

# **REGISTRATION & LICENSING REQUIREMENTS FOR SMEs in Punjab Province {Part-01}**



**Small and Medium Enterprises Development Authority**  
**Ministry of Industries & Production**  
**Government of Pakistan**  
**[www.smeda.org.pk](http://www.smeda.org.pk)**

## **HEAD OFFICE**

4th Floor, Building No. 3, Aiwan-e-Iqbal Complex, Edgerton Road,  
Lahore  
Tel: (92 42) 111 111 456, Fax: (92 42) 36304926-7  
[helpdesk@smeda.org.pk](mailto:helpdesk@smeda.org.pk)

<b>REGIONAL OFFICE PUNJAB</b>	<b>REGIONAL OFFICE SINDH</b>	<b>REGIONAL OFFICE KPK</b>	<b>REGIONAL OFFICE BALOCHISTAN</b>
3 <sup>rd</sup> Floor, Building No. 3, Aiwan-e-Iqbal Complex, Edgerton Road Lahore, Tel: (042) 111-111-456 Fax: (042) 36304926-7 <a href="mailto:helpdesk.punjab@smeda.org.pk">helpdesk.punjab@smeda.org.pk</a>	5 <sup>TH</sup> Floor, Bahria Complex II, M.T. Khan Road, Karachi. Tel: (021) 111-111-456 Fax: (021) 5610572 <a href="mailto:helpdesk-khi@smeda.org.pk">helpdesk-khi@smeda.org.pk</a>	Ground Floor State Life Building The Mall, Peshawar. Tel: (091) 9213046-47 Fax: (091) 286908 <a href="mailto:helpdesk-pew@smeda.org.pk">helpdesk-pew@smeda.org.pk</a>	Bungalow No. 15-A Chaman Housing Scheme Airport Road, Quetta. Tel: (081) 831623, 831702 Fax: (081) 831922 <a href="mailto:helpdesk-qta@smeda.org.pk">helpdesk-qta@smeda.org.pk</a>

**June, 2018**



### **INTRODUCTION OF SMEDA**

The Small and Medium Enterprise Development Authority (SMEDA) was established with the objective to provide fresh impetus to the economy through the launch of an aggressive SME development strategy. Since its inception in October 1998, SMEDA had adopted a sectoral SME development approach. A few priority sectors were selected on the criterion of SME presence. In depth research was conducted and comprehensive development plans were formulated after identification of impediments and retardants. The all-encompassing sectoral development strategy involved overhauling of the regulatory environment by taking into consideration other important aspects including finance, marketing, technology and human resource development.

After successfully qualifying in the first phase of sector development SMEDA reorganized its operations in January 2001 with the task of SME development at a broader scale and enhanced outreach in terms of SMEDA's areas of operation. Currently, SMEDA along with sectoral focus offers a range of services to SMEs including over the counter support systems, exclusive business development facilities, training and development and information dissemination through a wide range of publications. SMEDA's activities can now be classified into the three following broad areas:

1. Creating a Conducive Environment; includes collaboration with policy makers to devise facilitating mechanisms for SMEs by removing regulatory impediments across numerous policy areas.
2. Cluster/Sector Development; comprises formulation and implementation of projects for SME clusters/sectors in collaboration with industry/trade associations and chambers.
3. Enhancing Access to Business Development Services; development and provision of services to meet the business management, strategic and operational requirements of SMEs.

SMEDA has so far successfully formulated strategies for sectors, including fruits and vegetables, marble and granite, gems and jewelry, marine fisheries, leather and footwear, textiles, surgical instruments, transport and dairy. Whereas the task of SME development at a broader scale still requires more coverage and enhanced reach in terms of SMEDA's areas of operation.

### **ROLE OF SMEDA LEGAL SERVICES CELL**

The Legal Services Cell (LSC) is a part of Business Development Division of SMEDA and plays a key role in providing an overall facilitation and support to SMEs. The LSC provides guidance based on field realities pertaining to SMEs in Pakistan and other parts of the world.

LSC believes that information dissemination among the SMEs on the existing regulatory environment is of paramount importance and it can play a pivotal role in their sustainable development.

In order to facilitate SMEs at the Micro Level LSC has developed user-friendly systems,



## **Registration & Licensing Requirements for SMEs**

which provide them detail description of the Laws, and Regulations including the process and steps required for compliance.

The purpose of this document is to provide SMEs either individuals or companies with information pertaining to licensing and other legal requirements for formation of money exchange companies. Entrepreneurs interested in enhancing their understanding about the procedures and rights can also use the document. For convenience of the reader's sample of various forms, instructions on how to fill up the forms are also included.



### **DISCLAIMER**

This document enlists information pertaining to licensing and registration requirements of SMEs engaged in industrial activity. Form of this document and the contents therein are provided only for general information purpose and on an "as is" basis without any warranties of any kind. Use of this document is at the user's sole risk. SMEDA assumes no responsibility for the accuracy or completeness of this document, its form and any of the information provided therein and shall not be liable for any damages arising from its use.

Document No.	PUN/OTC/7
Prepared By	SMEDA-Punjab
Prepared In	June, 2018
For information	<a href="mailto:shaheen@smeda.org.pk">shaheen@smeda.org.pk</a>



### TABLE OF CONTENTS

#### Section--A Federal Government Authorities

A-01: Business Structure-----	5
A-02: Business Taxation-----	6
A-03: Labour-----	7
A-04: Petroleum and explosives-----	9
A-05: Pakistan Standards-----	10
A-06: Drugs-----	11

#### Section--B Government of the Punjab

B-01: Business Structures-----	12
B-02: Labour-----	13
B-03: Business Taxation-----	17
B-04 Food & Feed Stuff-----	18
B-05 Environment-----	19

#### Section--C Local Governments

C-01: Sale / Purchase of Chemicals-----	20
C-02: Crushing & Grinding of Stones-----	21
C-03: Approval of Building plans-----	22



Section A		Federal Government / Authorities		
Section A- 01		Business Structure		
#	Name of the Law	Registration / Licensing Requirement	Registration / Licensing Fee	Relevant Department
1.	The Companies Act, 2017	<p>Incorporation of a Limited Liability Company</p> <p><b>Note:</b> Registration as a limited liability company is not mandatory for starting a business</p>	<p>Fee is to be paid according to the denomination of nominal share capital that is prescribed in the Memorandum of Association of a company as per the rates given in sixth schedule to the Companies Act, 2017</p>	Securities & Exchange Commission of Pakistan (SECP)
2.	The Limited Liability Partnership Act, 2017	<p>Incorporation of a Limited Liability Partnership</p> <p><b>Note:</b> Registration as a limited liability company is not mandatory for starting a business</p>	<p>Rs. 1000 in case of manual and Rs. 2000 for online registration of LLP</p>	Securities & Exchange Commission of Pakistan (SECP)



Section A- 02		Business Taxation		
#	Name of the Law	Registration / Licensing Requirement	Registration / Licensing Fee	Relevant Department
1.	The Sales Tax Act, 1990	<p>Sales Tax Registration.</p> <p><b>Note:</b> A cottage industry having upto 10 million annual turnover is exempted from registration.</p> <p><b>Note:</b> Monthly sales tax returns are required to be filed with FBR by every registered person.</p>	No fee	Federal Board of Revenue
2.	The Income Tax Ordinance, 2001	<p>National Tax Number (NTN)</p> <p><b>Note:</b> A person having annual taxable income of up to Rs. 400,000 is not required to be registered.</p> <p>Note: Annual tax returns are required to be filed with FBR by every registered person.</p>	No fee	Federal Board of Revenue
3.	The Federal Excise Act, 2005	<p>Registration Required. But if registered with Sales Tax, no separate registration required.</p> <p><b>Note:</b> Monthly tax returns are required to be filed with FBR by every registered person.</p>	No fee	Federal Board of Revenue
4.	The Customs Act, 1969	<p>No registration required</p> <p>The law regulates import and export of goods and services</p>	No registration is required	Federal Board of Revenue



## Registration & Licensing Requirements for SMEs

Section A- 03		Labor		
#	Name of the Law	Registration / Licensing Requirement	Registration / Licensing Fee	Relevant Department
5.	The Employees Old Age Benefits Institution (EOBI) Act	Registration for contribution to retirement benefits of workers. Act is applicable where 10 or more persons, other than directors, are employed directly or through any other person or were so employed on any day during the last twelve months and shall continue to apply even if the number of persons so employed at any time reduces to 10.	No fee required for registration. Under the Act, the employer is to pay 6% of the wages of each employee as monthly contribution and also deduct 01% of wages as contribution from employee and deposit the same to EoBI	Employees Old Age Benefits Institution (EOBI), Government of Pakistan
6.	Workers Welfare Ordinance, 1971	No Registration Required. The Law is applicable only to Companies registered under the Companies Act, 2017.	Requirement to pay 2% of annual income where annual income is not less than Rs. 500,000. The amount is to be deposited along with income tax	Federal Board of Revenue
7.	Companies Profit (Workers Participation) Act, 1968	No Registration Required. The Law is applicable only to Companies registered under the Companies Act, 2017.	Requires payment of 5% of profits to the fund	Federal Board of Revenue





## **Registration & Licensing Requirements for SMEs**

8.	The Industrial Relations Act, 2010	No Registration Required. The Law allows formation of trade unions in the industry without prescribing any limit as to number of workers for its applicability.	-	Registrar of trade unions, Government of Pakistan
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Section A- 04		Petroleum and Explosives		
#	Name of the Law	Registration / Licensing Requirement	Registration / Licensing Fee	Relevant Department
1.	The Explosives Act, 1884 and The Explosives Rules, 2010	License for possession, sale and use of explosives in any manufacturing process	A fee ranging from Rs. 250 (fix) to Rs.500-1000 for every 1000kg of explosives as prescribed in the schedule of fees to the Explosives Rules, 2010	Department of Explosives, Ministry of Industries and Production, Government of Pakistan
2.	The Petroleum Act, 1934 and Mineral and Industrial Gases Safety Rules, 2010	License for importation of gas cylinders, storage, filling, sale and transportation of mineral, compressed and liquefied petroleum gases	Fees prescribed under the Mineral and Industrial Gas Safety Rules, 2010.	Department of Explosives, Ministry of Industries and Production, Government of Pakistan.



## Registration & Licensing Requirements for SMEs

Section A- 05		Pakistan Standards		
#	Name of the Law	Registration / Licensing Requirement	Registration / Licensing Fee	Relevant Department
1.	Pakistan Standards & Quality Control Authority (PSQCA) Act, 1996	License required for every manufacturer manufacturing goods requiring mandatory application of Pakistan standards as notified by the Government of Pakistan. A list of such goods is available at <a href="http://www.psqca.com.pk">www.psqca.com.pk</a>	Application fee is Rs.1000 Product testing fee is as per rated notified by PSQCA Fee for grant of license is Rs.5000 per product per year	Pakistan Standards and Quality Control Authority (PSQCA), Ministry of Science and Technology Government of Pakistan



Section A- 06		Drugs																													
#	Name of the Law	Registration / Licensing Requirement	Registration / Licensing Fee	Relevant Department																											
2.	<ul style="list-style-type: none"><li>The Drugs Act, 1976</li><li>Drugs (Licensing, Registration &amp; Administration) Rules, 1976</li><li>Drugs (Labeling and Packaging) Rules, 1986</li><li>Drugs (import &amp; export) Rules, 1986</li></ul>	Registration and Licensing for manufacturing, import and export of Drugs in Pakistan.	<table><tr><th>#</th><th>Description</th><th>Fee (Rs.)</th></tr><tr><td>a</td><td colspan="2">For Licensing</td></tr><tr><td></td><td>By way of Basic</td><td>1,000</td></tr><tr><td></td><td>By way of semi basic</td><td>10,000</td></tr><tr><td></td><td>By way of formulation</td><td>25,000</td></tr><tr><td></td><td>By way of repacking</td><td>15,000</td></tr><tr><td>b</td><td>For registration of a Drug</td><td>5,000</td></tr><tr><td>c</td><td>Application fee Advertisement (Each ad)</td><td>1,000</td></tr><tr><td>c</td><td>For Import / Export of drugs</td><td>50</td></tr></table>	#	Description	Fee (Rs.)	a	For Licensing			By way of Basic	1,000		By way of semi basic	10,000		By way of formulation	25,000		By way of repacking	15,000	b	For registration of a Drug	5,000	c	Application fee Advertisement (Each ad)	1,000	c	For Import / Export of drugs	50	Drug Regulatory Authority of Pakistan
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a	For Licensing																														
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Section B		Government of the Punjab		
Section B-01		Business Structure		
#	Name of the Law	Registration / Licensing Requirement	Registration / Licensing Fee	Relevant Department
1.	The Partnership Act, 1940	Registration of a Partnership Firm. <b>Note:</b> Registration of a Firm is not mandatory for starting a business but registration has certain advantages	Rs. 100	Registrar of Firms in each district appointed by the Government of the Punjab



## Registration & Licensing Requirements for SMEs

Section B-02		Labor		
#	Name of the Law	Registration / Licensing Requirement	Registration / Licensing Fee	Relevant Department
1.	The Factories Act, 1930	NoC from Labor department to establish a Factory is required. After establishment, Registration is required to commence work which is granted for one year and is renewable.	No fee provided in the Rules. Online registration facility is available at Punjab Labour department website.	Labor department, Government of the Punjab
2.	Provincial Social Security Ordinance, 1965	Registration for social security contributions in respect of workers earning not more than Rs. 18000 per month.	No fee for registration. Rate of contribution @ 6% of wages payable by the employer and Rs. 40 per month is to be deducted from the employees to be paid by the employer	Employees Social Security Institutions, Government of the Punjab
3.	The Shops and Establishments Act, 1962	Applicable to establishments other than a one -man shop and factories employing clerical staff. The law provides standards relating to payment of wages, working hours, leave and holidays etc.	Fee for registration is as follows: Rs. 200 in case of establishment employing 1-5 workers Rs. 300 in case of establishment employing 6-10 workers Rs. 500 in case of establishment employing 11-20 workers Rs. 1000 in case of establishment employing more than 20 workers	Labor department, Government of the Punjab



## Registration & Licensing Requirements for SMEs

#	Name of the Law	Registration / Licensing Requirement	Registration / Licensing Fee	Relevant Department
4.	The Payment of Wages Act, 1936	No Registration Required	Requirement as to how and when wages to be paid to workers and what deductions can be made from wages	Labor department, Government of the Punjab
5.	The Minimum Wages Ordinance, 1961	No Registration Required	Prescribes minimum wages to be paid by an employer to an un-skilled worker	Labor department, Government of the Punjab



## Registration & Licensing Requirements for SMEs

#	Name of the Law	Registration / Licensing Requirement	Registration / Licensing Fee	Relevant Department
6.	The West Pakistan Maternity benefits Ordinance,	No Registration Required	Requirement to grant mandatory paid leave to female workers for six weeks before and six weeks after the delivery.	Labor department, Government of the Punjab
7.	The Workers Compensation Act, 1923	No Registration Required	The Employer is liable for compensation to the worker only if the latter contracts the disease or death during the course of his employment or is inflicted with an accident arising out of and in course of his employment.	Labor department, Government of the Punjab





## Registration & Licensing Requirements for SMEs

8.	The Workers Children (Education) Ordinance, 1972	No Registration is Required	Every employer in which the number of workers employed at any time during a year is ten or more shall pay to the government an education cess @ Rs. 100 per worker per annum.	Labor department, Government of the Punjab
9.	The Disables Persons (Employment and Rehabilitation Ordinance, 1981.	No Registration Required. The law requires that not less than 3% of the total number of persons employed by any establishment at any time shall be disabled who are fit to work.	An establishment which does not employ disables shall pay in a Fund established by the government each month the sum of money it would have paid as salary or wages to a disabled person had he been employed.	Labor department, Government of the Punjab



## Registration & Licensing Requirements for SMEs

Section B-03		Business Taxation		
#	Name of the Law	Registration / Licensing Requirement	Registration / Licensing Fee	Relevant Department
1.	The Punjab Finance Act, 1977	Registration with excise and taxation department	<p>No fee for registration. Rate of contribution @ 6% of wages payable by the employer and Rs. 40 per month is to be deducted from the employees to be paid by the employer</p> <p><b>Employees not exceeding 10 PKR. 1000/-</b></p> <p><b>Employees exceeding 10 but not exceeding 25 PKR. 2000/-</b></p> <p><b>Employees exceeding 25 PKR. 5000/-</b></p>	Excise and Taxation department, Government of the Punjab
2.	The Punjab Sales Tax on Services Act, 2012	<p>Registration Required. Every person rendering taxable services as notified by the Government of the Punjab is required to be registered under the Act.</p> <p><b>Note:</b> Persons already registered with FBR are not required to be registered separately under this Law. Their registration with FBR is enough.</p>	<p>No fee for Registration</p> <p><b>Note:</b> Every registered person is required to file monthly sales tax return to the Punjab Revenue Authority</p>	Punjab Revenue Authority



## Registration & Licensing Requirements for SMEs

Section B-04		Food & Feed Stuff		
#	Name of the Law	Registration / Licensing Requirement	Registration / Licensing Fee	Relevant Department
3.	The Punjab Animals Feed Stuff and Compound Feed Act, 2016	License to manufacture, store, supply, transport for sale and market animal foodstuff and compound feed in Punjab	Fee for NoC to set up a mill: Rs.10,000/-  Fee for License to manufacture, store, supply, transport for sale and market animal foodstuff and compound feed in Punjab: Rs.50,000/-	Dairy and Livestock Department, Government of the Punjab
4.	Punjab Food Authority Act & Pure Food Rules (Applicable to food businesses only)	Registration & Licensing Required	Rs.1000 fee for licensing	Punjab Food Authority



## Registration & Licensing Requirements for SMEs

Section B-05		Environment		
#	Name of the Law	Registration / Licensing Requirement	Registration / Licensing Fee	Relevant Department
5.	The Environment Protection Act	NoC for starting industrial activity	Project Cost Upto Rs.5,000,000 IEEE 50,000 EIA 50,000 Project Cost Rs.5,000,000 to 10,000,000 IEEE 100,000 EIA 200,000 Project Cost Greater than Rs. 10,000,000 IEEE 200,000 EIA 500,000	Environment Protection Agency, Government of the Punjab
6.	The Boilers and Pressure Vessels Ordinance, 2002 & Pakistan Boilers Rules, 2009	Registration of an Industrial boiler	Fees as prescribed by the provincial government	Industries and Commerce department, Government of the Punjab



## Registration & Licensing Requirements for SMEs

Section C		Local Governments		
Section C-01		Sale / Purchase of Chemicals		
#	Name of the Law	Registration / Licensing Requirement	Registration / Licensing Fee	Relevant Department
7.	The City District Government Regulation of the Trade of Chemicals Bye-Laws, 2013	License is required from the respective City District Government to start a business of chemicals Permission is required from the respective City District Government for 'Purchase' of Chemicals	Fees Prescribed by every City District Government	Respective DCOs/DCs of districts



## Registration & Licensing Requirements for SMEs

Section C-02		Crushing / Grinding of Stones		
#	Name of the Law	Registration / Licensing Requirement	Registration / Licensing Fee	Relevant Department
8.	The Tehsil/Town Municipal Administration (Trade for Crushing, Grinding of stones and Quartz Materials) Bye-Laws/2015	License to do business of crushing, grinding of stones and quartz materials)	Fees prescribed by each TMA.	Respective TMA of districts



## Registration & Licensing Requirements for SMEs

Section C-03		Approval of Building Plans		
#	Name of the Law	Registration / Licensing Requirement	Registration / Licensing Fee	Relevant Department
9.	The Lahore Development Authority Act Lahore Development Authority Building Regulations (Only applicable in Lahore, Kasure, Okara and Shekhupura)	Approval of Building Plan for industrial and commercial buildings	Rs.15 per sq.ft of total covered area. Rs. 10,000 for completion certificate processing	Lahore Development Authority (LDA)