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**PAKISTAN – COUNTRY  
GUIDE**  
A LAND OF THE PURE



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**EXPERIENCE PAKISTAN**  
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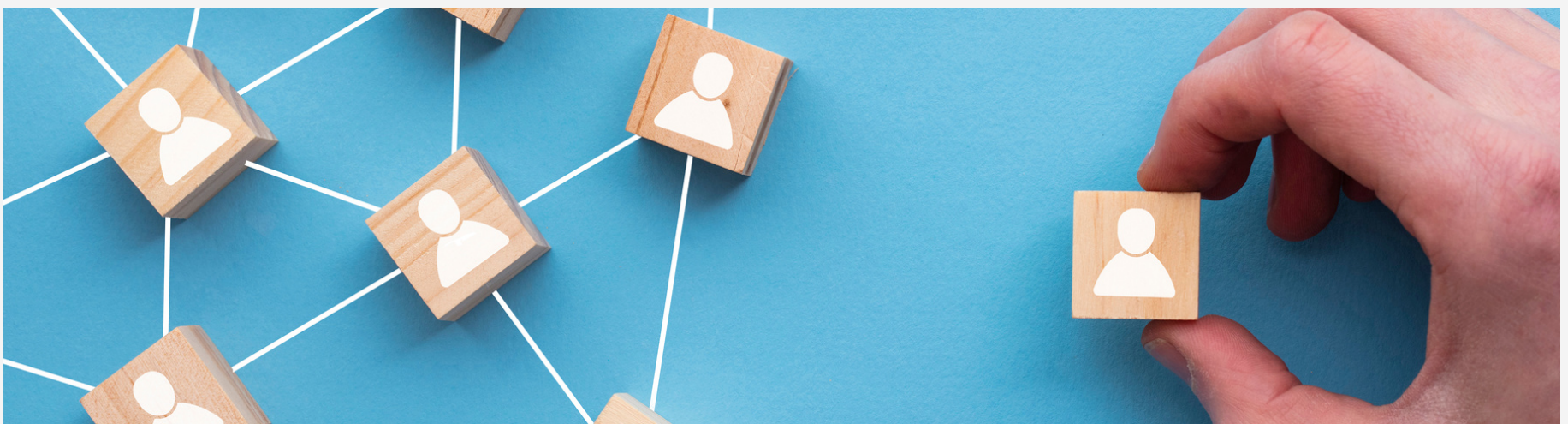


# A Guide to Hiring in Pakistan

## HIRING IN PAKISTAN

Ensuring compliant employee hiring in Pakistan presents two options: either manage the process independently or enlist the services of an Employer of Record, such as Panda Work Global. When dealing with independent contractor agreements in Pakistan, it's crucial to navigate them carefully to avoid any breaches of employment regulations. To onboard employees in full compliance, provide obligatory benefits, and maintain compliant agreements, you can either:

- (a) Create your own new legal entity, establish banking, accounting, and payroll services within Pakistan.
- (b) Utilize an Employer of Record like Panda Work Global, streamlining the entire process, with them managing all the intricate details on your behalf.





# LABOUR LAWS IN PAKISTAN



## EMPLOYEE PROBATION PERIOD:

- In the public sector, the probationary period is generally between 1 and 2 years.
- In private sector, this probationary period is usually three to six months.

## ANNUAL LEAVE IN PAKISTAN:

- An employee is entitled to 14 calendar days paid annual leave, after completion of 12 months of continuous service.
- A worker is paid his daily wages while he is on annual leave.



# LABOUR LAWS IN PAKISTAN



Fathers are entitled to paid paternity leave of 3 months

- According to the law, normal working hours per day are 8–9 hours and these should not be more than 48 hours per week.
- By including the lunch and prayer time in hours of work, working hours should not be greater than 9 hours a day.

## MATERNITY LEAVE PAKISTAN

Mothers are entitled to 180 days of paid maternity leave on the birth of first baby



## PATERNITY LEAVE PAKISTAN

## SICK LEAVE IN PAKISTAN

- Every employee is entitled to 10 days' casual leave with full pay and a further 16 days of sick or medical leave.
- Casual leave is granted upon certain situations such as sudden illness.
- Sick leave requires a medical certificate.

## WORKING HOURS IN PAKISTAN



# LABOUR LAWS IN PAKISTAN



## OVERTIME IN PAKISTAN

- Extra pay for overtime has to be paid to the worker, who works for more than nine hours in any day or for more than 48 hours in any week.
- Extra pay is given at twice the rate of an employee's ordinary salary.



## NOTICE PERIOD IN PAKISTAN

- The West Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance, 1968 states that upon terminating the employment of a permanent workman, the employee must be provided with one month's notice or the payment of one month's wages in lieu of notice.



## SEVERANCE IN PAKISTAN

As stipulated by the Standing Orders Ordinance, in cases where a worker's employment is terminated for reasons other than misconduct, a "severance pay or gratuity" benefit is mandated. This benefit is calculated at a rate of 30 days' wages for each completed year of service, including any portion of a year exceeding 6 months. For instance, if an employee has served for five years and 8 months, it is counted as 6 years for the purpose of determining the severance pay. Additionally, employers have the option to replace the gratuity with a provident fund, which functions as a type of pension benefit.



# LABOUR LAWS IN PAKISTAN

## 13th Month Salary in Pakistan

While there's no legal obligation to provide a 13th or 14th month's salary in Pakistan, employees do have certain entitlements. Specifically, after completing 12 months of employment, they are eligible for 14 days of annual leave. This means that while extra months of salary aren't mandatory, employees are entitled to a fair allocation of annual leave as part of their employment benefits.

## Working Hours in Pakistan

In Pakistan, a standard workweek comprises 48 hours, which translates to 9 hours per day. Any work performed beyond these regular hours is considered overtime and is governed by employment contracts or collective agreements. When employees are asked to work beyond their standard hours or on holidays, there are specific limits on the number of hours permissible. Any hours worked in excess of the 48-hour weekly limit are compensated at a rate of 200% of the employee's usual pay. The standard working days are from Monday to Friday.





# HOLIDAYS IN PAKISTAN

Kashmir Day	05 February
Pakistan Day	23 March
Eid ul-Fitr Holiday	As per moon sighting
Labour Day	01 May
Eid ul-Azha Holiday	As per moon sighting
Ashura	As per moon sighting
Independence Day	14 August
Milad un-Nabi	As per moon sighting
Iqbal Day	09 November
Quaid-e-Azam Day	25 December



# VISA RULES

Pakistan welcomes foreign workers, extending the opportunity to apply for work visas to individuals from 193 different countries. Once approved by the Ministry of Interior, these work visas are typically granted for a duration of one year. It's essential to note that they must be renewed and reapproved on an annual basis. Pakistan offers various visa categories tailored to specific countries, each with its unique prerequisites and responsibilities.

Foreign individuals seeking employment in Pakistan must initiate the process by obtaining their work visa through the Pakistani Consulate in their country of residence. A key prerequisite for this visa application is an official invitation or letter from the Chamber of Commerce and Industry, issued on behalf of the sponsoring company in Pakistan. This letter should outline critical details such as the intended duration of stay and place of residence.

After obtaining a three-month work visa, applicants have the option to seek extensions, enabling them to stay and re-enter Pakistan for up to two years. This flexibility facilitates long-term employment opportunities for foreign workers in the country.



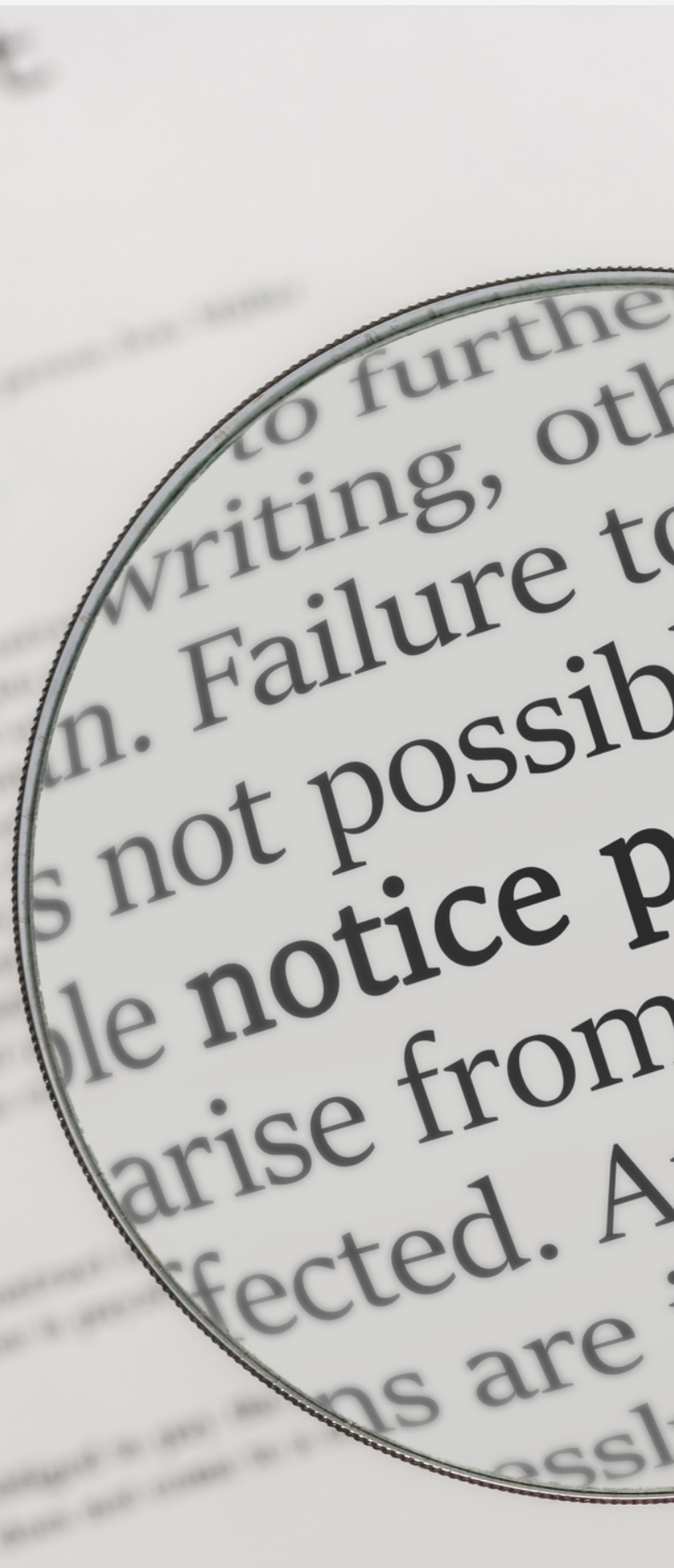
# TERMINATION OF EMPLOYMENT IN PAKISTAN

- Termination of an employment contract can take one of two forms: either termination simpliciter, which involves ending the contract for reasons other than misconduct, or termination due to misconduct.
- In cases of termination simpliciter, it is mandatory to provide notice to permanent employees. A notice period of one month is required before ending the employment relationship, or one month's wages may be given in lieu of notice.
- Termination can be further categorized into three distinct types:
  1. The first type is "automatic termination," which occurs in specific situations, such as an employee's death or upon the completion of a project or contract for which the worker was hired.
  2. The second type is the termination of employment by the employee through resignation. Employees may choose to resign for various reasons, including seeking better work opportunities or due to unfavorable work circumstances or a material breach of contract by the employer.
  3. The third type is termination initiated by an employer, which can be based on either fair or unfair grounds.
- As per the provisions outlined in the Standing Orders Ordinance, if an employee's contract is terminated for any reason other than misconduct, they are entitled to receive "severance pay or gratuity." This gratuity is equivalent to 30 days' wages for each completed year of service or any portion thereof exceeding 6 months. For instance, five years and 8 months of service are counted as 6 years for the purpose of calculating this entitlement.



# NOTICE PERIOD IN PAKISTAN

According to the Industrial and Commercial Employment (Standing Orders) Ordinance, 1968, when terminating the employment of a permanent worker, it is a requirement to either furnish the employee with one month's notice or provide payment equivalent to one month's wages in lieu of the notice.



# INCOME TAX IN PAKISTAN



- Individuals, whether residents or non-residents, are liable for taxation on both their Pakistan and foreign-source income.
- The calculation of an individual's taxable income is contingent upon their tax residency status in Pakistan during the tax year, spanning from 1st July to 30th June.
- For residents, their entire worldwide income is subject to taxation in Pakistan, with specific exceptions outlined in Double Taxation Avoidance Agreements.
- Non-resident individuals, on the other hand, are only taxed on income derived from Pakistan sources, which includes income received or considered as received in Pakistan or deemed to have accrued or arisen in Pakistan.

## Income Tax Bracket 2023-2024

TAXABLE INCOME	RATE
Where taxable income does not exceed PKR 600,000	0%
Where taxable exceed PKR 600,000 but does not exceed PKR 1,200,000	2.5% of the amount exceeding PKR 600,000
Where taxable exceed PKR 1,200,000 but does not exceed PKR 2,400,000	PKR 15,000 + 12.5% of the amount exceeding PKR 1,200,000
Where taxable exceed PKR 2,400,000 but does not exceed PKR 3,600,000	PKR 165,000 + 22.5% of the amount exceeding PKR 2,400,000
Where taxable exceed PKR 3,600,000 but does not exceed PKR 6000,000	PKR 435,000 + 27.5% of the amount exceeding PKR 3,600,000
Where taxable exceed PKR 6000,000	PKR 1,095,000 + 35% of the amount exceeding PKR 6000,000

# SOCIAL SECURITY IN PAKISTAN

- Pakistan provides a range of employee benefits encompassing coverage for death, disability, injury, medical expenses, pensions, and educational scholarships for the children of workers.
- Typically, employees earning a monthly income of less than PKR 25,000 are eligible for these benefits. Employers are responsible for making contributions to the government based on specified rates.
- Additionally, employees are obligated to make a monthly contribution of PKR 250 towards the Employees' Old Age Benefits.



## SINDH

	Employee Cost	Minimum Wage	Employer Cost
1 EOB	1%	25,000	5%
2 SESS		25,000	7%
3 Professional Tax	-		500

## PUNJAB

	Employee Cost	Minimum Wage	Employer Cost
1 EOB	1%	25,000	5%
2 PESS		25,000	6%
3 Professional Tax			200

## KPK

	Employee Cost	Minimum Wage	Employer Cost
1 EOB	1%	25,000	5%
2 KPSSI		25,000	6%
3 Professional Tax			2000

## BALUCHISTAN

	Employee Cost	Minimum Wage	Employer Cost
1 EOB	1%	25,000	5%
2 PESS			6%
3 Professional Tax			300



# LABOUR LAWS IN PAKISTAN

## VALUE ADDED TAX (VAT) IN PAKISTAN

- In Pakistan, the Value Added Tax (commonly referred to as 'sales tax') is typically imposed at a standard rate of 18% based on the value of goods, with specific exemptions considered after accounting for relevant input credits.
- When it comes to services, sales tax is administered by all four provinces, Islamabad Capital Territory, Gilgit-Baltistan, Azad Jammu, and Kashmir, with rates that vary between 13% and 16%.

## MANDATORY BENEFITS IN PAKISTAN

- Probationary period
- Annual Leave
- Public Holidays
- Maternity Leave
- Paternity Leave
- Sick Leave
- Overtime Pay
- Notice Period
- Severance Pay
- Social Security Benefits

## PAYMENTS AND INVOICING

- In Pakistan, the tax year for all individuals runs from 1st July to 30th June.
- Any individual wishing to select an accounting year-end different from the standard period must seek special permission from the Federal Board of Revenue in Pakistan.
- All individuals are required to file their income tax returns no later than 30th September following the end of the tax year.
- For non-salaried individuals, the same deadline of 30th September following the tax year-end applies for filing income tax returns.
- Employers have the responsibility to withhold taxes from the salaries of their employees.



# WHY CHOOSE PANDA WORK GLOBAL FOR YOUR PAKISTAN EXPANSION

Setting up a branch office or subsidiary in Pakistan can be a complex, time-consuming, and costly endeavor. Given the intricacies of Pakistan's labor laws, it's crucial to be meticulous in structuring employment practices. Moreover, adhering to specific employment regulations mandated by Pakistani law is essential to maintain your company's status as an equal opportunity employer.

Panda Work Global simplifies your expansion into Pakistan. We facilitate the process of hiring your preferred candidates, manage HR-related matters and payroll, and ensure full compliance with local laws, all without the burden of establishing a foreign branch office or subsidiary. Importantly, you retain complete control and oversight over your workforce.

Our Employer of Record (EOR) solution empowers you to remain in charge while providing peace of mind to concentrate on your core business operations and the confidence to explore new markets. Trust Panda Work Global to support your seamless entry into Pakistan while you maintain control over your operations.



**EMPLOYER OF RECORD**



**PAYROLL SOLUTIONS**



**TAX & CORPORATE COMPLIANCE**



**OUR SERVICES**





**PANDA WORK GLOBAL**

**Contact Us**

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