

Key initiatives to drive the digitization of the economy and unlocking Dollar Based inflows

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Tax burden & relief to exporters of tech (free lancers and others) via a full and final tax relief upon bringing the funds to Pakistan in to a Bank Account

Potential remit of FBR

Have a clear directive on full and final tax for

1. Free lancers
2. SME IT Exporters

Potential Impact – In bound FX

When more free lancers and others feel protected under the regulatory framework around taxation, they would be amenable to bring back USD as opposed to Parking it in stored value systems offshore & bringing back expense reimbursements only.

A special SCRA/type account allowance to freelancers and startups to hold said funds in FCY, and remit funds outwards without pre-approvals.

Potential remit of SBP + Ministry of Finance + SECP

Have a clear directive/SRO on account type issued for

1. Free lancers
2. Startups (Definition of startup not to be pegged by number of years in business)/Ensure SECP Ratifies that definition so startups operate unencumbered

Potential Impact – In bound FX

When more free lancers and others feel that they have a voice at the table to re-use their funds for their own service needs & products , they would be amenable to bring back USD as opposed to Parking it in stored value systems offshore to hedge against the risk of repatriating money from Pakistan to offset their own expenses.

Tech companies registered with PSEB to have a time bar on audits by the FBR

Potential remit of FBR + PSEB + Ministry of Finance

Have a clear directive issued and made public that IT Companies (export oriented) will not be subject to ongoing audits once period has closed due to both

1. Full and final tax régime being in place (FBR to issue notice on that to clarify what it is)
2. Incentive to bring back FX

Potential Impact – In bound FX

Presently host of small tech companies, who export goods and services in the ITES space, do not repatriate funds back to PK for risk of multi year audits. Those who do, are slowly re-incorporating in Singapore to avoid multi-year protracted tax battles.

Removal of turnover tax from logistics/3PL companies to enable e-commerce to enable growth in the back-end infrastructure for domestic digital commerce to pick up.

Potential remit of FBR

Have a clear directive issued and made public that 3PL companies with nation wide coverage will have their turn over tax removed.

This should not include

- 1) Ride Hailing companies
- 2) Local only-couriers (within city)
- 3) On-Demand Instant Fulfillment players that operate on the DarkStore Model
- 4) Companies that do not have a line-haul function
- 5) Companies that used outsourced vendors for more than 25% of their fleet
- 6) Companies that do not own their own warehousing facilities (Minimum of 15% of total pallet size)

Potential Impact – FDI

With turn over tax on 3PLs at 3% no investment has gone into infrastructure, be it hand held devices, freighters, cargo planes etc & this has also created a road block to FDI in to the logistics space, foreign players have stayed out of the running, to invest, co-own, build or deploy real logistics companies whilst in the region(Indonesia) they have and a result impacted domestic e-commerce & foreign freight positively. This has been a key ask of foreign players to enter the space in any significant way.

The introduction of ensuring “WYSIWYG” (what you see is what you get) régime for all packaged goods for online sales. If a bottle of water in real life comes with a label, make sure all e-commerce stores follow basic labeling display standards to build trust in commerce by displaying the same online.

Potential remit of Ministry of Commerce + Appropriate Regulator + FBR

Advise all ecommerce players that they at a minimum need to have

- 1)Product images
- 2)Product descriptions
- 3)Label information
- 4)Customs should record all imported goods information to build a national database(potentially talk to NADRA/Local companies for Support?)

Potential Impact – Exportable Products, Domestic Commerce, Reduction of Fraud in transactions, Documentation of businesses

By emulating a GS1-equivalent labeling standard or similar of all manufactured products in Pakistan, with a centrally administered “source of truth” for the product. This will ensure we have standardized methods for our goods and services to be available for export. (For instance be ready to sell on Amazon) Similarly, all inbound, imported goods should be recorded by Pakistan Customs and that data to be made publicly available as is the case worldwide. It allows for us to evaluate import substitution opportunities and better visibility into exportable items. Pakistan's biggest problem is Documentation and discovery of what we make, to International markets. Open standards technology with agency support can help with that. To stop the flight of funds in gray channel imported products ensuring the above will self-identify items that are non-duty paid and aid in creating a national registry of products & help with local substitution of goods especially when they show up online for sale.

We need a NADRA Led, State bank and SECP integrated, Citizen Business Identity Rails

(CBIR) Meaning, any startup, company, person, freelancer can build services that need identity to be verified **at low to zero cost**. This will unleash massive economic mobility along with the gray economy and under-documented items to be documented as transaction flows become digital. Need NADRA + SECP + SBP to open this up via APIs, or in the interim find a mechanism for startups to do this efficiently and inexpensively.

Potential remit of NADRA in first leg, then SECP & SBP

Need NADRA to open this up or find a mechanism to enable startups to do this with their support. Today APIs do-exist they are typically for Banks/other established businesses like telcos.

They are also not:

- 1)Open to connect and use by any one building digital products and services
- 2)Open in terms of a published stack for identity with documentation
- 3)Startup friendly, there needs to be NADRA Startup desk to facilitate API integrations
- 4) FBR should give startups(tax incentives) for getting their end users tax registered if they use these APIs.

Potential Impact – Domestic Growth of Commerce + FX inbound into free lancer payments.

Due to a MISSING Country KYC Portal or service, our free lancers are at a dis-advantage when they do free-lancing. 1st we don't have a direct tie up with any of the free lancing websites, 2nd its because there is an identity stack issue, 3rd all our free lancers info resides with foreign companies like 2co and Payoneer. For that to change NADRA needs to enable identity rails.

Mandate banks to establish digital onboarding for merchant accounts (that works)

Potential Remit of SBP

Need SBP to ensure that digital channels for banks have Digital on-boarding from all surfaces, (apps, web, call center, in-person) to have a TAT of maximum of 7 working days. Today there is no requirement only guidelines.

Potential Impact – Digital Transactions, Digital Commerce Growth

This enables more sellers/buyers to get in to independent retail thus pay more taxes who are today doing COD and selling on Instagram + Facebook and WhatsApp, this is one way to ensure these transactions get captured.

A sliding scale removal of COD over 1 year. Meaning no more cash payments for items over 10,000 PKR using cash. Ensuring doorstep digital or advance digital payments for over 10k PKR payments, then reducing to 5k for all non food deliveries to combat and comply with FATF and ensure faster digitization of payments

Potential remit of SBP to pass this regulation + FBR to monitor

Need SBP to ensure that digital channels enablement happens by ensuring COD is slowly removed from the ecosystem. For this RAAST has to work faster, better, PUSH/Pull payments have to be in place.

- 1) Ban COD payments over 10000 PKR in 6 months
- 2) 6 months later at the 12 month mark do the same with COD over 5000 PKR
- 3) In 18 months COD only continues for food deliveries and not e-commerce of any kind

Potential Impact – Faster compliance with FATF, 5x Faster uptake of digital payments & documentation

This enables more buyers to pre-pay, it adds confidence in the ecosystem, it identifies and records who the payment is going to. All CASH-Handling/money laundering happening via logistics businesses will get identified and will have to happen via banking/digital channel, thus creating a paper trail. It also allows FBR + NADRA+ SBP to collect accurate commerce/identity data.