

 PAKISTAN

Pakistan - Mixed (Common and Sharia law)

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Incorporating a company in Pakistan

Pakistan taxes

If you want to incorporate in Pakistan, reading this will help you becoming knowledgeable on the specific tax laws and rates for a LLC (Pvt Ltd) which is the most common company structure in Pakistan.

Pakistan taxes income earned offshore in the same way that it was accrued from local operations. The usual tax rate for income earned abroad, from our research, but seek professional advice, is 31%. Corporate tax rate is 31% for tax year 2017 and 30% for 2018 onwards. This ranks Pakistan as 153th overall in terms of corp. taxation rate internationally.

The valued added tax rate is 17.00%, which ranks Pakistan as 159th overall with regards to value added tax rate worldwide. In terms of other taxation, an employer will contribute 6% to the equivalent of a social security fund and an employee may not have to contribute. The overall complexity of the tax system is high. This is measured by average time to comply with a country's labor tax requirements is as it is 594hours. Contributing to this is the number of yearly labor tax payments, which is 47 in PK.

Thin capitalisation standards are in effect. This refers to any type of requirements on given company with respect to debt-to-asset ratios.

Dividend Income is taxed at a 12.5% rate. However, Group Taxation is allowed in Pakistan, and an exemption may apply for holding companies and subsidiaries of a wholly group that opt to be taxed as a single fiscal unit. A dividend is a distribution of a portion of an earnings of the business, passed by by the board of directors, to a particular class of shareholders. Dividends can be issued as shares of stock, cash payments, or other property.

Capital Gains are normally treated as business ordinary income and included to corporate income tax base. However, there may be reduced rates for certain capital gains from capital assets and the disposal of securities, provided that have been held prior the sale a certain amount of years. A capital gains tax is levied on the profits that a corporation or natural person realizes when they sell sells a capital asset for a price that is higher than the purchase price.

The interest withholding tax rate is estimated at 10%. Which means that the tax authorities expects LLC 's to withhold 10% of interests paid to non-residents. If non-resident recipient has a P.E. in Pakistan, payments on interests may be taxed at a 20% withholding tax rate. The dividends withholding tax rate is 20%. This means that the taxman expects legal entities to automatically withhold 20% of dividends remitted abroad. The royalties withholding tax rate 15%. This means that the tax authorities expects relevant legal entities to automatically withhold 15% of money remitted abroad on royalties. Withholding tax rates may be reduced under a tax treaty.

There is no known tax on wealth in Pakistan. There are no known inheritance taxes. There are real property and transfer taxes. There are commonly used research and development breaks on taxation in this country.

The above is not tax or legal advice for your particular tax obligations. Incorporations.io can point you to an expert in Pakistan who can give you the proper advice and help you need. Contact us today. Click the free consultation button above.

The vat rate in Pakistan is 17% which ranks 109 in the world.

- ✗ Patent box
- ✗ RND credit
- ✗ Wealth tax
- ✓ Estate tax
- ✓ Transfer taxes
- ✗ Asset taxes
- ✗ Capital duties

- 64 Tax treaties
- 31% Offshore Tax
- 31% Corp rate
- Loss carryback years
- 40 Corporate time
- 17% VAT rate

Pakistan Legalese

The underlying legal code in Pakistan is mixed (common and sharia law) law. You will want to get some local advice as to how to best structure a company in Pakistan. E-signatures are allowed.

The letters PK is for Pakistan and the most common company type type in Pakistan is a LLC (Pvt Ltd).

You should expect a wait time of 9 weeks to put together the paperwork and file a LLC (Pvt Ltd) in PK. The minimal capitalization, or amount you're expected to put into a bank, is 0, This means you don't have any minimum share capital. The types of cash you can use to capitalize your company is most commonly any legal currency.

. One is typically not permitted to change the jurisdiction.

There must be at least This means it is not possible for you to own a LLC (Pvt Ltd) in Pakistan as a sole shareholder. You must have other shareholders, they can be nominees or de facto shareholders. Corporate Shareholders are allowed, meaning you could have a company as a shareholder. Foreign ownership is encouraged, up to 100% of the total equity of the company.

A LLC (Pvt Ltd) is only required to have 1 director on the board. Moreover, corporate directors are not permitted. Directors should not have an expectation of privacy, as they are not kept private in Pakistan. There is a body of law which requires companies to hold an annual meetings of shareholders.

A registered agent is normally required, which means the company will have to pay a fee on a yearly basis, for an office which can receive any official legal correspondance on behalf of the registered legal entity. Furthermore, a company secretary is a requirement.

There is a requirement to file accounts to relevant authorities. Furthermore, there is oftentimes a requirement to have these accounts audited.

Overall we think Pakistan is a ok option and have given it a score of 47 as an IO score, using the Incorporations.IO proprietary formula.

- ✗ **Directors not disclosed in a public registry**
- ✗ **Shareholders not disclosed in a public registry**
- ✗ **Redomiciliation permitted**
- ✓ **Registered office required**
- ✗ **Corporate director permitted**
- ✓ **Local Secretary not required**
- ✓ **Local Director not required**
- ✓ **Electronic signature**

- 2 Shareholders required**
- 1 Directors required**
- 9 weeks to form**



PAKISTAN

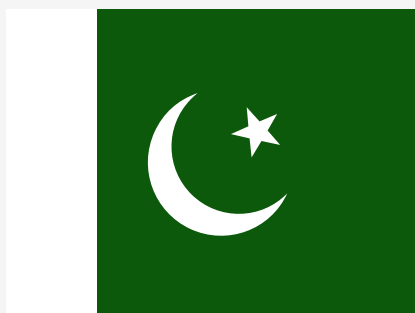
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Country Info



🚩 National Flag of

**Islamic Republic of
Pakistan (eng)**

**اسلامی جمہوریہ پاکستان
(urd)**

\$ Currency

PKR

☎ Area Code

+92

🏛 Capital

Islamabad

📍 Region

Southern Asia

🗣 Native Languages

English

Urdu