patwari, the buyer pays the stamp duty—2% of the property value in Punjab, as listed in the appendix to the Stamp Act, 1889—at the Government Treasury or at a local branch of the National Bank of Pakistan. At the same time, the buyer pays the capital value tax—4% of property value as per the Federal Budget—whose proof of payment will be necessary later on to register the sale deed.

Procedure 3. Obtain stamp paper from the Treasury Office**Time:** 1 day**Cost:** No cost

Comments: After the stamp duty has been paid, the buyer presents the receipt as proof of payment to the Treasury Office or stamp vendors in order to obtain the relevant stamp paper, on which the sale purchase agreement will be drafted by a lawyer or a certified deed writer.

Procedure 4. Hire a deed writer or a lawyer to draft the sale purchase agreement**Time:** 1 day**Cost:** PKR 3,000 (legal fees)

Comments: The buyer hires a lawyer or a certified deed writer to write the leasehold right on the stamp paper, as well as all the necessary operative terms and conditions in the deed. The deed contains inter alia all the details regarding the parties, the property transacted, the property value, rights, easements available, and all other necessary information.

Procedure 5. Execute and register the sale deed, pay the registration fee and pay the transfer of immovable property tax at the Registrar's Office**Time:** 5 days**Cost:** PKR 64,501 (1% of the property value for registration fee + 1% of the property value for the transfer of immovable property tax)

Comments: The buyer presents the sale deed at the Registration Office for formal execution. Before the sale deed can be executed, the buyer must pay the registration fee—1% of the property value as per the Registration Act of 1908—and the transfer of immovable property tax—fixed at 1% of the property value by the Tehsil Municipal Administration (TMA) bylaws—to the TMA representative at the Registrar's office. After all the payments have been completed, the Sub Registrar issues the buyer a collection receipt, which the buyer can use to obtain a copy of the sale deed from the same office. The Sub Registrar then executes the sale deed and registers it, retains one copy, and forwards another to the Revenue Office for further processing.

Procedure 6. Transfer the property title to the new owner at the Revenue Office**Time:** 30 days**Cost:** No cost

Comments: The buyer submits the registered sale deed to the Registration Office or to the Patwari to transfer the property under his name. The Patwari registers the transfer, then sends it to the Girdawar who compares the sale deed with his records. The Girdawar then sends the registered sale deed to the Tehsildar, who is in charge of the final transfer and entry into the revenue records.

* This procedure can be completed simultaneously with previous procedures

REGISTERING PROPERTY

Sheikhupura, Punjab

Property value: USD 49,050 = PKR 3,225,038

Data as of: December 2009

Procedure 1. Obtain a fard jamabandi document from the local Patwari**Time:** 3 days**Cost:** PKR 50

Comments: By law, the "fard jamabandi"—a proof of ownership that confirms that the property is in the owner's rightful possession and is free of all encumbrances—is to be obtained by the seller on behalf of the buyer from the local Patwari, the subordinate official at the Revenue Office. In practice, however, it is the buyer who usually approaches the Patwari directly and obtains the ownership document. In Sheikhupura, a non-encumbrance certificate used to be obtained by advertising the transaction in the newspapers. This practice has now been replaced by the more convenient one of obtaining the fard jamabandi document.

Procedure 2. Pay the stamp duty and the capital value tax at the local branch of the State Bank or National Bank of Pakistan**Time:** 1 day**Cost:** PKR 193,502 (2% of the property value for stamp duty + 4% of the property value for the capital value tax)**Comments:** After the proof of ownership has been obtained from the Patwari, the buyer pays the stamp duty—2% of the property value in Punjab, as listed in the appendix to the Stamp Act, 1889—at the Government Treasury or at a local branch of the National Bank of Pakistan. At the same time, the buyer pays the capital value tax—4% of property value as per the Federal Budget—whose proof of payment will be necessary later on to register the sale deed.**Procedure 3. Obtain stamp paper from the Treasury Office****Time:** 1 day**Cost:** No cost**Comments:** After the stamp duty has been paid, the buyer presents the receipt as proof of payment to the Treasury Office or stamp vendors in order to obtain the relevant stamp paper, on which the sale purchase agreement will be drafted by a lawyer or a certified deed writer.**Procedure 4. Hire a deed writer or a lawyer to draft the sale purchase agreement****Time:** 1 day**Cost:** PKR 1,500 (legal fees)**Comments:** The buyer hires a lawyer or a certified deed writer to write the leasehold right on the stamp paper, as well as all the necessary operative terms and conditions in the deed. The deed contains inter alia all the details regarding the parties, the property transacted, the property value, rights, easements available, and all other necessary information.**Procedure 5. Execute and register the sale deed, pay the registration fee and pay the transfer of immovable property tax at the Registrar's Office****Time:** 3 days**Cost:** PKR 64,501 (1% of the property value for registration fee + 1% of the property value for the transfer of immovable property tax)**Comments:** The buyer presents the sale deed at the Registration Office for formal execution. Before the sale deed can be executed, the buyer must pay the registration fee—1% of the property value as per the Registration Act of 1908—and the transfer of immovable property tax—fixed at 1% of the property value by the Tehsil Municipal Administration (TMA) bylaws—to the TMA representative at the Registrar's office. After all the payments have been completed, the Sub Registrar issues the buyer a collection receipt, which the buyer can use to obtain a copy of the sale deed from the same office. The Sub Registrar then executes the sale deed and registers it, retains one copy, and forwards another to the Revenue Office for further processing.**Procedure 6. Transfer the property title to the new owner at the Revenue Office****Time:** 30 days**Cost:** No cost**Comments:** The buyer submits the registered sale deed to the Registration Office or to the Patwari to transfer the property to his name. The Patwari registers the transfer and sends it to the Girdawar, who compares the sale deed with his records. The Girdawar then sends the registered sale deed to the Tehsildar, who is in charge of its final transfer and entry into the revenue records.

* This procedure can be completed simultaneously with previous procedures

REGISTERING PROPERTY

Sialkot, Punjab*Property value: USD 49,050 = PKR 3,225,038**Data as of: December 2009***Procedure 1. Obtain a fard jamabandi document from the local Patwari****Time:** 4 days**Cost:** PKR 50**Comments:** By law, the “fard jamabandi”—a proof of ownership that confirms that the property is in the owner's rightful possession and is free of all encumbrances—is to be obtained by the seller on behalf of the buyer from the local Patwari, the subordinate official at the Revenue Office. In practice, however, it is the buyer who usually approaches the Patwari directly and obtains the ownership document. In Sialkot, a non-encumbrance certificate used to be obtained by advertising the transaction in the newspapers. This practice has now been replaced by the more convenient one of obtaining the fard jamabandi document.**Procedure 2. Pay the stamp duty and the capital value tax at the local branch of the State Bank or National Bank of Pakistan****Time:** 1 day**Cost:** PKR 193,502 (2% of the property value for stamp duty + 4% of the property value for the capital value tax)**Comments:** After the proof of ownership has been obtained from the Patwari, the buyer pays the stamp duty—2% of the property value in Punjab, as listed in the appendix to the Stamp Act, 1889—at the Government Treasury or at a local branch of the National Bank of Pakistan. At the same time, the buyer pays the capital value tax—4% of property value as per the Federal Budget—whose proof of payment will be necessary later on to register the sale deed.**Procedure 3. Obtain stamp paper from the Treasury Office****Time:** 1 day**Cost:** No cost**Comments:** After the stamp duty has been paid, the buyer presents the receipt as proof of payment to the Treasury Office or stamp vendors in order to obtain the relevant stamp paper, on which the sale purchase agreement will be drafted by a lawyer or a certified deed writer.**Procedure 4. Hire a deed writer or a lawyer to draft the sale purchase agreement****Time:** 1 day**Cost:** PKR 1,000 (legal fees)**Comments:** The buyer hires a lawyer or a certified deed writer to write the leasehold right on the stamp paper, as well as all the necessary operative terms and conditions in the deed. The deed contains inter alia all the details regarding the parties, the property transacted, the property value, rights, easements available, and all other necessary information.**Procedure 5. Execute and register the sale deed, pay the registration fee and pay the transfer of immovable property tax at the Registrar's Office****Time:** 6 days**Cost:** PKR 64,501 (1% of the property value for registration fee + 1% of the property value for the transfer of immovable property tax)**Comments:** The buyer presents the sale deed at the Registration Office for formal execution. Before the sale deed can be executed, the buyer must pay the registration fee—1% of the property value as per the Registration Act of 1908—and the transfer of immovable property tax—fixed at 1% of the property value by the Tehsil Municipal Administration (TMA) bylaws—to the TMA representative at the Registrar's office. After all the payments have been completed, the Sub Registrar issues the buyer a collection receipt, which the buyer can use to obtain a copy of the sale deed from the same office. The Sub Registrar then executes the sale deed and registers it, retains one copy, and forwards another to the Revenue Office for further processing.

Procedure 6. Transfer the property title to the new owner at the Revenue Office**Time:** 21 days**Cost:** No cost

Comments: The buyer submits the registered sale deed to the Registration Office or to the Patwari to transfer the property to his name. The Patwari registers the transfer and sends it to the Girdawar, who compares the sale deed with his records. The Girdawar then sends the registered sale deed to the Tehsildar, who is in charge of its final transfer and entry into the revenue records.

* This procedure can be completed simultaneously with previous procedures

REGISTERING PROPERTY

Sukkur, Sindh

Property value: USD 49,050 = PKR 3,225,038

Data as of: December 2009

Procedure 1. Advertise the transaction in a newspaper to invite objections**Time:** 14 days**Cost:** PKR 1,000

Comments: The buyer publishes a public notice in an Urdu newspaper, inviting objections / claims on the transaction. After publication, there is a fourteen-day waiting period for objections, if any. Advertisements are published in local newspapers (dailies) having a large circulation. Simultaneously, the buyer will verify the authenticity of the documents presented by the seller, the seller's authority to act on behalf of the company to sell this property, and the presence of any encumbrances attached to the property to be transferred.

Procedure 2*. Obtain a non-encumbrance certificate from the Tehsildar's Office**Time:** 1 day**Cost:** No cost

Comments: The seller must obtain a non-encumbrance certificate on behalf of the buyer at the Sub Registrar / Tehsildar under whose jurisdiction the property falls by submitting the following documents:

- a. Application form;
- b. Original of the national identity card of the property owner;
- c. Photocopy of the sale deed;
- d. Affidavit;
- e. Record of rights / fard.

The document confirms that the property is free of all encumbrances (pending legal disputes, mortgages, etc.). Should the seller obtain the certificate from the Revenue Record Department, written confirmation is made on the fard itself.

Procedure 3. Pay the stamp duty and the capital value tax at the local branch of the State Bank or National Bank of Pakistan**Time:** 1 day

Cost: PKR 225,753 (3% of the property value for stamp duty + 4% of the property value for the capital value tax)

Comments: After the proof of ownership has been obtained from the Patwari, the buyer pays the stamp duty—3% of the property value in Sindh, as listed in the appendix to the Stamp Act, 1889—at the Government Treasury or at a local branch of the National Bank of Pakistan. At the same time, the buyer pays the capital value tax—4% of property value as per the Federal Budget—whose proof of payment will be necessary later on to register the sale deed.

Procedure 4. Obtain stamp paper from the Treasury Office**Time:** 1 day**Cost:** No cost

Comments: After the stamp duty has been paid, the buyer presents the receipt as proof of payment to the Treasury Office or stamp vendors in order to obtain the relevant stamp paper, on which the sale purchase agreement will be drafted by a lawyer or a certified deed writer.

Procedure 5. Hire a deed writer or a lawyer to draft the sale purchase agreement**Time:** 1 day**Cost:** PKR 4,000 (legal fees)

Comments: The buyer hires a lawyer or a certified deed writer to write the leasehold right on the stamp paper, as well as all the necessary operative terms and conditions in the deed. The deed contains inter alia all the details regarding the parties, the property transacted, the property value, rights, easements available, and all other necessary information.

Procedure 6. Execute and register the sale deed, pay the registration fee and pay the transfer of immovable property tax at the Registrar's Office**Time:** 32 days

Cost: PKR 64,501 (1% of the property value for registration fee + 1% of the property value for the transfer of immovable property tax)

Comments: The buyer presents the sale deed at the Registration Office for formal execution. Before the sale deed can be executed, the buyer must pay the registration fee—1% of the property value as per the Registration Act of 1908—and the transfer of immovable property tax—fixed at 1% of the property value by the Taluka Municipal Administration (TMA) bylaws—to the TMA representative at the Registrar's office. After all the payments have been completed, the Sub Registrar issues the buyer a collection receipt, which the buyer can use to obtain a copy of the sale deed from the same office. The Sub Registrar then executes the sale deed and registers it, retains one copy, and forwards another to the Revenue Office for further processing.

* This procedure can be completed simultaneously with previous procedures

Doing Business in Pakistan 2010 was produced by a World Bank Group team led by Jana Malinska and Mehnaz Safavian, as well as Manuel Garcia Huitron (from April 2008 to June 2009) and Teymour Abdel Aziz (from June to November 2009). The report was produced under the general direction of Mierta Capaul. The team comprised Kiran Afzal, Anjum Ahmad, Santiago Croci, Iftikhar Gillani, Iva Hamel, Jamal Khan, Aikaterini Leris, Brice Richard and Alessio Zanelli. Claudia Contreras, Tramor Mici, Maria Camila Roberts, Pilar Sanchez-Bella and Imtiaz Sheikh provided valuable assistance to complete the project.

Shahnaz Arshad, Svetlana Bagaudinova, Amer Zafar Durrani, Satu Kristiina Kahkonen, Eric David Manes, Marialisa Motta, Frank Sader, John Speakman, and Zenaida Hernandez Uriz reviewed the full text. Peer-review comments were also received from Dobromir Christow, Penelope Fidas, Ankur Huria, Oliver Lorenz, Andres Frederic Martinez, Andrei Mikhnev, Dana Omran, Richard Stern, Uma Subramanian, and Mahesh Uttamchandani. Karim Belayachi, Federico Bustelo, Sarah Cuttaree, Marie Delion, Jacqueline den Otter, Sabine Hertveldt, Sana Ikram, Nang Jiang, Joanna Nasr, Caroline Otonglo, Tea Trumbic, Yara Salem, and Luis Aldo Sanchez-Ortega provided assistance at various stages of the project. The website (<http://www.doingbusiness.org/Pakistan>) was developed by Graeme Littler, Felipe Iturralde, Hashim Zia and Preeti Endlaw. The report was edited by Grace Morsberger and designed by G. Quinn Information Design.

Doing Business in Pakistan 2010 is the result of a request from Pakistan's Ministry of Finance and the Government of Punjab's Planning and Development Department. The Economic Reforms Unit (ERU) of Pakistan's Ministry of Finance coordinated the overall project, and provided support and guidance with data collection. The Commerce and Investment Department-Government of Punjab, the Sindh Bureau of Statistics-Government of Sindh, the Planning and Development Department-Government

of Khyber Pakhtunkhwa and the Finance Department-Government of Baluchistan coordinated and facilitated data collection in their respective provinces. Special thanks go to Khaqan Hassan Najeeb, Director General; Shujat Ali, Former Joint Secretary; Aamir Akbar Mittro, Team Leader; and Naveed Iftikhar, National Doing Business Focal Person from ERU for their leadership and outstanding work coordinating all aspects of the project; and to Rafia Syed and Mehnaz Bhaur from the Government of Punjab and to Fawad Khan Yousafzai from the Federal Bureau of Revenue for their valuable support. Crown Agents, especially Martyn Ambury, also provided support.

The project was funded by the United States Agency for International Development (USAID), the UK AID from the Department for International Development (DFID), and the World Bank Group. The Swiss State Secretariat for Economic Affairs (SECO) provided in-kind support to the project.

More than 130 accountants, architects, business consultants, custom brokers, engineers, freight forwarders, lawyers, property experts and utility providers contributed to *Doing Business in Pakistan 2010*. The team of Daudpota and Co., led by Faisal K. Daudpota coordinated data collection for the starting a business, registering property and enforcing contracts indicators. Surridge and Beecheno coordinated the dealing with construction permits questionnaires. A.F. Ferguson and Co. (PriceWaterhouseCoopers) and especially Mirza Taqi-ud-Din Ahmad, coordinated the tax data collection. The Pakistan Institute for Development Economics (PIDE) coordinated the trading across borders questionnaires.

The team wants to extend its special gratitude to more than 120 national and local government officials, as well as members of the judiciary who participated in the project and who made valuable comments during the consultation and data review period. The names of those participants wishing to be acknowledged individually are listed on the following pages.

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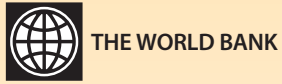
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