

# Doing Business 2010

## Pakistan

COMPARING REGULATION IN 183 ECONOMIES



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# Introduction

*Doing Business 2010: Reforming Through Difficult Times* is the seventh in a series of annual reports investigating regulations that enhance business activity and those that constrain it. Doing Business presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 10 stages of a business's life are measured: starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2010: Reforming Through Difficult Times* are current as of June 1, 2009\*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The Doing Business methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and The Caribbean, 27 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 19 in the Middle East and North Africa and 8 in South Asia, as well as 27 OECD high-income economies as benchmarks.

The following pages present the summary Doing Business indicators for Pakistan. The data used for this country profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator. The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2010: Reforming Through Difficult Times* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website ([www.doingbusiness.org](http://www.doingbusiness.org)).

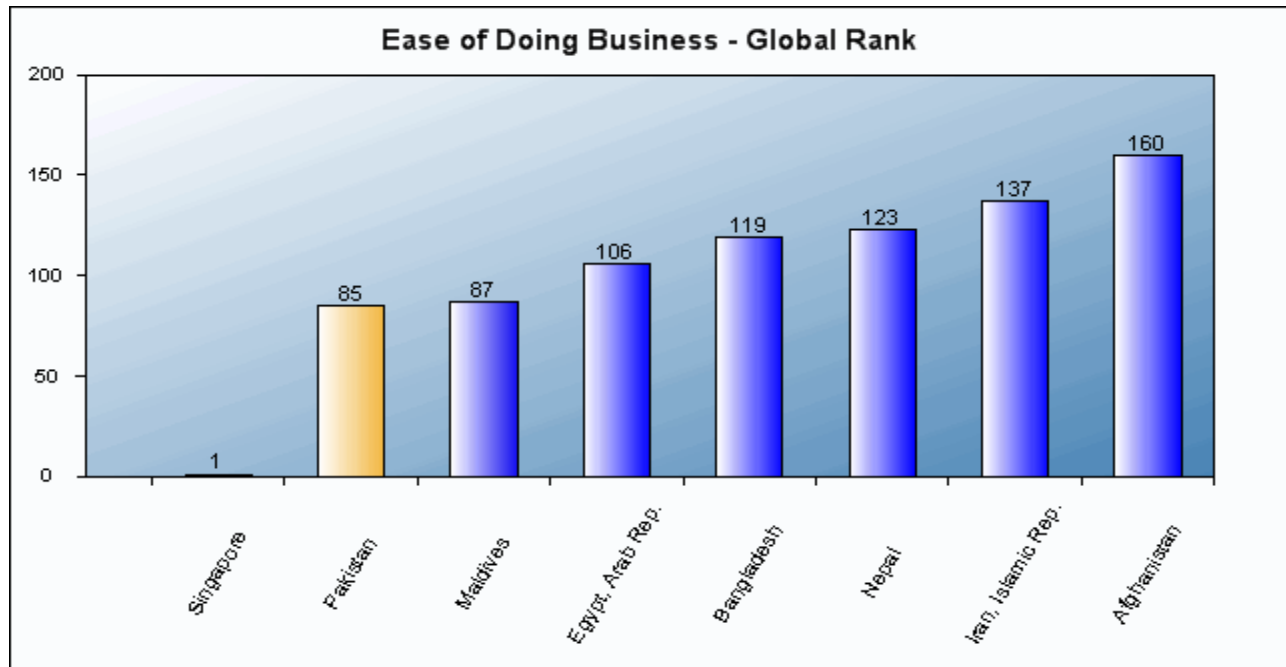
\* Except for the Paying Taxes indicator that refers to the period January to December of 2008.

*Note: Doing Business 2008 and Doing Business 2009 data and rankings have been recalculated to reflect changes to the methodology and the addition of new countries (in the case of the rankings).*

## Economy Rankings - Ease of Doing Business

Pakistan is ranked 85 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

### Pakistan - Compared to global good practice economy as well as selected economies:



### Pakistan's ranking in Doing Business 2010

Rank	Doing Business 2010
Ease of Doing Business	85
Starting a Business	63
Dealing with Construction Permits	105
Employing Workers	146
Registering Property	119
Getting Credit	61
Protecting Investors	27
Paying Taxes	143
Trading Across Borders	78
Enforcing Contracts	158
Closing a Business	56

## Summary of Indicators - Pakistan

<b>Starting a Business</b>	Procedures (number)	10
	Time (days)	20
	Cost (% of income per capita)	5.8
	Min. capital (% of income per capita)	0.0
<b>Dealing with Construction Permits</b>	Procedures (number)	12
	Time (days)	223
	Cost (% of income per capita)	716.3
<b>Employing Workers</b>	Difficulty of hiring index (0-100)	78
	Rigidity of hours index (0-100)	20
	Difficulty of redundancy index (0-10)	30
	Rigidity of employment index (0-100)	43
	Redundancy costs (weeks of salary)	90
<b>Registering Property</b>	Procedures (number)	6
	Time (days)	50
	Cost (% of property value)	7.2
<b>Getting Credit</b>	Strength of legal rights index (0-10)	6
	Depth of credit information index (0-6)	4
	Public registry coverage (% of adults)	5.6
	Private bureau coverage (% of adults)	1.5
<b>Protecting Investors</b>	Extent of disclosure index (0-10)	6
	Extent of director liability index (0-10)	6
	Ease of shareholder suits index (0-10)	7
	Strength of investor protection index (0-10)	6.3
<b>Paying Taxes</b>	Payments (number per year)	47
	Time (hours per year)	560
	Profit tax (%)	14.3
	Labor tax and contributions (%)	15.0
	Other taxes (%)	2.3
	Total tax rate (% profit)	31.6

<b>Trading Across Borders</b>	Documents to export (number)	9
	Time to export (days)	22
	Cost to export (US\$ per container)	611
	Documents to import (number)	8
	Time to import (days)	18
	Cost to import (US\$ per container)	680
<b>Enforcing Contracts</b>	Procedures (number)	47
	Time (days)	976
	Cost (% of claim)	23.8
<b>Closing a Business</b>	Recovery rate (cents on the dollar)	39.2
	Time (years)	2.8
	Cost (% of estate)	4

# Starting a Business

When entrepreneurs draw up a business plan and try to get under way, the first hurdles they face are the procedures required to incorporate and register the new firm before they can legally operate. Economies differ greatly in how they regulate the entry of new businesses. In some the process is straightforward and affordable. In others the procedures are so burdensome that entrepreneurs may have to bribe officials to speed up the process or may decide to run their businesses informally.

Analysis shows that burdensome entry regulations do not increase the quality of products, make work safer or reduce pollution. Instead, they constrain private investment; push more people into the informal economy; increase consumer prices and fuel corruption.

## Methodology

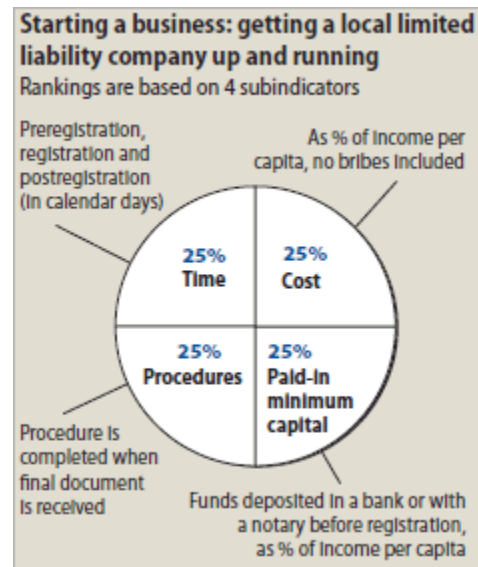
The data on starting a business is based on a survey and research investigating the procedures that a standard small to medium-size company needs to complete to start operations legally. This includes obtaining all necessary permits and licenses and completing all required inscriptions, verifications and notifications with authorities to enable the company to formally operate. Procedures are recorded only where interaction is required with an external party. It is assumed that the founders complete all procedures themselves unless professional services (such as by a notary or lawyer) are required by law. Voluntary procedures are not counted, nor are industry-specific requirements and utility hook-ups. Lawful shortcuts are counted.

It is assumed that all information is readily available to the entrepreneur, that there has been no prior contact with officials and that all government and nongovernment entities involved in the process function without corruption.

## Survey Case Study

*The business:*

- is a limited liability company conducting general commercial activities
- is located in the largest business city
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has between 10 and 50 employees
- does not qualify for any special benefits
- does not own real estate

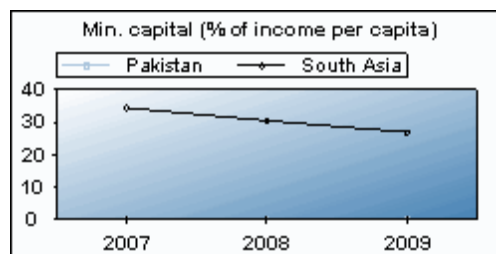
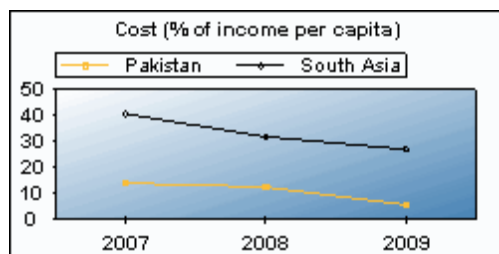
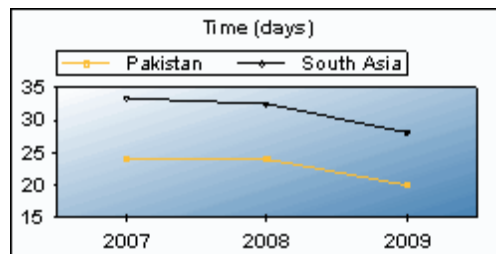
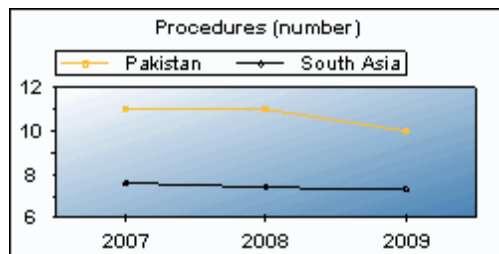




## 1. Historical data: Starting a Business in Pakistan

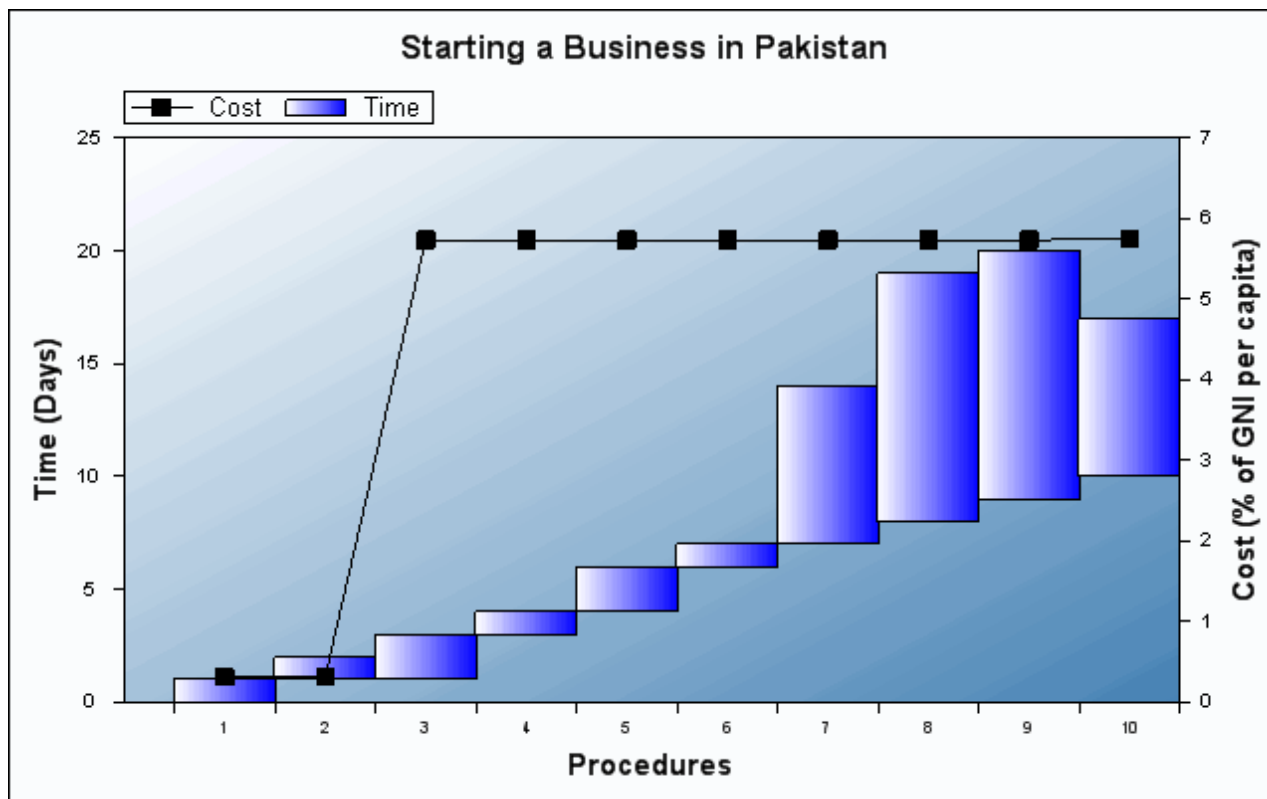
Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	80	63
Procedures (number)	11	11	10
Time (days)	24	24	20
Cost (% of income per capita)	14.0	12.6	5.8
Min. capital (% of income per capita)	0.0	0.0	0.0

2. The following graphs illustrates the Starting a Business indicators in Pakistan over the past 3 years:



### 3. Steps to Starting a Business in Pakistan

It requires 10 procedures, takes 20 days, and costs 5.75 % GNI per capita to start a business in Pakistan.



#### List of Procedures:

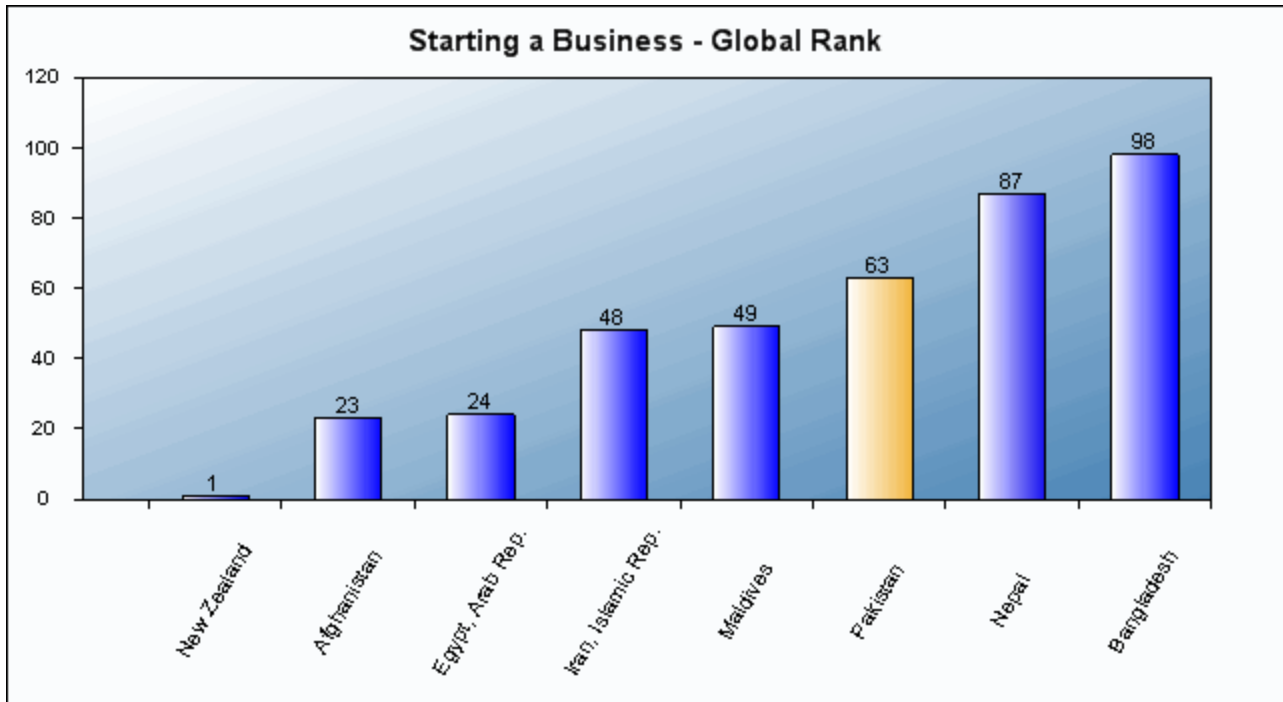
1. E-file the company name at the Securities and Exchange Commission website
2. Pay registration and name registration fees, and obtain bank receipt/ copy of treasury challans
3. Register the company at the Registrar of Companies
4. obtain digital signature
5. Apply for a national tax number (NTN) and register for income tax.
6. Register for sales tax
7. Register for the Professional Tax with the local tax authority
8. Register with the Employee Social Security Institution
9. Register for old age benefits with Employees Old-Age Benefits Institution (EOBI).
10. Register with Pakistan Shops and Establishment Ordinance

More detail is included in the appendix.

#### 4. Benchmarking Starting a Business Regulations:

Pakistan is ranked 63 overall for Starting a Business.

Ranking of Pakistan in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for Pakistan compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of income per capita)</b>	<b>Min. capital (% of income per capita)</b>
<b>Denmark*</b>			0.0	
<b>New Zealand*</b>	1	1		0.0

<i>Selected Economy</i>				
<b>Pakistan</b>	10	20	5.8	0.0

<i>Comparator Economies</i>				
<b>Afghanistan</b>	4	7	30.2	0.0
<b>Bangladesh</b>	7	44	36.2	0.0
<b>Egypt, Arab Rep.</b>	6	7	16.1	0.0
<b>Iran, Islamic Rep.</b>	7	9	3.9	0.8
<b>Maldives</b>	5	9	10.0	4.0
<b>Nepal</b>	7	31	53.6	0.0

\* The following economies are also good practice economies for :

**Procedures (number): Canada**

**Cost (% of income per capita): Slovenia**

# Dealing with Construction Permits

Once entrepreneurs have registered a business, what regulations do they face in operating it? To measure such regulation, Doing Business focuses on the construction sector. Construction companies are under constant pressure from government to comply with inspections, with licensing and safety regulations, from customers to be quick and cost-effective. These conflicting pressures point to the tradeoff in building regulation; the tradeoff between protecting people (construction workers, tenants, passersby) and keeping the cost of building affordable.

In many economies, especially poor ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

## Methodology

The indicators on dealing with construction permits record all procedures officially required for an entrepreneur in the construction industry to build a warehouse. These include submitting project documents (building plans, site maps) to the authorities, obtaining all necessary licenses and permits, completing all required notifications and receiving all necessary inspections. They also include procedures for obtaining utility connections, such as electricity, telephone, water and sewerage. The time and cost to complete each procedure under normal circumstances are calculated. All official fees associated with legally completing the procedures are included. Time is recorded in calendar days. The survey assumes that the entrepreneur is aware of all existing regulations and does not use an intermediary to complete the procedures unless required to do so by law.

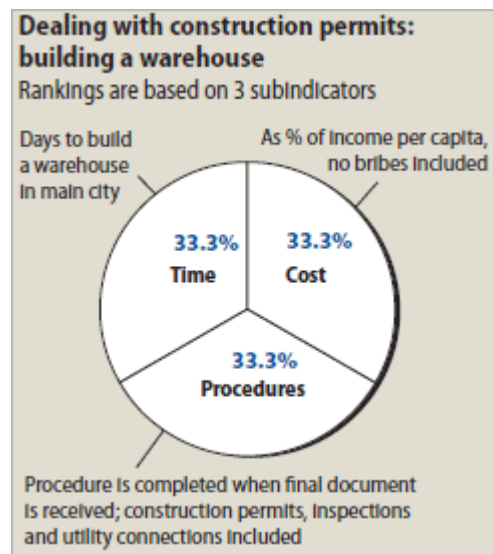
## Survey Case Study

### The business:

- is a small to medium-size limited liability company
- is located in the largest business city
- is domestically owned and operated, in the construction business
- has 20 qualified employees

### The warehouse to be built:

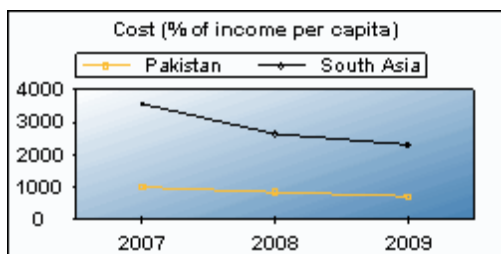
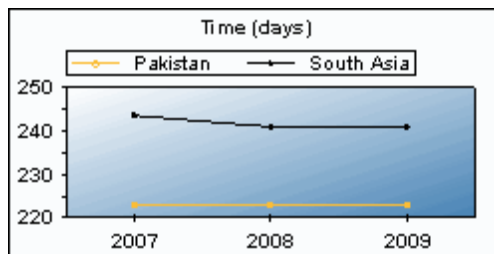
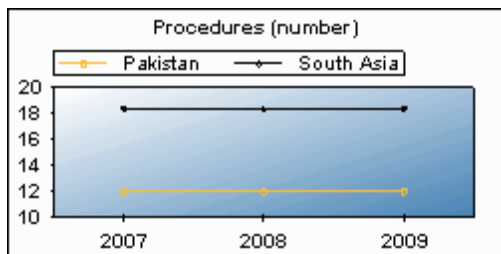
- is a new construction (there was no previous construction on the land)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and one land phone line. The connection to each utility network will be 32 feet, 10 inches (10 meters) long.
- will be used for general storage, such as of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).



**1. Historical data: Dealing with Construction Permits in Pakistan**

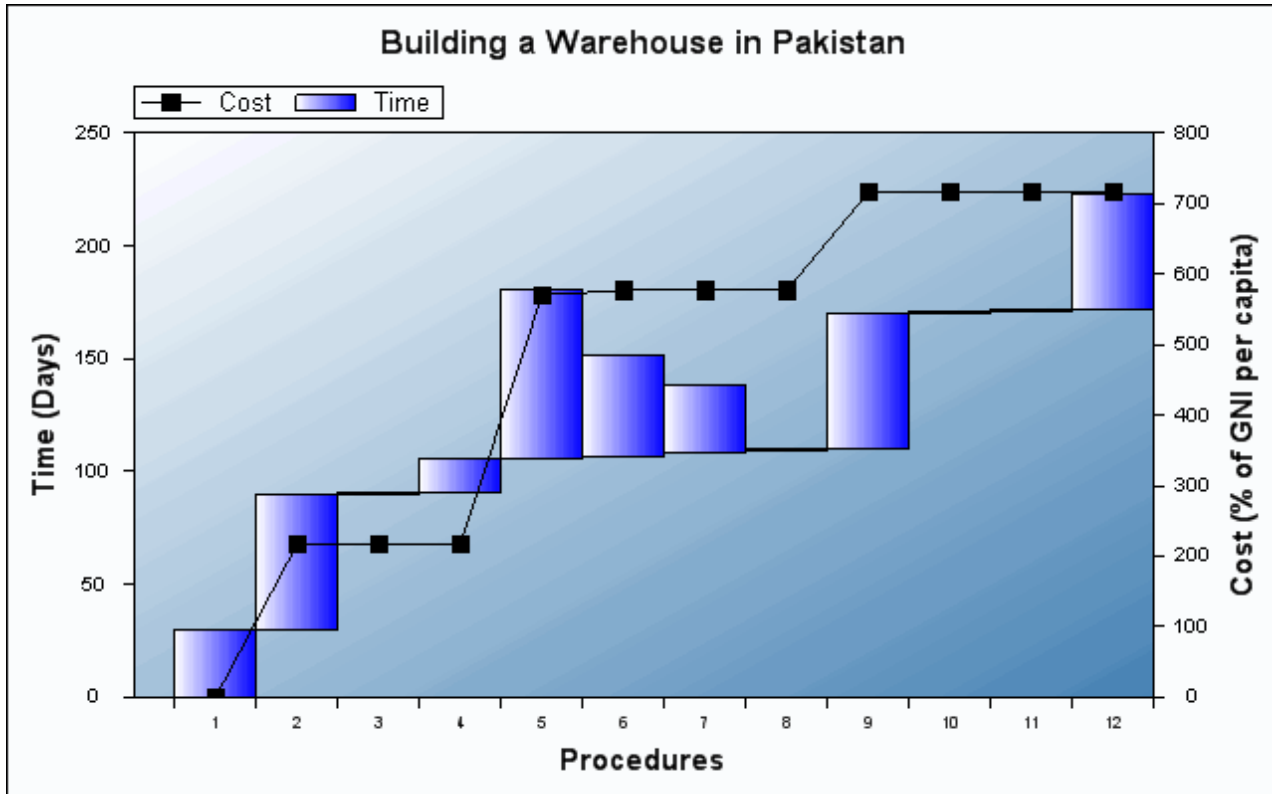
Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	100	105
Procedures (number)	12	12	12
Time (days)	223	223	223
Cost (% of income per capita)	1002.5	846.3	716.3

**2. The following graphs illustrates the Dealing with Construction Permits indicators in Pakistan over the past 3 years:**



### 3. Steps to Building a Warehouse in Pakistan

It requires 12 procedures, takes 223 days, and costs 716.32 % GNI per capita to build a warehouse in Pakistan.



#### List of Procedures:

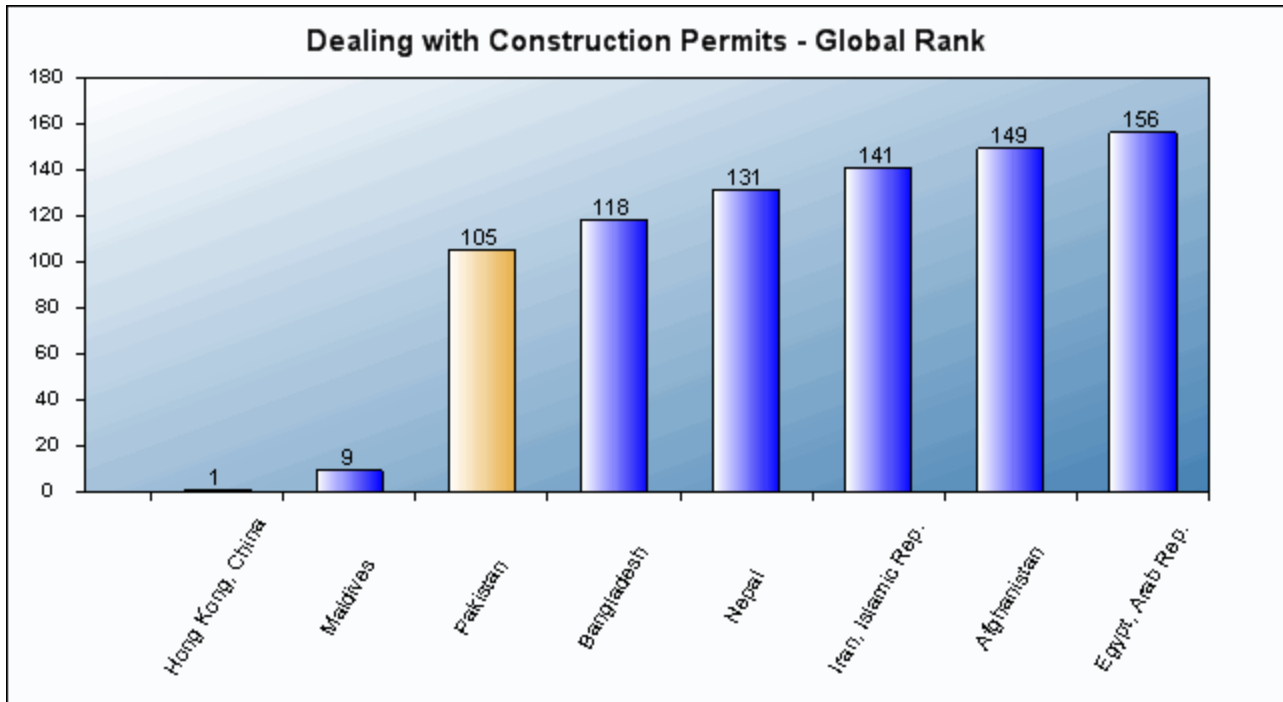
- |   |   |
|---|---|
| 1. Obtain letter from concerned authority confirming the land title                                 | 10. Apply for occupancy permit and request final inspection                           |
| 2. Obtain a building permit   | 11. Receive final inspection  |
| 3. Notify the Karachi Building Control Authority (KBCA) in writing of the completion of foundations | 12. Receive completion certificate from the Karachi Building Control Authority (KBCA) |
| 4. Receive foundations work inspection from the Karachi Building Control Authority (KBCA)           |   |
| 5. Request electricity connection   |   |
| 6. Request telephone connection   |   |
| 7. Obtain copy of property tax valuation and copy of the certificate from the tax authorities       |   |
| 8. Receive inspection from the Excise and Taxation department                                       |   |
| 9. Request water and sewerage connection  |   |

More detail is included in the appendix.

#### 4. Benchmarking Dealing with Construction Permits Regulations:

Pakistan is ranked 105 overall for Dealing with Construction Permits.

Ranking of Pakistan in Dealing with Construction Permits - Compared to good practice and selected economies:





The following table shows Dealing with Construction Permits data for Pakistan compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of income per capita)</b>
<b>Denmark</b>	6		
<b>Qatar</b>			0.6
<b>Singapore</b>		25	

<i>Selected Economy</i>			
<b>Pakistan</b>	12	223	716.3

<i>Comparator Economies</i>			
<b>Afghanistan</b>	13	340	12877.6
<b>Bangladesh</b>	14	231	645.1
<b>Egypt, Arab Rep.</b>	25	218	331.6
<b>Iran, Islamic Rep.</b>	17	322	365.9
<b>Maldives</b>	9	118	21.9
<b>Nepal</b>	15	424	221.3

# Employing Workers

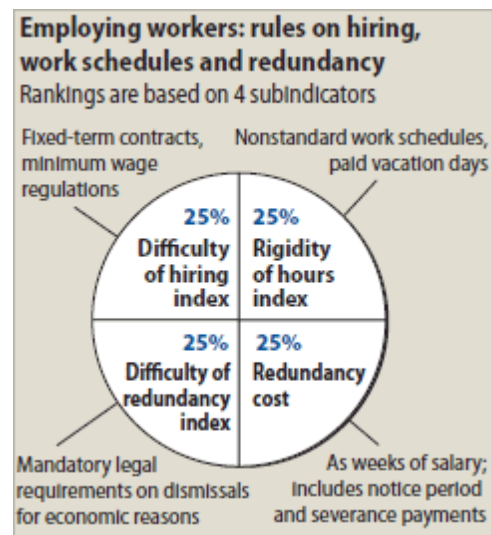
Economies worldwide have established a system of laws and institutions intended to protect workers and guarantee a minimum standard of living for its population. This system generally encompasses four bodies of law: employment, industrial relations, social security and occupational health and safety laws.

Employment regulations are needed to allow efficient contracting between employers and workers and to protect workers from discriminatory or unfair treatment by employers. Doing Business measures flexibility in the regulation of hiring, working hours and dismissal in a manner consistent with the conventions of the International Labour Organization (ILO). An economy can have the most flexible labor regulations as measured by Doing Business while ratifying and complying with all conventions directly relevant to the factors measured by Doing Business and with the ILO core labor standards. No economy can achieve a better score by failing to comply with these conventions.

Governments all over the world face the challenge of finding the right balance between worker protection and labor market flexibility. But in developing countries especially, regulators often err to one extreme, pushing employers and workers into the informal sector. Analysis across economies shows that while employment regulation generally increases the tenure and wages of incumbent workers, overly rigid regulations may have undesirable side effects. These include less job creation, smaller company size, less investment in research and development, and longer spells of unemployment and thus the obsolescence of skills, all of which may reduce productivity growth.

## Methodology

Two measures are presented: a rigidity of employment index and a redundancy cost measure. The rigidity of employment index is the average of three sub-indices: difficulty of hiring, rigidity of hours and difficulty of redundancy. Each index takes values between 0 and 100, with higher values indicating more rigid regulation. The difficulty of hiring index measures the flexibility of contracts and the ratio of the minimum wage to the value added per worker. The rigidity of hours index covers restrictions on weekend and night work, requirements relating to working time and the workweek taking into account legal provisions that refer specifically to small to medium-size companies in the manufacturing industry in which continuous operation is economically necessary, as well as mandated days of annual leave with pay. The difficulty of redundancy index covers workers' legal protections against dismissal, including the grounds permitted for dismissal and procedures for dismissal (individual and collective): notification and approval requirements, retraining or reassignment obligations and priority rules for dismissals and reemployment.



The Redundancy cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary.

## Survey Case Study

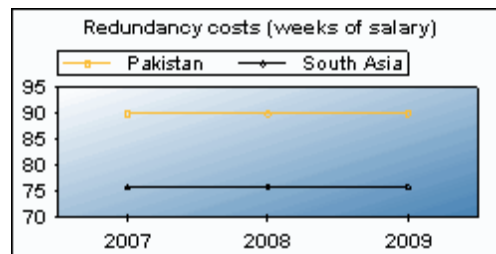
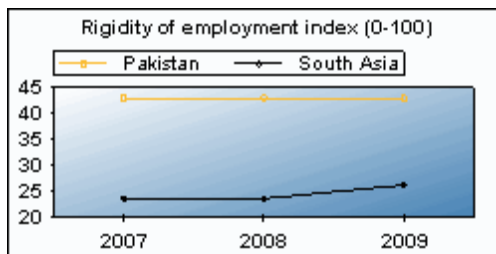
*The business:*

- is a limited liability company operating in the manufacturing sector
- is located in the largest business city
- is 100% domestically owned
- has 60 employees
- The company is also assumed to be subject to collective bargaining agreements in economies where such agreements cover more than half the manufacturing sector and apply even to firms not party to them.

## 1. Historical data: Employing Workers in Pakistan

Employing Workers data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	146	146
Redundancy costs (weeks of salary)	90	90	90
Rigidity of employment index (0-100)	43	43	43

2. The following graphs illustrates the Employing Workers indicators in Pakistan over the past 3 years:



### 3. Benchmarking Employing Workers Regulations:

Pakistan is ranked 146 overall for Employing Workers.

Ranking of Pakistan in Employing Workers - Compared to good practice and selected economies:



The following table shows Employing Workers data for Pakistan compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Rigidity of employment index (0-100)</b>	<b>Redundancy costs (weeks of salary)</b>
<b>Hong Kong, China*</b>	0	
<b>New Zealand*</b>		0

<i>Selected Economy</i>		
<b>Pakistan</b>	43	90

<i>Comparator Economies</i>		
<b>Afghanistan</b>	20	30
<b>Bangladesh</b>	28	104
<b>Egypt, Arab Rep.</b>	27	132
<b>Iran, Islamic Rep.</b>	29	87
<b>Maldives</b>	18	9
<b>Nepal</b>	46	90

\* The following economies are also good practice economies for :

**Rigidity of employment index (0-100):** Australia, Brunei Darussalam, Kuwait, Marshall Islands, Singapore, St. Lucia, Uganda, United States

**Redundancy costs (weeks of salary):** Denmark, Iraq, Marshall Islands, Micronesia, Fed. Sts., Palau, Puerto Rico, Tonga, United States

# Registering Property

Formal property titles help promote the transfer of land, encourage investment and give entrepreneurs access to formal credit markets. But a large share of property in developing economies is not formally registered. Informal titles cannot be used as security in obtaining loans, which limits financing opportunities for businesses. Many governments have recognized this and started extensive property titling programs. But bringing assets into the formal sector is only part of the story. The more difficult and costly it is to formally transfer property, the greater the chances that formalized titles will quickly become informal again. Eliminating unnecessary obstacles to registering and transferring property is therefore important for economic development.

Efficient property registration reduces transaction costs and helps to formalize property titles. Simple procedures to register property are also associated with greater perceived security of property rights and less corruption. That benefits all entrepreneurs, especially women, the young and the poor. The rich have few problems protecting their property rights. They can afford to invest in security systems and other measures to defend their property. But small entrepreneurs cannot. Reform can change this.

## Methodology

Doing Business 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. The property of land and building will be transferred in its entirety. The transaction is considered complete when the buyer can use the property as collateral for a bank loan.

Local property lawyers and officials in property registries provide information on required procedures as well as the time and cost to complete each one. For most economies the data are based on responses from both. Based on the responses, three indicators are constructed:

- number of procedures to register property
- time to register property (in calendar days)
- official costs to register property (as a percentage of the property value)

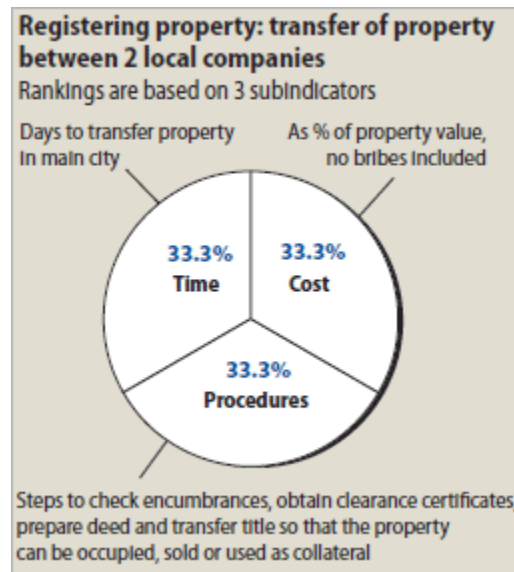
## Survey Case Study

*The buyer and seller:*

- are limited liability companies
- are private nationals (no foreign ownership)
- are located in periurban area of the largest business city
- conduct general commercial activities

*The property:*

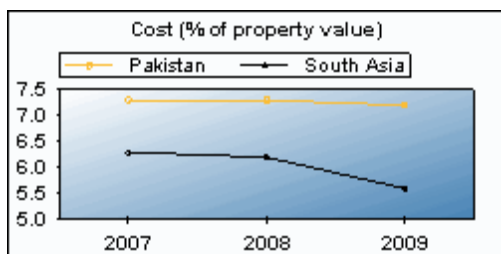
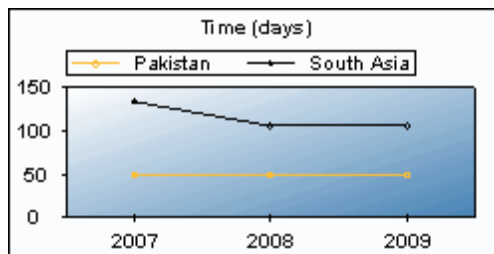
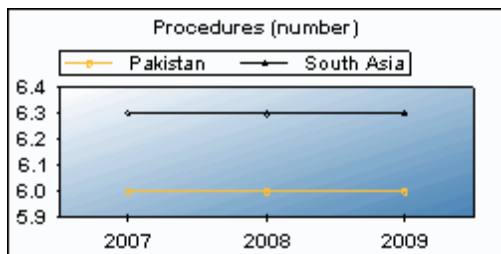
- consists of land and a 2-story building (warehouse)
- is located in the periurban commercial zone of the largest business city
- The land area is 557.4 m<sup>2</sup> (6,000 square feet).
- The warehouse has a total area of 929 m<sup>2</sup> (10,000 square feet).
- has a value equal to 50 times income per capita
- The seller company owned the property for the last 10 years.
- is registered in the land registry and/or cadastre and is free of all disputes.



**1. Historical data: Registering Property in Pakistan**

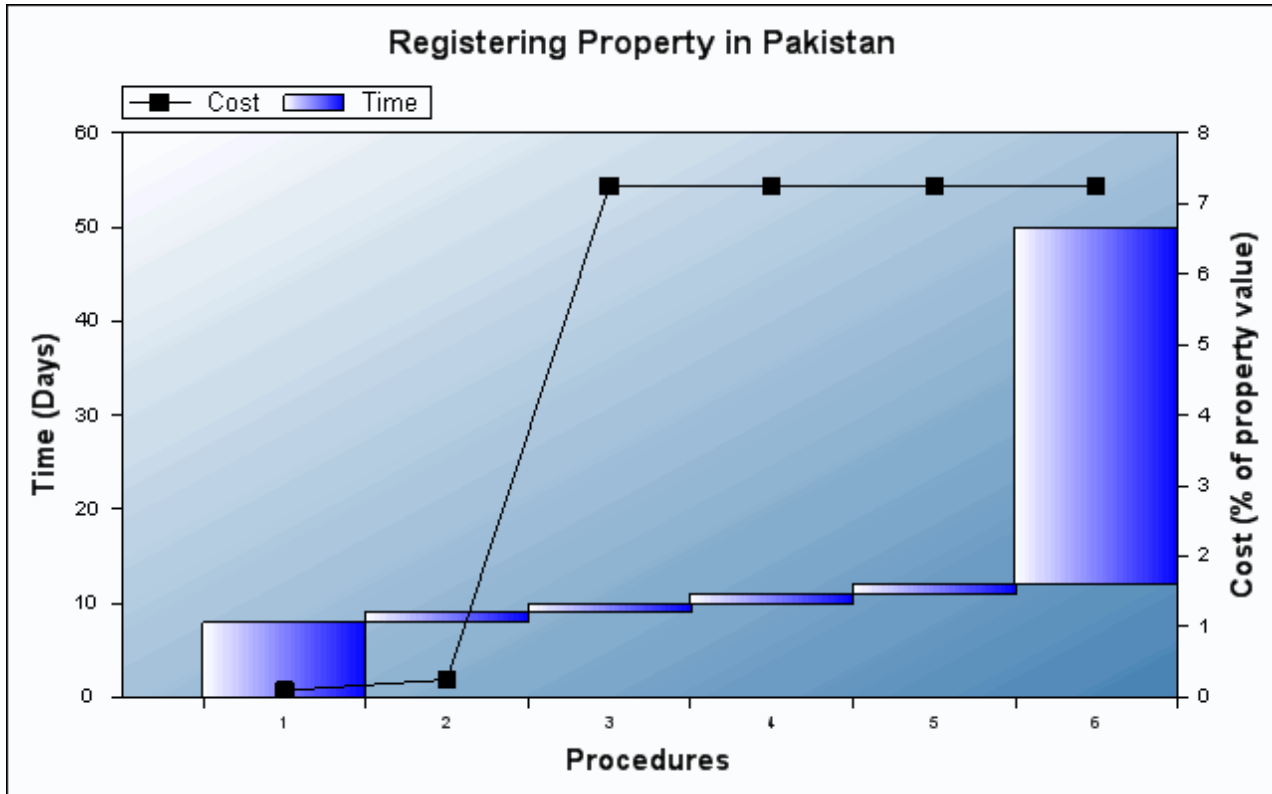
Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	111	119
Procedures (number)	6	6	6
Time (days)	50	50	50
Cost (% of property value)	7.3	7.3	7.2

**2. The following graphs illustrates the Registering Property indicators in Pakistan over the past 3 years:**



### 3. Steps to Registering Property in Pakistan

It requires 6 procedures, takes 50 days, and costs 7.25 % of property value to register the property in Pakistan.



#### List of Procedures:

1. Advertisement of transaction in newspapers inviting objections
2. Hire deed writer or lawyer to draft sale purchase agreement
3. Payment of stamp duty, capital value tax, Town tax and registration fee
4. Obtaining a Non-Objection Certificate
5. Receipt of payment is taken to Stamp Office
6. Execution and registration of the deed before the registration authority

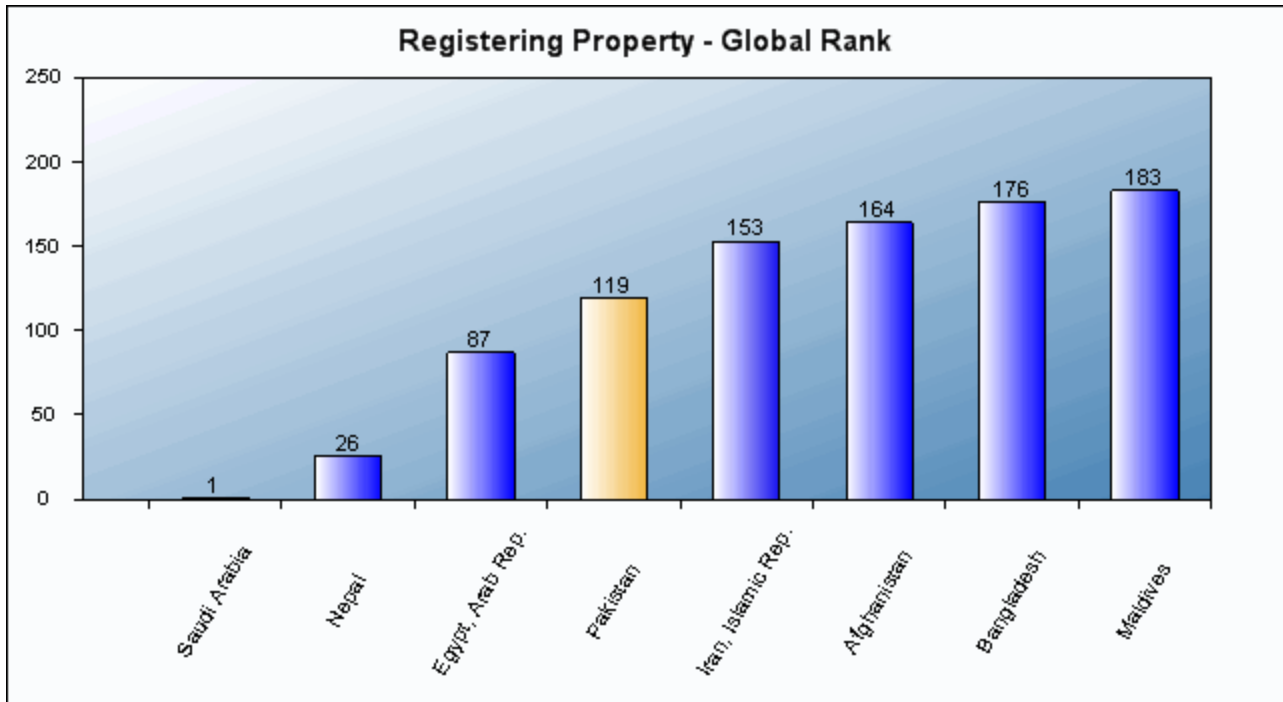
More detail is included in the appendix.



#### 4. Benchmarking Registering Property Regulations:

Pakistan is ranked 119 overall for Registering Property.

Ranking of Pakistan in Registering Property - Compared to good practice and selected economies:



The following table shows Registering Property data for Pakistan compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of property value)
New Zealand*		2	
Norway*	1		
Saudi Arabia			0.0

<i>Selected Economy</i>			
<b>Pakistan</b>	6	50	7.2

<i>Comparator Economies</i>			
<b>Afghanistan</b>	9	250	4.0
<b>Bangladesh</b>	8	245	10.2
<b>Egypt, Arab Rep.</b>	7	72	0.9
<b>Iran, Islamic Rep.</b>	9	36	10.5
<b>Maldives</b>	no practice	no practice	no practice
<b>Nepal</b>	3	5	4.8

\* The following economies are also good practice economies for :

**Procedures (number): United Arab Emirates**

**Time (days): Saudi Arabia, Thailand, United Arab Emirates**

# Getting Credit

Firms consistently rate access to credit as among the greatest barriers to their operation and growth. Doing Business constructs two sets of indicators of how well credit markets function: one on credit registries and the other on legal rights of borrowers and lenders. Credit registries, institutions that collect and distribute credit information on borrowers, can greatly expand access to credit. By sharing credit information, they help lenders assess risk and allocate credit more efficiently. They also free entrepreneurs from having to rely on personal connections alone when trying to obtain credit.

## Methodology

Credit information: three indicators are constructed

- depth of credit information index, which measures the extent to which the rules of a credit information system facilitate lending based on the scope of information distributed, the ease of access to information and the quality of information
- public registry coverage, which reports the number of individuals and firms covered by a public credit registry as a percentage of the adult population
- private bureau coverage, which reports the number of individuals and firms, covered by a private credit bureau as a percentage of the adult population

Legal Rights: the strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders. Ten points are analyzed:

- Can a business use movable assets as collateral while keeping possession of the assets, and can any financial institution accept such assets as collateral?
- Does the law allow a business to grant a non-possessory security right in a single category of revolving movable assets, without requiring a specific description of the secured assets?
- Does the law allow a business to grant a non-possessory security right in substantially all of its assets, without requiring a specific description of the secured assets?
- Can a security right extend to future or after-acquired assets and extend automatically to the products, proceeds or replacements of the original assets?
- Is general description of debts and obligations permitted in collateral agreements and in registration documents, so that all types of obligations and debts can be secured by stating a maximum rather than a specific amount between the parties?
- Is a collateral registry in operation that is unified geographically and by asset type as well as being indexed by the name of the grantor of a security right?
- Are secured creditors paid first when a debtor defaults outside an insolvency procedure or when a business is liquidated?
- Are secured creditors subject to an automatic stay or moratorium on enforcement procedures when a debtor enters a court-supervised reorganization procedure?
- Are parties allowed to agree in a collateral agreement that the lender may enforce its security right out of court?

## Legal Rights Survey Case Study

*The Debtor:*

- is a Private Limited Liability Company
- has its headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both debtor and creditor are 100% domestically owned.

## Getting credit: collateral rules and credit information

Rankings are based on 2 subindicators

Regulations on nonpossessory security interests in movable property

62.5%  
Strength of legal rights index  
(0-10)

37.5%  
Depth of credit information index  
(0-6)

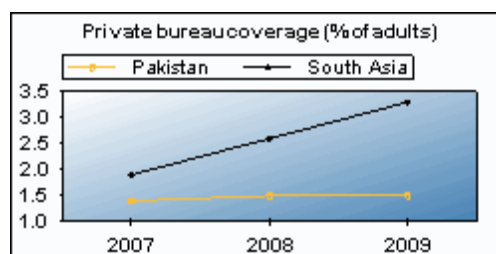
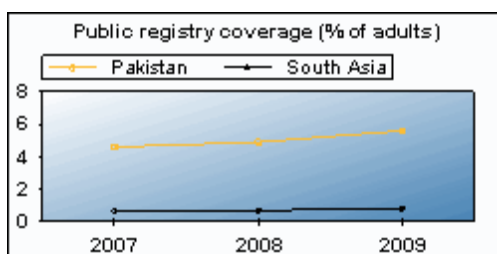
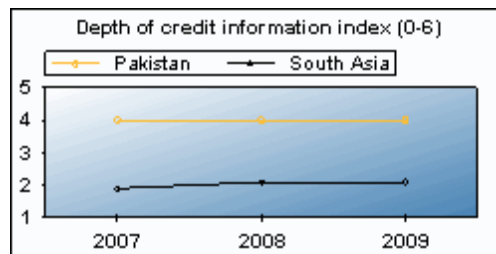
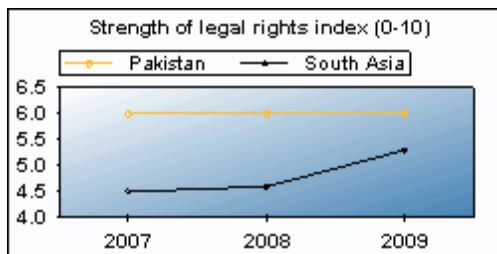
Scope, quality and accessibility of credit information through public and private credit registries

Note: Private bureau coverage and public registry coverage are measured but do not count for the rankings.

## 1. Historical data: Getting Credit in Pakistan

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	59	61
Strength of legal rights index (0-10)	6	6	6
Depth of credit information index (0-6)	4	4	4
Private bureau coverage (% of adults)	1.4	1.5	1.5
Public registry coverage (% of adults)	4.6	4.9	5.6

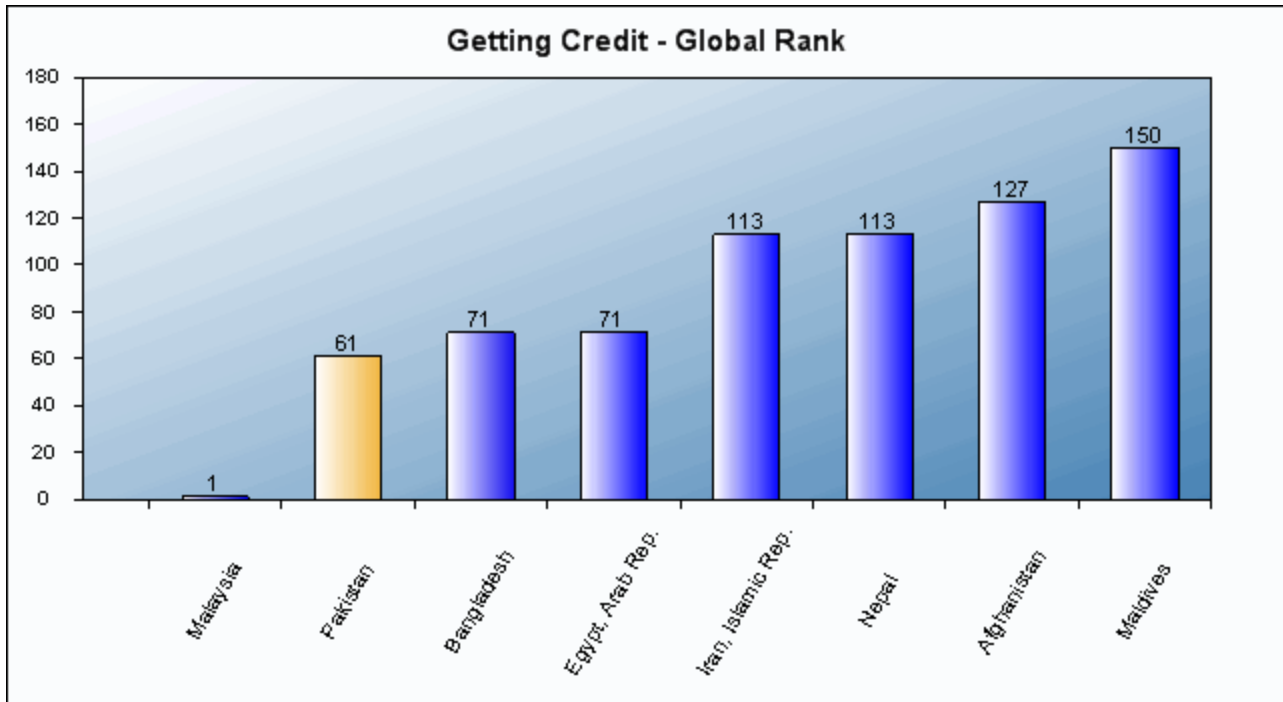
## 2. The following graphs illustrates the Getting Credit indicators in Pakistan over the past 3 years:



### 3. Benchmarking Getting Credit Regulations:

Pakistan is ranked 61 overall for Getting Credit.

Ranking of Pakistan in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for Pakistan compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Strength of legal rights index (0-10)</b>	<b>Depth of credit information index (0-6)</b>	<b>Public registry coverage (% of adults)</b>	<b>Private bureau coverage (% of adults)</b>
<b>New Zealand*</b>				100.0
<b>Portugal</b>			81.3	
<b>Singapore*</b>	10			
<b>United Kingdom</b>		6		

<i>Selected Economy</i>				
<b>Pakistan</b>	6	4	5.6	1.5

<i>Comparator Economies</i>				
<b>Afghanistan</b>	6	0	0.0	0.0
<b>Bangladesh</b>	7	2	0.9	0.0
<b>Egypt, Arab Rep.</b>	3	6	2.5	8.2
<b>Iran, Islamic Rep.</b>	4	3	31.3	0.0
<b>Maldives</b>	4	0	0.0	0.0
<b>Nepal</b>	5	2	0.0	0.3

\* The following economies are also good practice economies for :

**Strength of legal rights index (0-10): Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia**

**Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States**

**27 countries have the highest credit information index.**

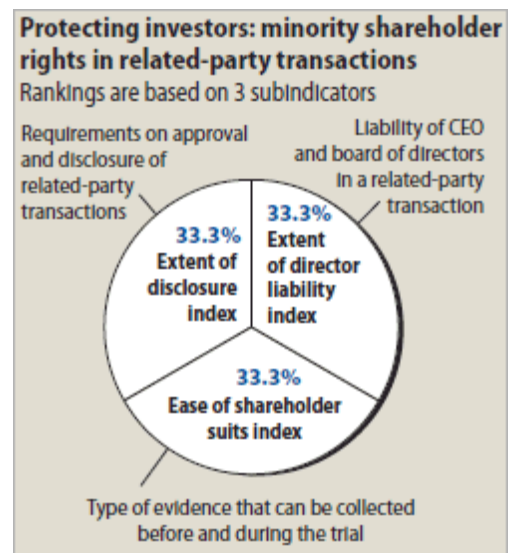
# Protecting Investors

Companies grow by raising capital, either through a bank loan or by attracting equity investors. Selling shares allows companies to expand without the need to provide collateral and repay bank loans. However, investors worry about their money, and look for laws that protect them. A study finds that the presence of legal and regulatory protections for investors explains up to 73% of the decision to invest. In contrast, company characteristics explain only between 4% and 22%\*. Good protections for minority shareholders are associated with larger and more active stock markets. Thus both governments and businesses have an interest in reforms strengthening investor protections.

## Methodology

To document some of the protections investors have, Doing Business measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gain. Three indices of investor protection are constructed based on the answers to these and other questions. All indices range from 0 to 10, with higher values indicating more protections or greater disclosure. The three indices are:

- The extent of disclosure index covers approval procedures, requirements for immediate disclosure to the public and shareholders of proposed transactions, requirements for disclosure in periodic filings and reports and the availability of external review of transactions before they take place.
- The extent of director liability index covers the ability of investors to hold Mr. James and the board of directors liable for damages, the ability to rescind the transaction, the availability of fines and jail time associated with self-dealing, the availability of direct or derivative suits and the ability to require Mr. James to pay back his personal profits from the transaction.
- The ease of shareholder suits index covers the availability of documents that can be used during trial, the ability of the investor to examine the defendant and other witnesses, shareholders' access to internal documents of the company, the appointment of an inspector to investigate the transaction and the standard of proof applicable to a civil suit against the directors.



These three indices are averaged to create the strength of investor protection index.

## Survey case study

Mr. James, a director and the majority shareholder of a public company, proposes that the company purchase used trucks from another company he owns. The price is higher than the going price for used trucks. The transaction goes forward. All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company. Shareholders sue the interested parties and the members of the board of directors.

Several questions arise:

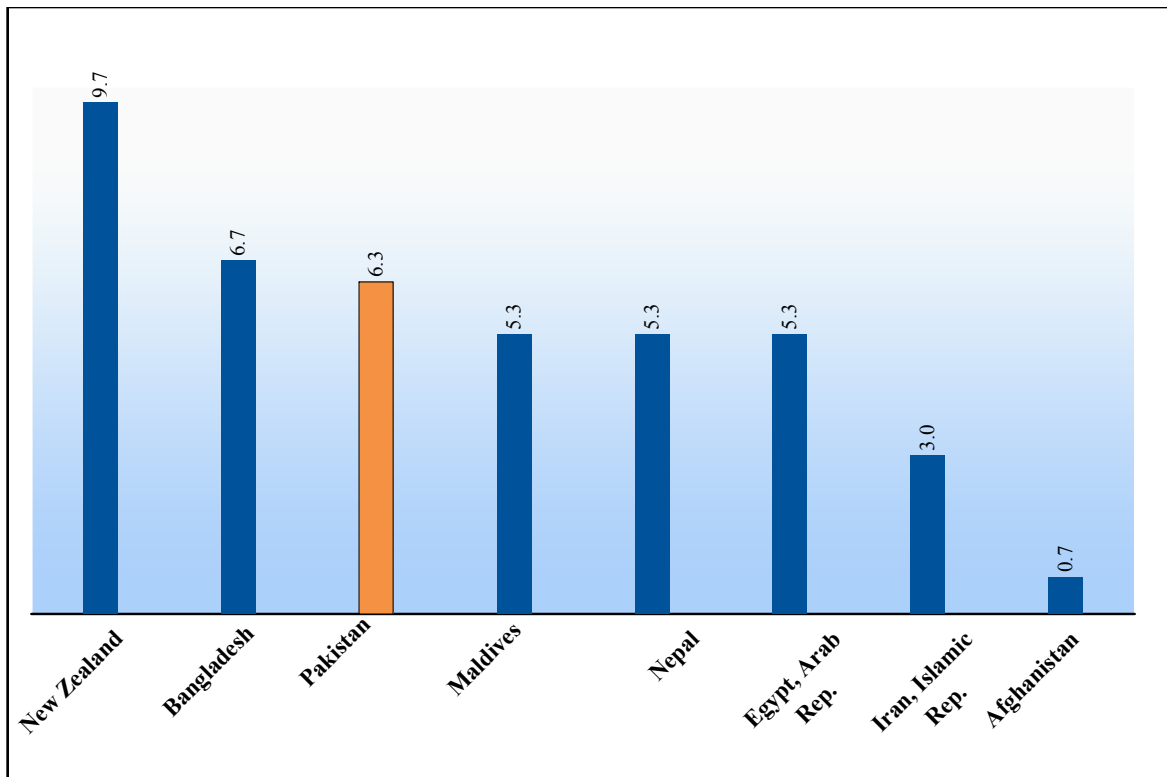
- Who approves the transaction?
- What information must be disclosed?
- What company documents can investors access?
- What do minority shareholders have to prove to get the transaction stopped or to receive compensation from Mr. James?

\*Doidge, Kardy and Stulz (2007)

## 1. Historical data: Protecting Investors in Pakistan

Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	25	27
Strength of investor protection index (0-10)	6.3	6.3	6.3

2. The following graph illustrates the Protecting Investors index in Pakistan compared to best practice and selected Economies:



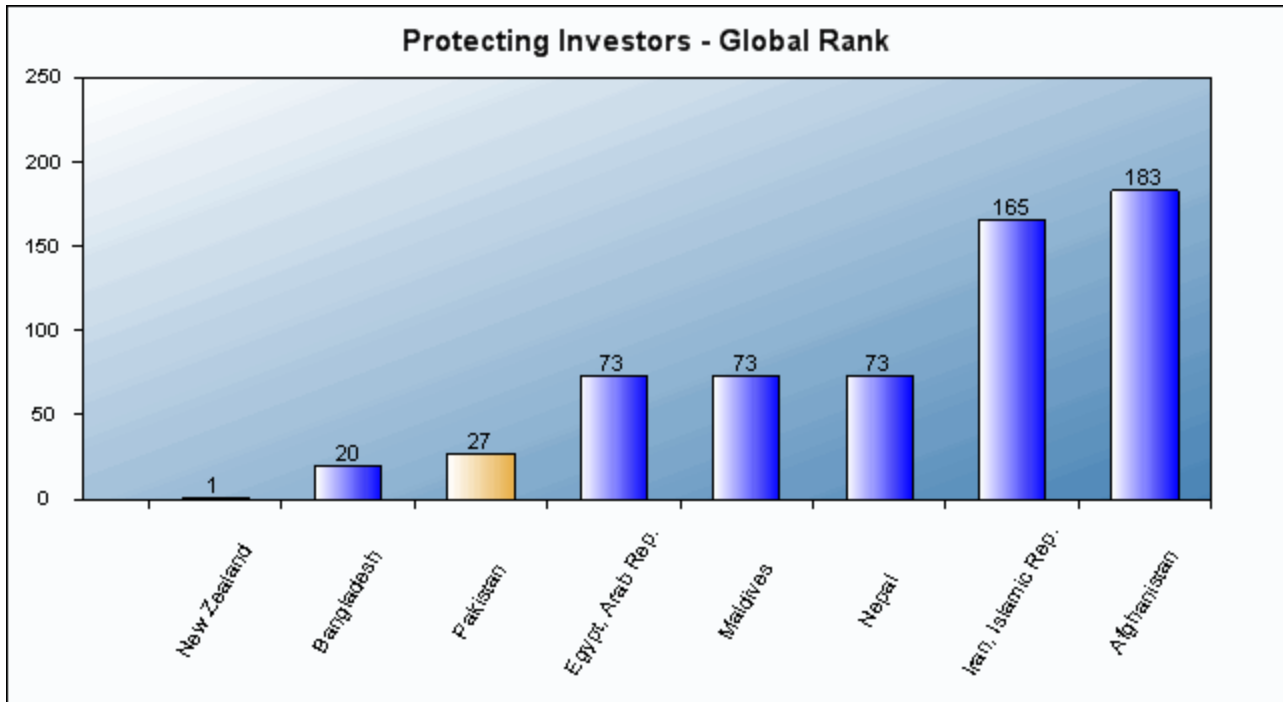
Note: The higher the score, the greater the investor protection.



### 3. Benchmarking Protecting Investors Regulations:

Pakistan is ranked 27 overall for Protecting Investors.

Ranking of Pakistan in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for Pakistan compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Strength of investor protection index (0-10)</b>
<b>New Zealand</b>	9.7

<i>Selected Economy</i>	
<b>Pakistan</b>	6.3

<i>Comparator Economies</i>	
<b>Afghanistan</b>	0.7
<b>Bangladesh</b>	6.7
<b>Egypt, Arab Rep.</b>	5.3
<b>Iran, Islamic Rep.</b>	3.0
<b>Maldives</b>	5.3
<b>Nepal</b>	5.3

# Paying Taxes

Taxes are essential. Without them there would be no money to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. But particularly for small and medium size companies, they may opt out and choose to operate in the informal sector. One way to enhance tax compliance is to ease and simplify the process of paying taxes for such businesses.

## Methodology

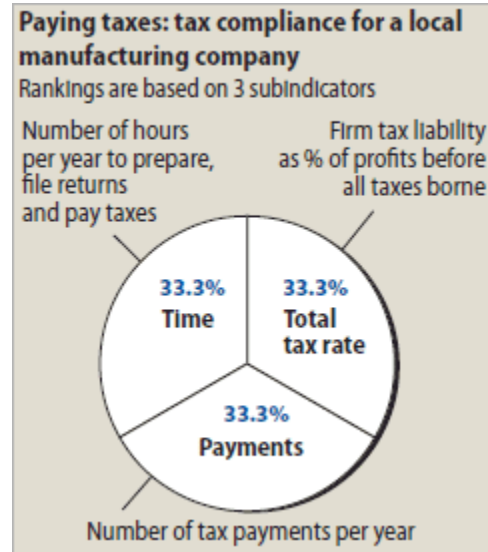
The Doing Business tax survey records the effective tax that a small and medium company must pay and the administrative costs of doing so.

Three indicators are constructed:

- number of tax payments, which takes in to account the method of payment, the frequency of payments and the number of agencies involved in our standardized case study.
- time, which measures the number of hours per year necessary to prepare and file tax returns and to pay the corporate income tax, value added tax, sales tax or goods and service tax and labor taxes and mandatory contributions.
- total tax rate, which measures the amount of taxes and mandatory contributions payable by the company during the second year of operation. This amount, expressed as a percentage of commercial profit, is the sum of all the different taxes payable after accounting for various deductions and exemptions.

## Survey case study

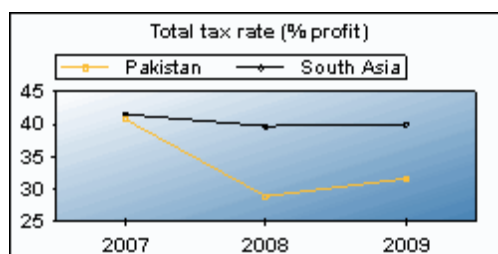
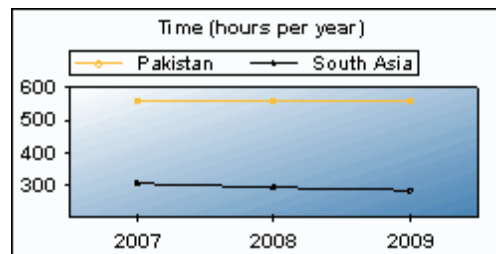
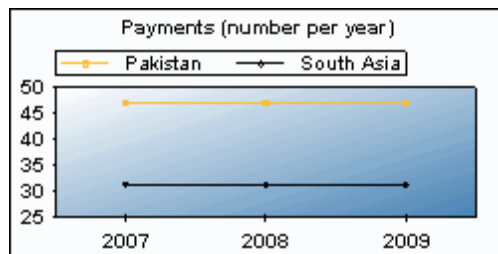
- TaxpayerCo is a medium-size business that started operations last year. Doing Business asks tax practitioners in 183 economies to review TaxpayerCo's financial statements and a standard list of transactions that the company completed during the year. Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government and include corporate income tax, turnover tax, all labor taxes and contributions paid by the company (including mandatory contributions paid to private pension or insurance funds), property tax, property transfer tax, dividend tax, capital gains tax, financial transactions tax, vehicle tax, sales tax and other small taxes (such as fuel tax, stamp duty and local taxes). A range of standard deductions and exemptions are also recorded.



## 1. Historical data: Paying Taxes in Pakistan

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	126	143
Total tax rate (% profit)	40.7	28.9	31.6
Payments (number per year)	47	47	47
Time (hours per year)	560	560	560

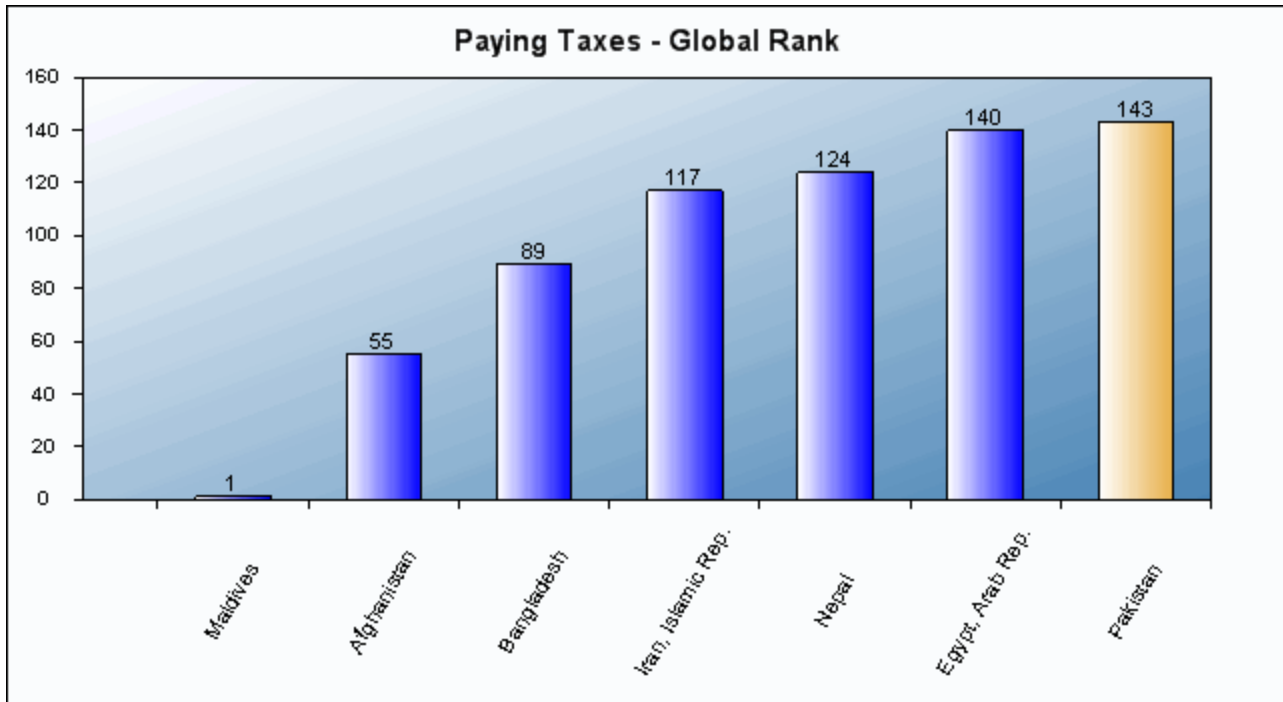
## 2. The following graphs illustrates the Paying Taxes indicators in Pakistan over the past 3 years:



### 3. Benchmarking Paying Taxes Regulations:

Pakistan is ranked 143 overall for Paying Taxes.

Ranking of Pakistan in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for Pakistan compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Payments (number per year)</b>	<b>Time (hours per year)</b>	<b>Total tax rate (% profit)</b>
<b>Maldives*</b>	1	0	
<b>Timor-Leste</b>			0.2

<i>Selected Economy</i>			
<b>Pakistan</b>	47	560	31.6

<i>Comparator Economies</i>			
<b>Afghanistan</b>	8	275	36.4
<b>Bangladesh</b>	21	302	35.0
<b>Egypt, Arab Rep.</b>	29	480	43.0
<b>Iran, Islamic Rep.</b>	22	344	44.2
<b>Maldives</b>	1	0	9.1
<b>Nepal</b>	34	338	38.8

\* The following economies are also good practice economies for :

**Payments (number per year): Qatar**

# Trading Across Borders

The benefits of trade are well documented; as are the obstacles to trade. Tariffs, quotas and distance from large markets greatly increase the cost of goods or prevent trading altogether. But with bigger ships and faster planes, the world is shrinking. Global and regional trade agreements have reduced trade barriers. Yet Africa's share of global trade is smaller today than it was 25 years ago. So is the Middle East's, excluding oil exports. Many entrepreneurs face numerous hurdles to exporting or importing goods, including delays at the border. They often give up. Others never try. In fact, the potential gains from trade facilitation may be greater than those arising from only tariff reductions.

## Methodology

Doing Business compiles procedural requirements for trading a standard shipment of goods by ocean transport. Every procedure and the associated documents, time and cost, for importing and exporting the goods is recorded, starting with the contractual agreement between the two parties and ending with delivery of the goods. For importing the goods, the procedures measured range from the vessel's arrival at the port of entry to the shipment's delivery at the importer's warehouse. For exporting the goods, the procedures measured range from the packing of the goods at the factory to their departure from the port of exit. Payment is by letter of credit and the time and cost for issuing or securing a letter of credit is taken into account.

Documents recorded include port filing documents, customs declaration and clearance documents, as well as official documents exchanged between the parties to the transaction. Time is recorded in calendar days, from the beginning to the end of each procedure. Cost includes the fees levied on a 20-foot container in U.S. dollars.

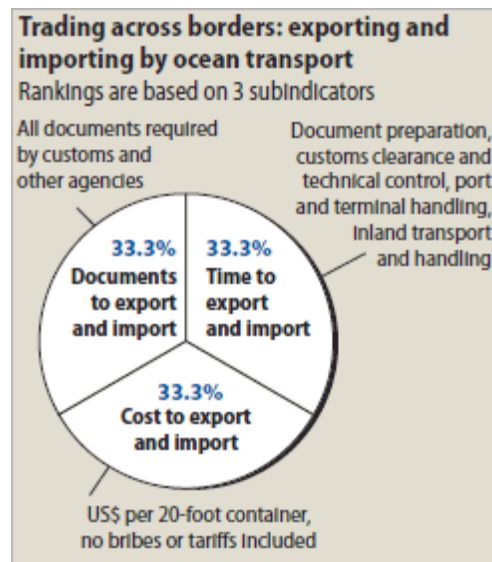
All the fees associated with completing the procedures to export or import the goods are included, such as costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or duties.

Economies that have efficient customs, good transport networks and fewer document requirements, making compliance with export and import procedures faster and cheaper, are more competitive globally. That can lead to more exports; and exports are associated with faster growth and more jobs. Conversely, a need to file many documents is associated with more corruption in customs. Faced with long delays and frequent demands for bribes, many traders may avoid customs altogether. Instead, they smuggle goods across the border. This defeats the very purpose in having border control of trade to levy taxes and ensure high quality of goods.

## Survey case study

To make the data comparable across countries, several assumptions about the business and the traded goods are used:

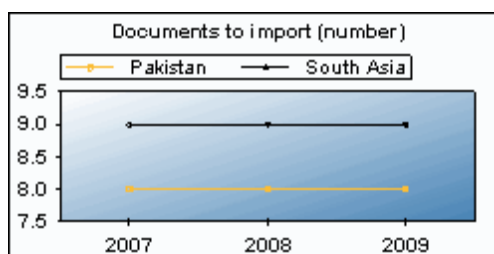
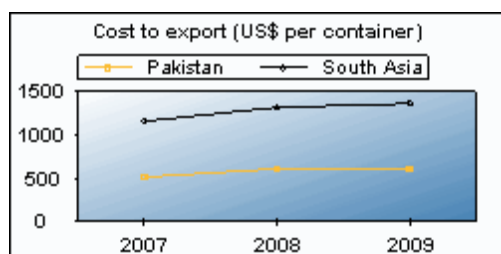
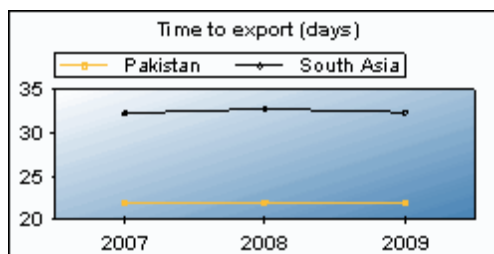
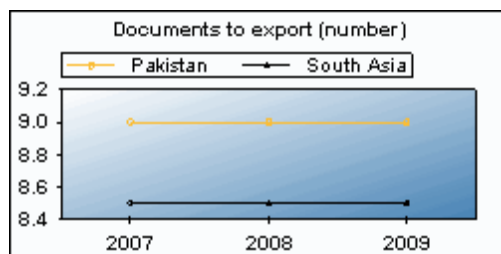
- The business is of medium size.
- The business employs 60 people.
- The business is located in the peri-urban area of the economy's largest business city.
- The business is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the economy.
- The traded goods are ordinary, legally manufactured products transported in a dry-cargo, 20-foot FCL (full container load) container.



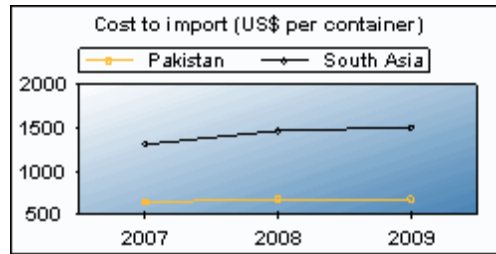
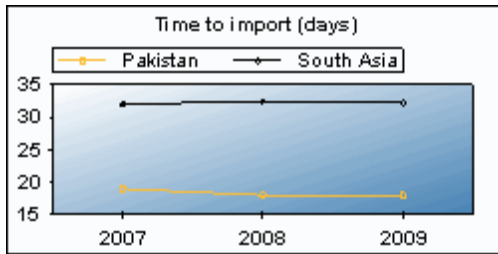
## 1. Historical data: Trading Across Borders in Pakistan

Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	75	78
Cost to export (US\$ per container)	515	611	611
Cost to import (US\$ per container)	648	680	680
Documents to export (number)	9	9	9
Documents to import (number)	8	8	8
Time to export (days)	22	22	22
Time to import (days)	19	18	18

2. The following graphs illustrates the Trading Across Borders indicators in Pakistan over the past 3 years:



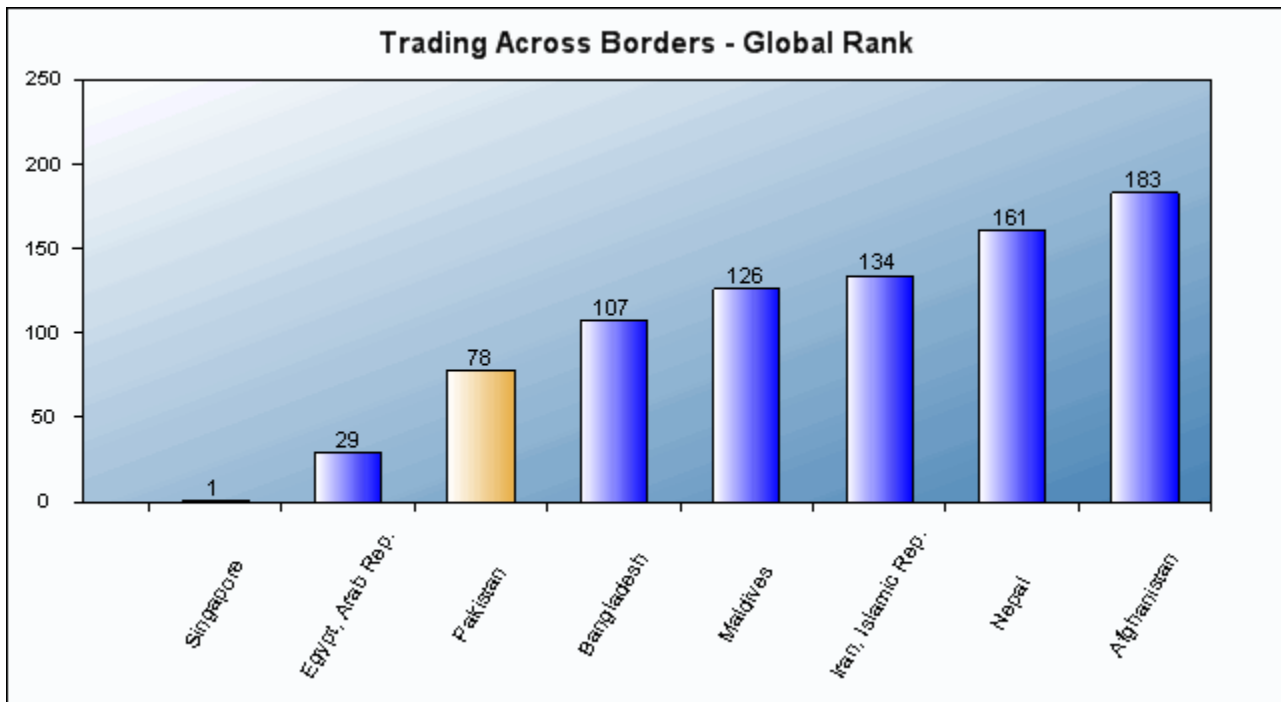




### 3. Benchmarking Trading Across Borders Regulations:

Pakistan is ranked 78 overall for Trading Across Borders.

Ranking of Pakistan in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for Pakistan compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Documents to export (number)</b>	<b>Time to export (days)</b>	<b>Cost to export (US\$ per container)</b>	<b>Documents to import (number)</b>	<b>Time to import (days)</b>	<b>Cost to import (US\$ per container)</b>
<b>Denmark*</b>		5				
<b>France</b>	2			2		
<b>Malaysia</b>			450			
<b>Singapore</b>					3	439

<i>Selected Economy</i>						
<b>Pakistan</b>	9	22	611	8	18	680

<i>Comparator Economies</i>						
<b>Afghanistan</b>	12	74	3350	11	77	3000
<b>Bangladesh</b>	6	25	970	8	29	1375
<b>Egypt, Arab Rep.</b>	6	14	737	6	15	823
<b>Iran, Islamic Rep.</b>	7	25	1061	8	38	1706
<b>Maldives</b>	8	21	1348	9	20	1348
<b>Nepal</b>	9	41	1764	10	35	1825

\* The following economies are also good practice economies for :

**Time to export (days): Estonia**

# Enforcing Contracts

Where contract enforcement is efficient, businesses are more likely to engage with new borrowers or customers. Doing Business tracks 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. The data is collected through study of the codes of civil procedure and other court regulations as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

Justice delayed is often justice denied. And in many economies only the rich can afford to go to court. For the rest, justice is out of reach. In the absence of efficient courts, firms undertake fewer investments or business transactions. And they prefer to involve only a small group of people who know each other from previous dealings.

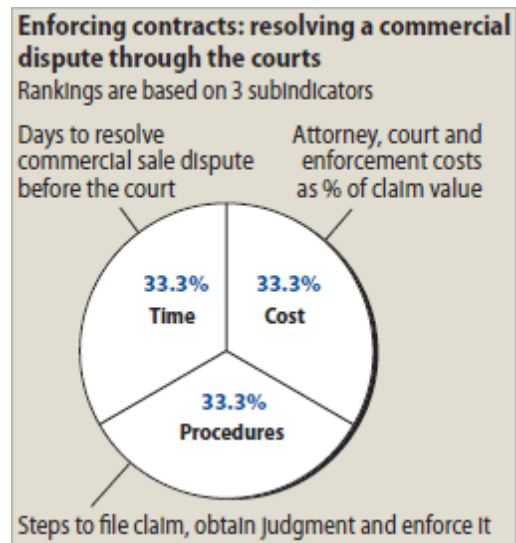
## Methodology

Rankings on enforcing contracts are based on 3 sub-indicators:

- number of procedures, which are 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.
- time, which counts the number of calendar days from the moment the Seller files the lawsuit in court until payment is received. This includes both the days on which actions take place and the waiting periods in between.
- cost, which is recorded as a percentage of the claim (assumed to be equivalent to 200% of income per capita). Three types of costs are recorded: court costs (including expert fees), enforcement costs (including costs for a public sale of Buyer's assets) and attorney fees.

## Survey case Study

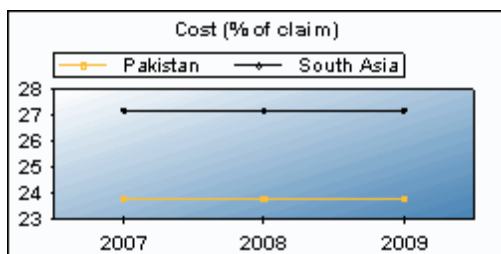
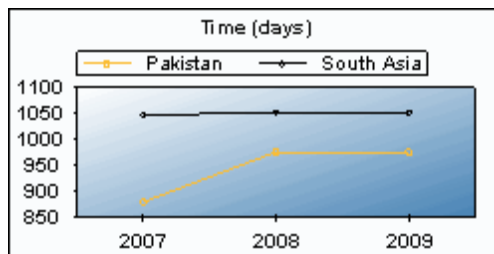
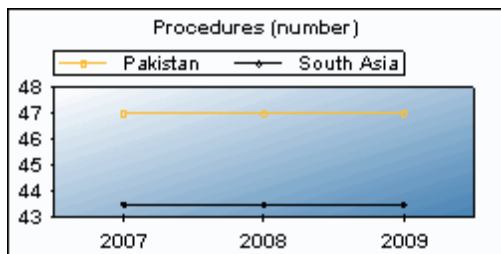
- The dispute concerns a contract for the sale of goods between two businesses (the Seller and the Buyer).
- Both are located in the economy's largest business city.
- The Seller sells and delivers goods, worth 200% of the economy's income per capita, to the Buyer. The Buyer refuses to pay on the grounds that they were not of adequate quality.
- The Seller sues the Buyer to recover the amount under the sales agreement (200% of the economy's income per capita).
- The claim is filed before a court in the economy's largest business city with jurisdiction over commercial cases worth 200% of the income per capita and is disputed on the merits.
- Judgment is 100% in favor of the Seller and is not appealed.
- The Seller enforces the judgment and the money is successfully collected through a public sale of Buyer's assets.



### 1. Historical data: Enforcing Contracts in Pakistan

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	157	158
Procedures (number)	47	47	47
Time (days)	880	976	976
Cost (% of claim)	23.8	23.8	23.8

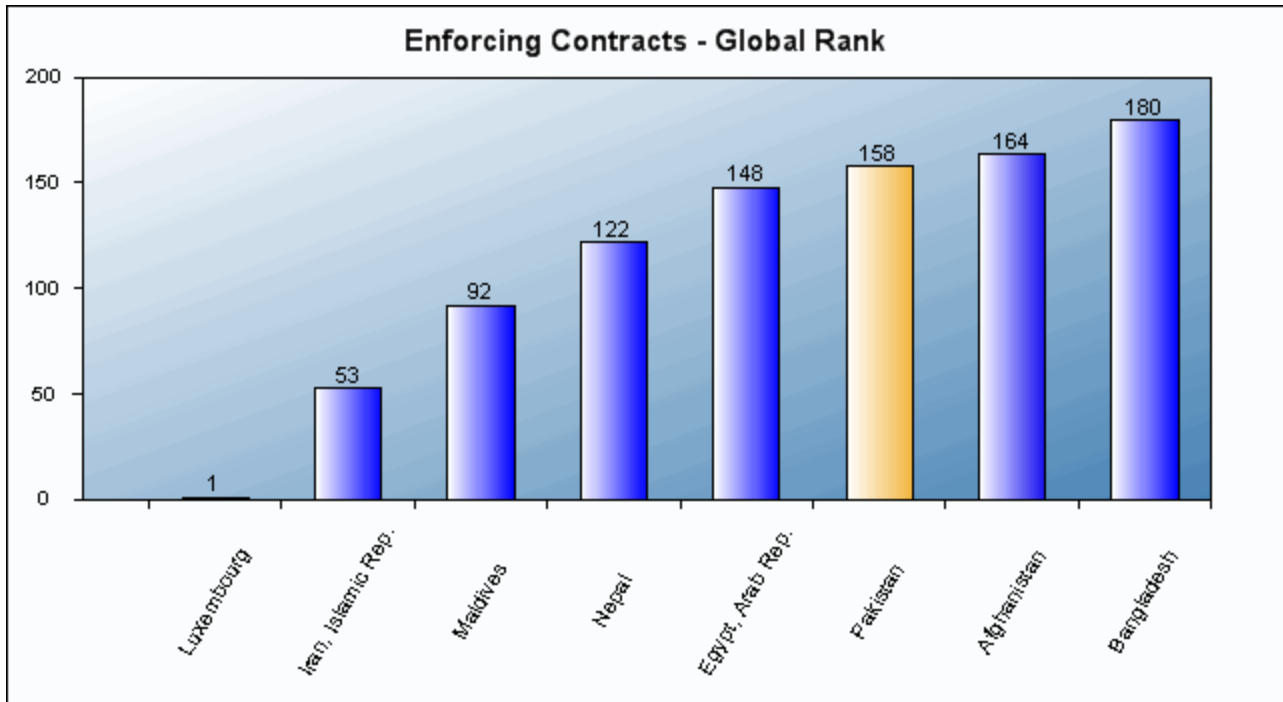
2. The following graphs illustrates the Enforcing Contracts indicators in Pakistan over the past 3 years:



### 3. Benchmarking Enforcing Contracts Regulations:

Pakistan is ranked 158 overall for Enforcing Contracts.

Ranking of Pakistan in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for Pakistan compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of claim)</b>
<b>Bhutan</b>			0.1
<b>Ireland</b>	20		
<b>Singapore</b>		150	

<i>Selected Economy</i>			
<b>Pakistan</b>	47	976	23.8

<i>Comparator Economies</i>			
<b>Afghanistan</b>	47	1642	25.0
<b>Bangladesh</b>	41	1442	63.3
<b>Egypt, Arab Rep.</b>	41	1010	26.2
<b>Iran, Islamic Rep.</b>	39	520	17.0
<b>Maldives</b>	41	665	16.5
<b>Nepal</b>	39	735	26.8

# Closing a Business

The economic crises of the 1990s in emerging markets, from East Asia to Latin America, from Russia to Mexico, raised concerns about the design of bankruptcy systems and the ability of such systems to help reorganize viable companies and close down unviable ones. In countries where bankruptcy is inefficient, unviable businesses linger for years, keeping assets and human capital from being reallocated to more productive uses.

Bottlenecks in bankruptcy cut into the amount claimants can recover. In countries where bankruptcy laws are inefficient, this is a strong deterrent to investment. Access to credit shrinks, and nonperforming loans and financial risk grow because creditors cannot recover overdue loans. Conversely, efficient bankruptcy laws can encourage entrepreneurs. The freedom to fail, and to do so through an efficient process, puts people and capital to their most effective use. The result is more productive businesses and more jobs.

The Doing Business indicators identify weaknesses in the bankruptcy law as well as the main procedural and administrative bottlenecks in the bankruptcy process. In many developing countries bankruptcy is so inefficient that creditors hardly ever use it. In countries such as these, reform would best focus on improving contract enforcement outside bankruptcy.

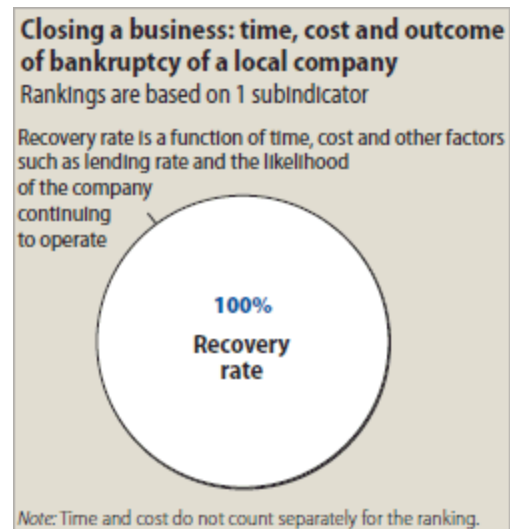
## Methodology

Three measures are constructed from the survey responses: the time to go through the insolvency process, the cost to go through the process and the recovery rate, how much of the insolvency estate is recovered by stakeholders, taking into account the time, cost, depreciation of assets and the outcome of the insolvency proceeding.

## Survey case study

The data on closing a business are developed using a standard set of case assumptions to track a company going through the step-by-step procedures of the bankruptcy process. It is assumed that:

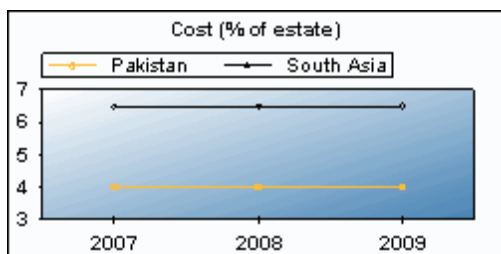
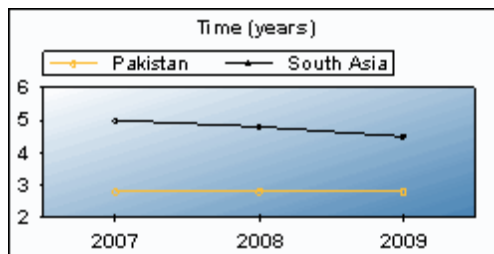
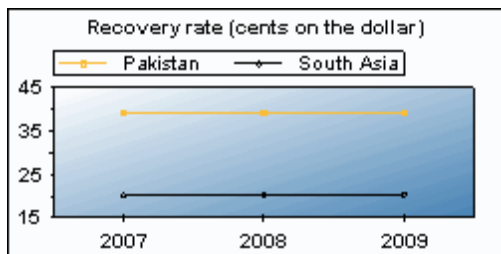
- the company is a domestically owned
- the company is a limited liability corporation operating a hotel in the country's largest business city
- the company has 201 employees, 1 main secured creditor and 50 unsecured creditors
- Assumptions are also made about the future cash flows.
- The case is designed so that the company has a higher value as a going concern, that is, the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation.
- The data are derived from questionnaires answered by attorneys at private law firms.



**1. Historical data: Closing Business in Pakistan**

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	56	56
Time (years)	2.8	2.8	2.8
Cost (% of estate)	4	4	4
Recovery rate (cents on the dollar)	39.1	39.2	39.2

**2. The following graphs illustrates the Closing Business indicators in Pakistan over the past 3 years:**





### 3. Benchmarking Closing Business Regulations:

Pakistan is ranked 56 overall for Closing a Business.

Ranking of Pakistan in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for Pakistan compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Recovery rate (cents on the dollar)</b>	<b>Time (years)</b>	<b>Cost (% of estate)</b>
<b>Ireland</b>		0.4	
<b>Japan</b>	92.5		
<b>Singapore*</b>			1

<i>Selected Economy</i>			
<b>Pakistan</b>	39.2	2.8	4

<i>Comparator Economies</i>			
<b>Afghanistan</b>	0.0	no practice	no practice
<b>Bangladesh</b>	23.2	4.0	8
<b>Egypt, Arab Rep.</b>	16.8	4.2	22
<b>Iran, Islamic Rep.</b>	23.1	4.5	9
<b>Maldives</b>	18.2	6.7	4
<b>Nepal</b>	24.5	5.0	9

\* The following economies are also good practice economies for :

Cost (% of estate): **Colombia, Kuwait, Norway**

# Doing Business 2010 Reforms

## Number of reforms in Doing Business 2010

Rank	Economy	Reforms									Total number of reforms	
		Starting a Business	Dealing with Construction Permits	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts		Closing a Business
1	Rwanda	✓		✓	✓	✓	✓		✓		✓	7
2	Kyrgyz Republic	✓	✓	✓	✓	✓		✓	✓			7
3	Macedonia, FYR	✓	✓	✓	✓	✓	✓	✓				7
4	Belarus	✓	✓	✓	✓			✓	✓			6
5	United Arab Emirates	✓	✓						✓			3
6	Moldova	✓			✓			✓				3
7	Colombia	✓	✓		✓	✓	✓	✓	✓		✓	8
8	Tajikistan	✓	✓		✗	✓	✓				✓	5
9	Egypt, Arab Rep.	✓	✓			✓			✓			4
10	Liberia	✓	✓					✓				3
	Pakistan	✓										1
	Maldives			✗								0
	Nepal				✓							1
	Afghanistan	✓			✓	✓						3
	Bangladesh	✓						✓	✓			3
	Iran, Islamic Rep.	✓	✓					✓	✓			4

Note: Economies are ranked on the number and impact of reforms, Doing Business selects the economies that reformed in 3 or more of the Doing Business topics. Second, it ranks these economies on the increase in rank in Ease of Doing Business from the previous year. The larger the improvement, the higher the ranking as a reformer.

<b>Afghanistan</b>	Afghanistan simplified business start-up by taking company registration out of the commercial courts and establishing a new company registry that acts as a one-stop shop combining company registration, tax registration, and publication in the official gazette, and charges a flat registration fee. The government also eased property registration by cutting the property transfer tax by 3 percent of property value. Access to credit was strengthened with a new law on secured transactions that broadens the scope of assets that can be used as collateral—including future assets—and allows a general description of debts and obligations. The new law also allows out-of-court enforcement.
<b>Bangladesh</b>	Bangladesh simplified business start-up by launching online business name clearance and registration, shortening start-up time by 29 days. It also cut the corporate income tax rate from 40 percent to 37.5 percent, while increasing the capital gains tax rate from 5 percent to 15 percent. Automation of customs clearance at the Chittagong port has shortened the time required to clear goods.
<b>Belarus</b>	Belarus eased the process for getting construction permits by simplifying approval processes. Restrictions relating to redundancy dismissals were eased by raising the threshold for prior notification requirements. Tax payments were made more convenient through increased use of electronic systems—reducing tax compliance times—while lower ecological and turnover tax rates and a reduction in the number of payments for property tax reduced the tax burden on businesses. Property registration continues to improve, with faster processing and elimination of the requirement for notarization. Business start-up was eased by simplifying registration formalities, abolishing the minimum capital requirement, limiting the role of notaries, and removing the need for a company seal approval. Implementation of a risk-based management system and improvement of border crossing operations reduced transit times for trade.
<b>Colombia</b>	Colombia passed several decrees continuing its efforts to regulate the profession of insolvency administrators. The government eased the construction permit process with a new construction decree that categorizes building projects based on risk and allows electronic verification for certain documents. Access to credit improved thanks to a new credit information law that guarantees the right of borrowers to inspect their own data and new rules that make it mandatory for credit providers to consult and share information with credit bureaus. The tax burden on businesses was eased with the introduction of electronic tax filing and payment, and some payments were reduced. An amendment to the Company Law strengthened investor protections by making it easier to sue directors in cases of prejudicial transactions between interested parties. Property registration was made easier by making it possible to obtain required certificates online and by making standard preliminary sale agreements available free of charge. Business start-up was made easier by creating a public-private health provider that enables faster affiliation of employees and through a tool that allows online pre-enrollment with the social security office. Implementation of an electronic declaration system has expedited customs clearance.
<b>Egypt, Arab Rep.</b>	The Arab Republic of Egypt, a former global leading reformer and a regional leading reformer in 2008/09, continued to make it easier to deal with construction permits by issuing executive articles for the 2008 construction law and eliminating most preapprovals for construction permits. Contract enforcement was expedited with the creation of commercial courts. Access to credit information has expanded with the addition of retailers to the database of the private credit bureau. Finally, company start-up was eased by the removal of the minimum capital requirement.
<b>Iran, Islamic Rep.</b>	In the Islamic Republic of Iran the process for dealing with construction permits was quickened with the introduction of e-service offices in Tehran, streamlining the process for obtaining location approvals, construction permits, and building completion certificates. In addition, the time needed to obtain water and electricity connections fell substantially. The tax burden on businesses was eased by converting the sales tax into a value added tax. Business start-up was simplified with the adoption of an electronic registration system. Trade times were shortened by the installation of scanners at the port of Shahid Rajaei and the reorganization of customs clearance offices to separate inspections of special goods (chemicals, petroleum) from those of general goods.

<b>Kyrgyz Republic</b>	The Kyrgyz Republic eased the process for getting construction permits by streamlining the fee structure, introducing a risk-based system of approval and building control, allowing low-risk projects to conduct an internal building control process, and simplifying the process for obtaining utility connections. Requirements relating to redundancy dismissals and worker reassignment were eased. Access to credit was enhanced by making secured lending more flexible and allowing general descriptions of encumbered assets and of debts and obligations. In addition, amendments to the Civil Code provide for automatic extension of security rights to proceeds of the original assets. The tax burden on businesses was eased by reducing the rates for several taxes and the number of payments for several. Surveying and notarization requirements were made optional for property registration, and business start-up was eased by eliminating the minimum capital requirement, reducing the registration time, and abolishing various post-registration fees and the need to open a bank account before registration. The elimination of six previously required documents and the simplification of inspection procedures has sped up trading across borders.
<b>Liberia</b>	Liberia eased the process for getting construction permits by lowering the permit fee and cost of obtaining a power generator, abolishing the requirement to obtain a tax waiver certificate before submitting documents to obtain a building permit, and making fixed telephone connections more readily available for public use with the reopening of the national phone company. Business start-up was eased by removing the need to obtain an environmental impact assessment when forming a general trading company. The trade process was expedited by creating a one-stop shop bringing together various ministries and agencies, and streamlining the inspection regime.
<b>Macedonia, FYR</b>	The Former Yugoslav Republic of Macedonia has been reforming the construction permit process, shortening waiting times but raising fees. Worker hiring was made more flexible by allowing greater use of fixed-term contracts, easing restrictions on working hours, and making redundancy dismissals more flexible. The public credit bureau increased its coverage by introducing a better database that includes more information and by lowering the minimum loan threshold. Social security payments were classified in five groups, and social security contribution rates reduced. Investor protections were increased by regulating the approval of transactions between interested parties, increasing disclosure requirements in annual reports, and making it easier to sue directors in cases of prejudicial transactions between interested parties. Property registration was eased with the introduction of new time limits at the real estate cadastre—reducing the average time to register a title deed by eight days—and a non-encumbrance certificate can now be obtained from the real estate registry instead of through the court. Business start-up was simplified by integrating procedures at a one-stop shop.
<b>Maldives</b>	The Maldives made employment less flexible by restricting the use of fixed-term contracts, introducing restrictions on weekly rest, and increasing mandatory annual leave.
<b>Moldova</b>	Moldova lowered the rates for social security contributions paid by employers. Property registration was simplified by eliminating the requirement for a cadastral sketch, reducing procedures from six to five and days from 48 to 5. Business start-up was eased by implementing an expedited company registration service.
<b>Nepal</b>	Nepal's Finance Act 2008 has reduced the fee for transferring a property from 6.0 percent to 4.5 percent of the property's value.
<b>Pakistan</b>	Pakistan simplified business start-up by introducing a system that allows online registration for sales tax and removing the requirement to make a declaration of compliance on a stamped paper. These moves removed four days and one procedure and halved the cost of the business start-up process.

**Rwanda**

Rwanda improved the process for dealing with distressed companies with a new law aimed at streamlining reorganization. Employing workers was made easier by abolishing the maximum duration for fixed-term contracts and allowing unlimited renewals of such contracts, as well as by allowing redundancy procedures to be more flexible, with consultation and notification of third parties no longer required. Getting credit was made easier with a new secured transactions act and insolvency act to make secured lending more flexible, allowing a wider range of assets to be used as collateral and a general description of debts and obligations. In addition, out of court enforcement of collateral has become available to secured creditors, who also now have top priority within bankruptcy. A new company law has strengthened investor protections by requiring greater corporate disclosure, director liability, and shareholder access to information. Property registration was simplified by decreasing the number of days required to transfer a property. Business start-up was eased by eliminating a notarization requirement; introducing standardized memorandums of association; enabling online publication; consolidating name checking, registration fee payment, tax registration, and company registration procedures; and shortening the time required to process completed applications. By implementing administrative changes—such as increased operating hours and enhanced cooperation at the border, along with the removal of some documentation requirements for importers and exporters—Rwanda has improved trading times.

**Tajikistan**

Tajikistan amended its insolvency law, aiming to reduce statutory time limits and the costs of proceedings. Changes were introduced that simplified the construction permit process, reducing procedures and time. A new law on credit histories improves access to credit information by creating a private credit bureau. Investor protections were strengthened with amendments to the joint stock company law, increasing disclosure requirements for transactions involving conflicts of interest, allowing for greater director liability, and giving shareholders the chance to request that harmful related-party transactions be rescinded. The state duty for property transfer has quadrupled, raising the cost of registering property by 2.8 percent of a property's value. Business start-up was eased by reducing the minimum capital requirement and shortening the time to obtain a tax identification number.

**United Arab Emirates**

The United Arab Emirates shortened the time for delivering building permits by improving its online system for processing applications. Business start-up was eased by simplifying the documents needed for registration, abolishing the minimum capital requirement, and removing the requirement that proof of deposit of capital be shown for registration. Greater capacity at the container terminal, elimination of the terminal handling receipt as a required document, and an increase in trade finance products, have improved trade processes.

## APPENDICES

### Starting a Business in Pakistan

This table summarizes the procedures and costs associated with setting up a business in Pakistan.

#### STANDARDIZED COMPANY

Legal Form: Private Limited Liability Company

Minimum Capital Requirement:

City: Karachi

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	E-file the company name at the Securities and Exchange Commission website	1	200
2	Pay registration and name registration fees, and obtain bank receipt/ copy of treasury challans	1	0
3	Register the company at the Registrar of Companies	2	3500
4	obtain digital signature	1	0
5	Apply for a national tax number (NTN) and register for income tax.	2	0
6	Register for sales tax	1	0
7 *	Register for the Professional Tax with the local tax authority	7	0
8 *	Register with the Employee Social Security Institution	11	0
9 *	Register for old age benefits with Employees Old-Age Benefits Institution (EOBI).	11	0
10 *	Register with Pakistan Shops and Establishment Ordinance	7	10

\* Takes place simultaneously with another procedure.

**Procedure 1 E-file the company name at the Securities and Exchange Commission website****Time to complete:** 1**Cost to complete:** 200

**Comment:** The company may propose one or more names, in order of preference. The name should not be inappropriate, deceptive, or designed to exploit or offend any religion. It should neither be identical to nor have any close resemblance to any existing company name.

The availability of the name can be checked online by searching existing company names. Certain guidelines prohibit the association of the company name with state sponsorship with the national leaders and the like. The official confirmation (or denial) of the name availability is received by email. This confirmation satisfies name search requirements if the name search fee of PKR 200 ( if the name is reserved on line) and PKR 500 ( if the name is reserved in person) is paid into the bank account of the regulatory authority.

**Procedure 2 Pay registration and name registration fees, and obtain bank receipt/ copy of treasury challans****Time to complete:** 1**Cost to complete:** 0

**Comment:** The company pays stamp duty to the Sindh provincial government.

**Procedure 3 Register the company at the Registrar of Companies****Time to complete:** 2**Cost to complete:** 3500

**Comment:** Registration can be completed online through the eServices project that was launched to improve efficiency and effectiveness of the business processes of SECP with a speedy, transparent and paperless environment, making it easier for the representatives of companies and the business community to interact with and obtain information from the SECP through electronic modes in a swift and easy manner.

The following company incorporation documents are required for a private company:

- Form-1, Declaration of compliance ( Form 1 is to be signed by (a) an advocate entitled to appear before any High Court in Pakistan or the Supreme Court; (b) a qualified chartered accountant (member of ICAP or ICMAP) practicing in Pakistan, or (c) a person named in the articles of association as a director or other officer).
- Form-21, Identifying the location of the office.
- Form-29, Particulars of directors, secretary, chief accountant, auditors, and others.
- The subscriber's national identity card and four copies of the memorandum and articles of association, with the signature of each member (in presence of a witness).

The fee schedule for company registration: Nominal share capital under or at Rs.100,000 : fee of Rs. 2,500 (online) and Rs.5,000 (offline) and for nominal share capital over Rs. 100,000 , above along with additional fee to be determined based on every Rs.100,000 or part thereof, of nominal share capital . In addition to the registration fee, filing fee at the rate of PKR 500 for each of the Form-21 (Form identifying location of office of the company) and Form-29 (identifying the particulars of officers of the company) is required to be paid if these are filed online. In case these documents are filed physically, the rate of fee will be PKR 1000 for each of these documents.



The treasury chalaan in the amount of the registration and filing fee are required to be deposited with the Muslim Commercial Bank Ltd.

#### Procedure 4 obtain digital signature

**Time to complete:** 1

**Cost to complete:** 0

**Comment:** The digital signature is obtained from the National Institutional Facilitation Technologies (NIFT). NIFT serves as the witness of all digitally signed documentation made through e Service.

#### Procedure 5 Apply for a national tax number (NTN) and register for income tax.

**Time to complete:** 2

**Cost to complete:** 0

**Comment:** Companies can check the status of their national tax number (NTN) within 24 hours of application. Since 2002, NTN are issued with a continuous valid term. Companies no longer need to renew their NTN.

Income tax is paid on filing the return, which is due in 6 months from the end of the company's financial year (usually in June). In addition, the Income Tax Department charges a fee of 2% for the workers welfare fund at the time of its income tax assessment. The company is also supposed to act as a tax withholding agent for the state and deduct and deposit tax on most payments made in connection with its business activities. For this purposes, the company must file monthly returns with the tax authorities.

Every company must obtain the NTN by providing proof of registration, the memorandum and articles of association, the bank account number, the NTN of its directors, and an attestation of the registered business address. All required documents must be submitted to a station by a Class-I of Gazette Officer or an officer of a bank. A company can start its business activities without first obtaining the NTN, but the number is generally required by all the registering authorities: Chambers of Commerce, the Import-Export Regulatory Authority, the utility authority, and the like. The NTN branch (centralized for the entire country) at Islamabad allots a uniform number. The required form, along with the duly-verified documents must be submitted to the same NTN Center after the company is incorporated. The center quickly processes the application and issues the NTN in a week. The certificate is sent to the applicant's registered address. If it is not delivered at the postal address, it can be obtained from the NTN center over the phone, and its status is communicated instantly. If undelivered, the NTN certificate can be collected from the specified office of the Central Board of Revenue (distinct from the NTN Center).

#### Procedure 6 Register for sales tax

**Time to complete:** 1

**Cost to complete:** 0

**Comment:** The facility of electronic filing of the Sales Tax return has also been made available, amongst others, to private and public limited companies. From July 1st 2008, electronic filing has been made mandatory for all categories of taxpayers. The procedure for e-filing has been laid down in the Sales Tax General Order No.4/2007. A registered person shall obtain a unique identifier, PIN code and a secure password by visiting the Federal Board of Revenue's (FBR's) web portal at [e.fbr.gov.pk](http://e.fbr.gov.pk). Such person can then file the return by selecting declaration "sales tax" from the web portal. The return data shall be filled in a web form and directly transferred to the FBR's server.

Payment can be made by selecting either of two options provided hereinbelow:

(i) Payment Challan: This option is to be utilized by persons who want to deposit tax amount in a branch of National Bank of Pakistan (NBP) which is not online with FBR. The payment challan shall be printed and taken to the bank where payment shall be made and CPR No. shall be obtained. This number shall be fed in the System using the 'Feed CPR' button.

(ii) e-Payment: This option can be availed by persons opting to deposit the tax amount in an NBP branch which is online with the FBR server. After verifying the return, e-Payment button can be clicked and a payment slip number shall be generated which can be taken to the bank and the amount deposited against the same. The bank shall accept the payment and provide an acknowledgement.

The application for registration may be submitted electronically on Form STR-1 as well as either through post or courier services to Central Registration Office (CRO). The Application can also be sent to the Local Registration Office (LRO) in the form of a hard copy. The LRO after proper scrutiny of the documents and any necessary editing of the Application and particulars, electronically forwards the application to CRO.

All the columns of the Forms have to be duly filled in as per instructions given with the Form.

After verification, the CRO will issue a Registration Certificate bearing registration number and mail the same to the Registered Person, on a prescribed Form (STR-5)

The CRO normally verifies the contents from the data available with it, but has an authority to get an enquiry conducted through LRO, to verify contents of declaration by a person. The CRO may reject the application within fifteen days from the date the complete application is received in the CRO, under intimation to the applicant, specifying the reasons for such rejection.

## Procedure 7 Register for the Professional Tax with the local tax authority

**Time to complete:** 7

**Cost to complete:** 0

**Comment:** The Sindh Professionals, Trades, Calling and Employment Tax (i.e. called Professional Tax) is levied to businesses, professions, trades callings or employments in respect of which Professional Tax has been levied under the entry of the Seventh Schedule to the Sindh Finance Act, 1964 (hereinafter referred as "the act, 1964"). To regulate the registration, collection and payment of Professional Tax the Government of Sindh has made the Sindh Professions, Trades, Callings, and Employment Tax Rules, 1976 (hereinafter referred as "the rules". The seventh schedule of the act notifying the taxable business, professions and employment and professional tax rate is annexed herewith as annex "A".

Under the said rules, the Excise and Taxation Officer is empowered to enroll in survey register every person who carries on any business or profession or is liable to tax under entry of the schedule and thereafter he shall give notice in Form PCT-2 to such enrolled person. Any person who receive the said notice in Form PCT-2 if he is in opinion that he is not liable to pay the Professional Tax shall file a declaration, within fifteen days of receipt of such notice, in Form PCT-3 before the Excise & Taxation Officer. In case no declaration is filed by the person within prescribed time, it will be presumed that he is liable to pay Professional Tax which will be recovered according to law. Every person who is liable to pay tax shall be enrolled by the District Excise and Taxation Officer in register in Form PCT-1.

Every person who is liable to pay tax shall assess and deposit the tax every year into the Government Treasury under the Head of Account...XIII other taxes and duties-11- Other Head- Tax on Trades, Professions, Callings and Employment through a challan in Form PCT-8 and thereafter he shall furnish a declaration in Form PCT-3 accompanied by copies of the paid challan and other relevant documents to the District Excise & Taxation Officer latest by the 31st of August every year. The challan Form PCT-8 may be obtained from the District Excise and Taxation Office.

The District Excise & Taxation Officer shall, after receipt of the declaration of person and after being satisfied that the person enrolled is liable to pay tax, order his name to be entered in the Demand Register. Every person, whose name has been entered in the demand register, shall be given an assessee's card in Form PCT-5 which shall be displayed by the assessee at a conspicuous place within the premises of the business. The assessee may obtain duplicate card, if needed, on payment of Rs. 100/-.

In case of start a new business or profession, a person who starts a business or profession is required to make a request to the District Excise & Taxation Officer to enroll himself as an assessee. The said request shall be filed in Form PCT-6 within thirty days from starting a business or profession.

All the persons, who have not received their assessee's card in Form PCT-5 within six months from the date of publication of the said rules, are entitled to get their card by applying in Form PCT-6 for issuance of such card to the District Excise and Taxation Officer. On receipt of such application the District Excise and Taxation Officer shall order his name to be entered in the demand register in Form PCT-4 and card to be issued in Form PCT-5.

If any assessee closes its business or for any other reason ceases to be liable for professional tax, he shall within thirty days give such intimation to the District Excise and Taxation Officer in Form PCT-7.

If the Professional Tax has not been paid within prescribed time the District Excise and Taxation Officer shall issue a demand notice in Form PCT-9 accompanied with a challan in Form PCT-8. If no tax is paid within fifteen days of the issuance of the said demand notice the District Excise and Taxation Officer shall issue a show cause notice in Form PCT-10 and if in response thereof the assessee does not show cause to the satisfaction of the District Excise and Taxation Officer, as to the cause of delay in payment of the tax, District Excise and Taxation Officer may impose penalty not exceeding the amount of the tax unpaid.

Any person aggrieved by an order of the District Excise and Taxation Officer may prefer an appeal within thirty days from the date of the order to the Director of Excise and Taxation.

## Procedure 8 Register with the Employee Social Security Institution

**Time to complete:** 11

**Cost to complete:** 0

**Comment:** SESSI is a self-generating Institution; the main source of income of SESSI is the Social Security Contribution. Employers covered under the Scheme contribute 6% of the wages to insurable workers.

The workers drawing wages not exceeding Rs.10,000/- per month or Rs.400/- per day and employed in registered establishments are liable to be covered under the Scheme in accordance with the provision of Social Security Ordinance.

Under Social Security Scheme secured workers are entitled to cash sickness benefit, injury benefit, maternity benefit, iddat benefit, disablement gratuity, disablement pension, ex-gratia grant and dependants get survivors' pension and death grant. For that Employers are required to have Social Security Registration accordingly.

#### **Procedure 9 Register for old age benefits with Employees Old-Age Benefits Institution (EOBI).**

**Time to complete:** 11

**Cost to complete:** 0

**Comment:** With effect from July 1, 2008, when an industry or a commercial establishment has 5 or more employees or if any industry or commercial establishment employing less than 5 employees voluntarily opt to be included in the scheme, such industry or commercial establishment is required to be registered accordingly.

Under Employees Old Age Benefit Scheme, Insured Persons are entitled to avail benefit like, Old-Age Pension (on the event of retirement), Invalidity Pension (In case of permanent disability), Old-Age Grant (an Insured Person attained superannuation age, but does not possess the minimum threshold for pension) Survivor's Pension (in case an Insured Person is expired).

Minimum wages of Employees has since been increased to PKR 6,000. Minimum payable pension is now increased to PKR 2000.

The EOBI does not receive any financial assistance from the Government for carrying out its Operations. A contribution equal to 5% of minimum wages has to be paid by the Employers of all the Industrial and Commercial Organizations where EOB act is applicable and the monthly contribution is now increased to PKR 300 per employee per month. Contribution equal to 1% of minimum wages is payable by the Employees of said Organizations and PKR 60 per month is payable by every employee .

#### **Procedure 10 Register with Pakistan Shops and Establishment Ordinance**

**Time to complete:** 7

**Cost to complete:** 10

**Comment:** Registration of establishment and fee for registration:  
(1) Every establishment, other than a one man shop, and factories employing clerical staff within the factory premises, shall be registered with the Deputy Chief Inspector for the area within which such establishment is situated. For the purposes of this section, a one-man shop means a shop run by an employer or by any member of his family without engaging an employee.  
(2) An application for the registration of an establishment shall be made by the employer on Form A and shall be accompanied by a Treasury challan under Head [9] [XXXVI-Miscellaneous Departments-G-Miscellaneous-(S)-Receipts under the West Pakistan Shops and Establishments Ordinance of 1969] for an amount depending on the number of workers.  
- 1 to 5 workers: fee is PKR 2.  
- 6 to 10 workers: PKR 3  
- 11 to 20 workers: PKR 5.  
- More than 20 workers: PKR 10.  
(3) An application for establishment registration shall be made within 3 months of the ordinance coming into force (for establishments existing at the time) and within 2 months of setting up the establishment or the application of the ordinance to it (if an establishment is set up after the ordinance comes into force or if the provisions of the

ordinance are subsequently applied to it).

(4) On receipt of the application and the fees specified in Subsection 2, the Deputy Chief Inspector shall, on being satisfied about the correctness of the application, register the establishment in the Register of Establishments to be maintained in Form B and shall issue a registration certificate to the employer in Form C.

(5) The registration certificate shall be prominently displayed by the employer at the establishment and shall be renewed every 2 years on depositing the fee prescribed in Subsection 2.

## Dealing with Construction Permits in Pakistan

The table below summarizes the procedures, time, and costs to build a warehouse in Pakistan.

### BUILDING A WAREHOUSE

Date as of: January 2009

Estimated Warehouse Value:

City: Karachi

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain letter from concerned authority confirming the land title	30 days	no charge
2	Obtain a building permit	60 days	PKR 140,000
3	Notify the Karachi Building Control Authority (KBCA) in writing of the completion of foundations	1 day	no charge
4	Receive foundations work inspection from the Karachi Building Control Authority (KBCA)	15 days	no charge
5	Request electricity connection	75 days	PKR 228,000
6 *	Request telephone connection	45 days	PKR 4,150
7 *	Obtain copy of property tax valuation and copy of the certificate from the tax authorities	30 days	no charge
8	Receive inspection from the Excise and Taxation department	1 day	no charge
9 *	Request water and sewerage connection	60 days	PKR 90,000
10	Apply for occupancy permit and request final inspection	1 day	no charge
11 *	Receive final inspection	1 day	no charge
12	Receive completion certificate from the Karachi Building Control Authority (KBCA)	51 days	no charge

\* Takes place simultaneously with another procedure.

## Procedure 1 Obtain letter from concerned authority confirming the land title

**Time to complete:** 30 days

**Cost to complete:** no charge

**Comment:** 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 owned by various authorities, such as the Karachi Development Authority and the Karachi Municipal Corporation. If the land belongs to the Karachi Municipal Corporation, for example, then the required letter or certificate must be obtained from that same authority.

## Procedure 2 Obtain a building permit

**Time to complete:** 60 days

**Cost to complete:** PKR 140,000

**Comment:** An application form is to be submitted to the Karachi Building Control Authority (KBCA) along with the following documents:

1. A building plan (initially three copies and then six copies) together with:
  - a. Full particulars of the land plot with a specification of its intended use (such as residential, commercial).
  - b. Two sets of all documents relating to the plot and a letter from the concerned 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, and 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. Car parking space.
  - f. Area of amenity space.
4. Particulars of the licensed professionals employed to prepare the plan and supervise work:
  - a. Name.
  - b. License number/professional registration number from the Public Electricity Corporation (PEC).
  - c. National identity card number
  - d. Mailing and permanent address/ telephone number.

- e. Office address and telephone number.
5. A specification of the building's intended use (i.e., is it 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. Acknowledgement of possession.
  - d. Site plan.
  - e. No-objection certificate (NOC), if applicable.
  - f. National identity card.
  - g. Letter from the owner, or attorney of the owner, 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, as amended, and with the requirements of the regulations framed under the ordinance for and on behalf of the owner. The letter should also indicate that a plinth certificate notice would be provided at the completion of the plinth 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 would abide by all the aforementioned rules and regulations, and it must be signed by the owner or the owner's attorney, contain their 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 Local Government Ordinance of 2002, and falls under the control of the Karachi City District Government of which the Nazim (elected head of Karachi city local council) is the chief executive.

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 to complete:** 1 day

**Cost to complete:** no charge

**Comment:** Upon completion of the plinth level, BuildCo is required to notify the KBCA so that the latter verifies the building lines.

**Procedure 4 Receive foundations work inspection from the Karachi Building Control Authority (KBCA)**

**Time to complete:** 15 days

**Cost to complete:** no charge

**Comment:** Except for Category 1 building works, Regulation No. 3-2.10 of the 2002 Regulations requires BuildCo to notify the KBCA upon completion of plinth level and, in the case of a basement, upon the 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 to complete:** 75 days

**Cost to complete:** PKR 228,000

**Comment:** An application form is to be submitted to the Karachi Electric Supply Corporation Limited, along with the following documents, to apply for electricity connection:

- An application form, duly verified by a licensed electrical contractor.
- A copy of the applicant's national identity card.
- A copy of approved building plan.
- A copy of the letter under the cover of which the approved building plan was issued.

#### **Procedure 6 Request telephone connection**

**Time to complete:** 45 days

**Cost to complete:** PKR 4,150

**Comment:** An application form is to be submitted to the Pakistan Telecommunication Company Limited along with the following documents, to apply for a telephone connection:

- Proof of ownership of, or, in case of a tenancy, a copy of the lease agreement of, the plot where the telephone line is to be installed; or a copy of the utility bill in the name of the prospective customer.
- A certificate of incorporation (issued by the Securities and Exchange Commission of Pakistan) if the applicant is a company.
- A letter from the company authorizing a named person to sign the application for the new telephone connection.

At this stage, BuildCo already holds all documents above.

#### **Procedure 7 Obtain copy of property tax valuation and copy of the certificate from the tax authorities**

**Time to complete:** 30 days

**Cost to complete:** no charge

**Comment:** 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 BuildCo 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:

- An 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 to complete:** 1 day  
**Cost to complete:** no charge  
**Comment:**

#### **Procedure 9 Request water and sewerage connection**

**Time to complete:** 60 days  
**Cost to complete:** PKR 90,000

**Comment:** 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:

- A copy of the approved building plan along with a copy of the letter under the 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.
- A copy of the property tax valuation.
- A copy of the certificate from the tax authorities confirming that the company owes them no money.
- A copy of the applicant's national identity card.

#### **Procedure 10 Apply for occupancy permit and request final inspection**

**Time to complete:** 1 day  
**Cost to complete:** no charge

**Comment:** 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 to complete:** 1 day  
**Cost to complete:** no charge

**Comment:**

#### **Procedure 12 Receive completion certificate from the Karachi Building Control Authority (KBCA)**

**Time to complete:** 51 days  
**Cost to complete:** no charge

**Comment:**

## Employing Workers in Pakistan

Employing workers indices are based on responses to survey questions. The table below shows these responses in Pakistan.

Employing Workers Indicators (2009)	Answer	Score
<b>Difficulty of hiring index (0-100)</b>		<b>77.8</b>
Are fixed-term contracts prohibited for permanent tasks?	Yes	1
What is the maximum duration of fixed-term contracts (including renewals)? (in months)	9	1.0
What is the ratio of mandated minimum wage to the average value added per worker?	0.26	0.33
<b>Difficulty of redundancy index (0-10)</b>		<b>30.0</b>
Is the termination of workers due to redundancy legally authorized?	Yes	0
Must the employer notify a third party before terminating one redundant worker?	No	0
Does the employer need the approval of a third party to terminate one redundant worker?	No	0
Must the employer notify a third party before terminating a group of 9 redundant workers?	No	0
Does the employer need the approval of a third party to terminate a group of 9 redundant workers?	No	0
Is there a retraining or reassignment obligation before an employer can make a worker redundant?	Yes	1
Are there priority rules applying to redundancies?	Yes	1
Are there priority rules applying to re-employment?	Yes	1
<b>Redundancy costs (weeks of salary)</b>		<b>90.0</b>
What is the notice period for redundancy dismissal after 20 years of continuous employment? (weeks of salary)		4.3
What is the severance pay for redundancy dismissal after 20 years of employment? (weeks of salary)		85.7
What is the legally mandated penalty for redundancy dismissal? (weeks of salary)		0.0
<b>Rigidity of employment index (0-100)</b>		<b>42.6</b>
<b>Rigidity of hours index (0-100)</b>		<b>20.0</b>
Can the workweek extend to 50 hours (including overtime) for 2 months per year to respond to a seasonal increase in production?	Yes	0

What is the maximum number of working days per week?	6	0
Are there restrictions on night work and do these apply when continuous operations are economically necessary?	No	0.00
Are there restrictions on "weekly holiday" work and do these apply when continuous operations are economically necessary?	Yes	1.00
What is the paid annual vacation (in working days) for an employee with 20 years of service?	14	0

Note: The first three indices measure how difficult it is to hire a new worker, how rigid the regulations are on working hours, and how difficult it is to dismiss a redundant worker. Each index assigns values between 0 and 100, with higher values representing more rigid regulations. The overall Rigidity of Employment Index is an average of the three indices.

## Registering Property in Pakistan

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This topic examines the steps, time, and cost involved in registering property in Pakistan.

### *STANDARDIZED PROPERTY*

Property Value: 3,225,843.26

City: Karachi

#### **Registration Requirements:**

No:	Procedure	Time to complete	Cost to complete
1	Advertisement of transaction in newspapers inviting objections	8 days	PKR 3,000
2	Hire deed writer or lawyer to draft sale purchase agreement	1 day	PKR 5,000
3	Payment of stamp duty, capital value tax, Town tax and registration fee	1 day	2% of the property price (Capital value tax) +3% property price (stamp duty) + 1% of property price (registration fee)+ 1% To Tax
4	Obtaining a Non-Objection Certificate	1 day	included in procedure 3
5	Receipt of payment is taken to Stamp Office	1 day	no cost
6	Execution and registration of the deed before the registration authority	38 days	no cost

## Procedure 1 Advertisement of transaction in newspapers inviting objections

**Time to complete:** 8 days

**Cost to complete:** PKR 3,000

**Comment:** A Public notice in two different newspapers, in English and in Urdu news paper, inviting objections/claims should be placed. After publication, there is a seven-day waiting time for arrival of objections, if any. Advertisement is published in local newspapers (dailies) having a large circulation.  
Simultaneously, the buyer will verify the authenticity of the documents presented by the seller as well his authority to act on behalf of the company to sell this property. At the same time, there is a checking for any encumbrances.

## Procedure 2 Hire deed writer or lawyer to draft sale purchase agreement

**Time to complete:** 1 day

**Cost to complete:** PKR 5,000

**Comment:** It is common practice in Pakistan to hire a lawyer or deed writer to draft the sale purchase agreement.

## Procedure 3 Payment of stamp duty, capital value tax, Town tax and registration fee

**Time to complete:** 1 day

**Cost to complete:** 2% of the property price (Capital value tax) +3% of property price (stamp duty) + 1% of property price (registration fee)+ 1% Town Tax

**Comment:** Conveyance stamp duty 3% of property value, The capital value tax (CVT)2% of the property value (Finance Act, 2006). CVT is applicable in urban areas for residential property exceeding an area of one kanal and in 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 Rs. 50 per square yard of land area.  
And 1% of property value for the registration fee.  
1% of the property value for the Town Tax  
Fees are paid at the Government Treasury or National Bank of Pakistan, an autonomous bank jointly owned by Government of Pakistan and public, who issue receipt of money which is taken to the Stamp office of the Government.  
The receipt of payment is taken to the Stamp Office of the Government. 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 Obtaining a Non-Objection Certificate

**Time to complete:** 1 day

**Cost to complete:** included in procedure 3

**Comment:** The Town Nazim issues a "No Objection Certificate" in favour of the Seller permitting the sale of the property by the seller provided all the amount due and payable in respect of the property has been satisfied

**Procedure 5 Receipt of payment is taken to Stamp Office**

**Time to complete:** 1 day

**Cost to complete:** no cost

**Comment:** The receipt of payment obtained in Procedure 4 is taken to the Stamp Office of the Government. 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 6 Execution and registration of the deed before the registration authority**

**Time to complete:** 38 days

**Cost to complete:** no cost

**Comment:** 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, official responsible under the Registration Act. Registration of the deed automatically follows the execution of 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 documentation shall include:

Conveyance/Sale Deed (stamped after payment in Procedure 4)

ID of parties

Original title deed of seller

If the parties have authorized someone else through a power of attorney, the power of attorney in original with copies.

The buyer will conduct post registration procedures, such as changing the name at the utility companies, property taxation and municipal services.

Post purchase procedures such as

## Getting Credit in Pakistan

The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in Pakistan.

Getting Credit Indicators (2009)			Indicator
			score
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	4
Are data on both firms and individuals distributed?	Yes	Yes	1
Are both positive and negative data distributed?	Yes	No	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	No	No	0
Are more than 2 years of historical credit information distributed?	Yes	No	1
Is data on all loans below 1% of income per capita distributed?	Yes	Yes	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	No	No	0
<b>Coverage</b>		1.5	5.6
Number of individuals		..	5,891,140
Number of firms		..	88,600

Strength of legal rights index (0-10)		6
Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?		Yes
Does the law allow businesses to grant a non possessory security right in a single category of revolving movable assets, without requiring a specific description of the secured assets ?		Yes
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of the secured assets ?		Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?		Yes
Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?		No
Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?		No
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?		No
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?		No



During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?

Yes

Does the law authorize parties to agree on out of court enforcement?

Yes

## Protecting Investors in Pakistan

The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in Pakistan.

Protecting Investors Data (2009)	Indicator
<b>Extent of disclosure index (0-10)</b>	<b>6</b>
What corporate body provides legally sufficient approval for the transaction? (0-3; see notes)	2
Immediate disclosure to the public and/or shareholders (0-2; see notes)	0
Disclosures in published periodic filings (0-2; see notes)	2
Disclosures by Mr. James to board of directors (0-2; see notes)	2
Requirement that an external body review the transaction before it takes place (0=no, 1=yes)	0
<b>Extent of director liability index (0-10)</b>	<b>6</b>
Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company. (0-2; see notes)	1
Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company. (0-2; see notes)	1
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff (0-2; see notes)	1
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	1
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	1
Whether fines and imprisonment can be applied against Mr. James (0=no, 1=yes)	1
Shareholder plaintiff's ability to sue directly or derivatively for damage the transaction causes to the company (0-1; see notes)	0
<b>Ease of shareholder suits index (0-10)</b>	<b>7</b>
Documents available to the plaintiff from the defendant and witnesses during trial (0-4; see notes)	4
Ability of plaintiffs to directly question the defendant and witnesses during trial (0-2; see notes)	1
Plaintiff can request categories of documents from the defendant without identifying specific ones (0=no, 1=yes)	0
Shareholders owning 10% or less of Buyer's shares can request an inspector investigate the transaction (0=no, 1=yes)	1

Level of proof required for civil suits is lower than that for criminal cases (0=no, 1=yes)	1
Shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit (0=no, 1=yes)	0

### Strength of investor protection index (0-10)

6.3

#### Notes:

#### Extent of Disclosure Index

*What corporate body provides legally sufficient approval for the transaction?*

0=CEO or managing director alone; 1=shareholders or board of directors vote and Mr. James can vote; 2=board of directors votes and Mr. James cannot vote; 3 = shareholders vote and Mr. James cannot vote

*Immediate disclosure to the public and/or shareholders*

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

*Disclosures in published periodic filings*

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

*Disclosures by Mr. James to board of directors*

0=none; 1=existence of a conflict without any specifics; 2= full disclosure of all material facts

#### Director Liability Index

*Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company*

0= Mr. James is not liable or liable only if he acted fraudulently or in bad faith; 1= Mr. James is liable if he influenced the approval or was negligent; 2= Mr. James is liable if the transaction was unfair, oppressive or prejudicial to minority shareholders

*Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for for damage to the company*

0=members of the approving body are either not liable or liable only if they acted fraudulently or in bad faith; 1=liable for negligence in the approval of the transaction; 2=liable if the transaction is unfair, oppressive, or prejudicial to minority shareholders

*Whether a court can void the transaction upon a successful claim by a shareholder plaintiff*

0=rescission is unavailable or available only in case of Seller's fraud or bad faith; 1=available when the transaction is oppressive or prejudicial to minority shareholders; 2=available when the transaction is unfair or entails a conflict of interest

*Shareholder plaintiffs' ability to sue directly or derivatively for damage the transaction causes to the company*

0=not available; 1=direct or derivative suit available for shareholders holding 10% of share capital or less

#### Shareholder Suits Index

*Documents available to the plaintiff from the defendant and witnesses during trial*

Score 1 each for (1) information that the defendant has indicated he intends to rely on for his defense; (2) information that directly proves specific facts in the plaintiff's claim; (3) any information that is relevant to the subject matter of the claim; and (4) any information that may lead to the discovery of relevant information.

*Ability of plaintiffs to directly question the defendant and witnesses during trial*

0=no; 1=yes, with prior approval by the court of the questions posed; 2=yes, without prior approval

## Paying Taxes in Pakistan

The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Pakistan, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Stamp duty	1			slab rate based on contract value		0.00	
VAT/GST	12		480	15.0%	value added	0.00	
Vehicle tax	1			fixed fee		0.20	
Tax on interest	0			10%	interest	0.26	
Professional tax	1			fixed fee (PKR 10,000)		0.41	
Fuel tax	1			25%	value of fuel consumption	0.84	
Property tax	1			18% (including 10% discount)	annual rental value of property	0.89	
Education cess	1			PKR 25 per month	per worker	2.75	
Pension contributions	12			5%	gross salaries	5.47	
Social security contributions	12		40	6%	gross salaries	6.77	
Corporate income tax	5		40	35.0%	taxable income	14.29	
<b>Totals</b>	<b>47</b>		<b>560</b>			<b>31.6</b>	

**Notes:**

- a) data not collected
- b) VAT is not included in the total tax rate because it is a tax levied on consumers
- c) very small amount
- d) included in other taxes
- e) Withheld tax
- f) electronic filling available
- g) paid jointly with another tax

Name of taxes have been standardized. For instance income tax, profit tax, tax on company's income are all named corporate income tax in this table.

When there is more than one statutory tax rate, the one applicable to TaxpayerCo is reported.

The hours for VAT include all the VAT and sales taxes applicable.

The hours for Social Security include all the hours for labor taxes and mandatory contributions in general.

## Trading Across Borders in Pakistan

These tables list the procedures necessary to import and exports a standardized cargo of goods in Pakistan. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2009)	Duration (days)	US\$ Cost
Documents preparation	11	96
Customs clearance and technical control	3	200
Ports and terminal handling	4	115
Inland transportation and handling	4	200
Totals	22	611

Nature of Import Procedures (2009)	Duration (days)	US\$ Cost
Documents preparation	11	130
Customs clearance and technical control	2	200
Ports and terminal handling	3	150
Inland transportation and handling	2	200
Totals	18	680

### Export

Bill of lading

Certificate of origin

Commercial invoice

Customs export declaration

Delivery order

Inspection report

Insurance certificate

Packing list

Tax certificate

### Import

Bill of lading

Cargo release order

Certificate of origin
Commercial invoice
Customs import declaration
Insurance certificate
Packing list
Terminal handling receipts

## Enforcing Contracts in Pakistan

This topic looks at the efficiency of contract enforcement in Pakistan.

Nature of Procedure (2009)	Indicator
Procedures (number)	47
Time (days)	976
Filing and service	96.0
Trial and judgment	580.0
Enforcement of judgment	300.0
<b>Cost (% of claim)*</b>	<b>23.80</b>
Attorney cost (% of claim)	16.7
Court cost (% of claim)	5.9
Enforcement Cost (% of claim)	1.2

**Court information:** Karachi District Court

\* Claim assumed to be equivalent to 200% of income per capita.







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