

# PROCEDURE FOR SETTING UP OF A LIMITED LIABILITY COMPANY IN PAKISTAN



**Small and Medium Enterprises Development Authority**

**Ministry of Industries & Production**

**Government of Pakistan**

**[www.smeda.org.pk](http://www.smeda.org.pk)**

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**July, 2018**

## 1. 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.

Along with the sectoral focus a broad spectrum of services are now being offered to the SMEs by SMEDA, which are driven by factors like enhanced interaction amongst the stakeholders, need based sectoral research, over the counter support systems, exclusive business development facilities, training and development for SMEs and information dissemination through wide range of publications.

## 2. 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, 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 potential or existing entrepreneurs and Service Providers, with information pertaining to requisite requirements for incorporation of a limited liability company. Entrepreneurs interested in enhancing their understanding about the nature and form of a limited liability company can also use the document.

## 3. DISCLAIMER

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.

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## **PROCEDURE FOR SETTING UP OF A LIMITED LIABILITY COMPANY IN PAKISTAN<sup>i</sup>**

### **1. Relevant Authority for Incorporation of a Company**

Securities & Exchange Commission of Pakistan (SECP) is the relevant Authority which regulates the incorporation and management of Companies in Pakistan.

### **2. Requirement of Minimum Number of Members**

- I. Any three or more persons associated for lawful purpose may, by subscribing their names to the Memorandum of Association and complying with the requirements of the Companies Act, 2017 form a public limited company; and
- II. any one or more persons so associated may, in like manner, form a private company. If only one member forms a private limited company, it is called a single member company.

### **3. Step wise procedure for Company Incorporation**

Following Procedure is to be followed for incorporation of a new company under the Companies Act, 2017:-

#### **a. Availability of Name**

The first step with regard to incorporation of a company is to seek the availability of the proposed name for the company from the concerned registrar of companies designated by SECP. For this purpose, an application is to be made and Rs.200/- for online application and Rs.500/- for offline application is required to be paid seeking availability certificate for each name. To facilitate the promoters, a list of prohibited/sensitive names has also been provided at the link: <https://www.secp.gov.pk/prohibitedwords/>.

#### **b. Submission of Documents for incorporation of a Private Limited Company**

After getting the name availability certificate, following documents are required to be filed with the registrar concerned for incorporation of a private limited company:-

- I. Copy of national identity card/NICOP or passport, in case of foreigner, of each subscriber and witness to the memorandum and articles of association,
- II. Copy of CNIC/NCOP of Nominee only in case of Single member company or copy of passport in case of foreigner.

- III. Memorandum of association drawn in conformity with Table B, C, D, E or F of the First Schedule to the Companies Act or any other rules or regulations notified by the Commission:

Four printed copies of Memorandum of Association in case of offline submission and one copy for online submission, duly signed by each subscriber in the presence of one witness and stamped as required by the Stamp Act, 1899, where applicable. In order to facilitate general public, the standardized specimen of Memorandum of Association of various sectors has been provided on the Commission's website.

Witnesses to Memorandum of Association are not required in case of electronic submission.

- IV. Article of Associations, where required drawn in conformity to Table A of the First Schedule to the Act.
- V. Authorization for filing for filling of documents by the subscribers on the prescribed form in favor of either one of them or registered intermediary
- VI. Form – 1: Declaration of applicant for compliance
- VII. Form – 21: Notice of situation of registered office of the company
- VIII. Form – 29: Particulars of first directors of the company
- IX. Registration/filing fee: Original paid challan evidencing the payment of fee as prescribed in Table - II, in any of the authorized branches of MCB Bank Limited.

**c. Additional Requirements for the Incorporation of a Public Limited Company**

In addition to the requirements for incorporation of a private limited company as stated above, the public companies are required to file the following documents at the time of incorporation:

- i. Form 27 (List of persons consenting to act as director)
- ii. Form 28 (Consent of Directors)

**d. Additional Requirements where all or any of the promoters are foreigners**

In case any foreigner is a promotor of the company proposed to be incorporated, the SECP requires following additional documents:

- I. 08 set of copies passport of foreigner promoter
- II. 08 Copies of colored photographs of foreigner promotor
- III. 08 Copies of bio-data of every promotor
- IV. 08 Copies of Memorandum and Articles of Association

All the above documents mentioned in clause (d) are sent to the ministry of foreign affairs for security clearance of the foreigners.

In case the subscriber is a foreign company, the additional information is required by the registrar including but not limited to, the profile of the company, detail of its directors, their nationality and country of origin, copy of its charter, statute or memorandum and Articles etc.

**e. Additional Requirements for Incorporation of a Company having Objects of providing Security Services**

In case of company intending to provide the services of security guard, nine additional sets of each of the documents at I and II above along with the bio-data, four attested photographs of each subscriber and financial position/bank statement of the subscribers are also required to be provided. Ministry of Interior grants NOC for a security object company.

**e. Documents for incorporation of an association not for profit**

All the documents meant for incorporation of a limited company along with a license issued by the SECP. In case of a trade body, a license issued by Ministry of Commerce would also be submitted to the registrar concerned. Detailed guidance is provided on the link:

<https://www.secp.gov.pk/licensing/section-42-companies/>

**Note: Prior Approval Requirements**

Prior approval of the Ministries/Departments etc. noted against each category of the following companies is required to be obtained before incorporation of companies: -

Sr. No	A banking Company	I) Ministry of Finance II) State Bank of Pakistan
1	A non-Banking finance Company (NBFC)	SECP
2	A company providing security service	Ministry of Interior
3	A corporate brokerage house	Stock Exchange (for transfer of membership card in favour of proposed company)

4	A money exchange company	State Bank of Pakistan
5	An association not for profit u/s 42 of the Companies Ordinance, 1984	License from SECP.
6	A trade organization	License from Ministry of Commerce

## STEP WISE PROCEDURE FOR ONLINE DOCUMENTATION FOR THE INCORPROATION OF THE COMPANY

### **Log on to eServices:**

The client will connect to <https://eservices.secp.gov.pk/eServices> to log on to his/her account or signup, in case of a new user.

For incorporation process, please note that you will need to create separate User IDs for all proposed Subscribers, in order to obtain their system generated PIN. After obtaining name availability, User should use the "Manage Company Users" button available on the top right hand side of the web page to create separate/additional User IDs.

### **Enter Information:**

A successful logon to eServices by entering user ID and password will display a list of available and unavailable processes. If the Company name has been reserved successfully, the Company Incorporation facility will be available at this stage.

User will click on the company incorporation process. An input page is displayed, wherein the following information will be entered by the user.

- (i) Application Details:  
Check the details of the proposed company in terms of its complete name and kind to ensure that the information is correctly displayed. In case of any issue, please contact the concerned Company Registration Office (CRO).

Click on "Mode of Payment" and select the mode whether you want to make payment through "Bank Challan" or "Credit Card".

In case you choose “Bank Challan”, then click on “Locate Bank” and select the designated bank branch from the available branches of MCB Bank Limited or United Bank Limited.

- (ii) **Declarant:**  
In this section, enter the compulsory information about the declarant/company representative. A declarant can be any person authorized to represent the proposed company by the Owners/Board of Directors. Any employee or even the director of the proposed company could be chosen for this responsibility.
- (iii) **Director/ Subscriber:**  
Enter detailed data regarding the Board of Directors and Subscribers in this section. “Add” and “Remove” buttons will create and remove rows for data entry.
- (iv) **Company information:**  
Enter company information e.g., registered office address, sector classification, share capital, objects etc., in this section.
- (v) **Signatory:**  
Enter details of a signatory in this section.
- (vi) **Press Continue Link:**  
By pressing Continue Link, Process Document Listing Page will be displayed, containing the following links alongwith Sign form option:
  - a. **Update Form(s) Data:**  
Click link if you want to update the data. After updating data, press Continue link again. Process Document Listing Page will be displayed again.
  - b. **View Forms:**  
System automatically fills out the required forms using the data entered by you. You can view these forms by clicking on the given link.
  - c. **View Company Profile Form:**  
To see company profile, click this link.
  - d. **Fill New Attachment Form:**  
In this link, you can attach the required documents in PDF format e.g., copy of CNIC, name availability letter, etc. Press Save Form button after attaching the required documents.
  - e. **Fill New Attachment Form Articles of Association:**



Click this link and attach the Articles of Association in PDF format. Press Save Form button after attaching the said file.

- f. Fill New Attachment Form Memorandum of Association:  
Click this link and attach the Memorandum of Association in PDF format. Press Save Form button after attaching the said file. Please note that all the above mentioned PDF file names should be short, without spaces, and should not contain any special characters.
- g. Fill New Bank Challan:  
Click link and bank challan will be displayed. Bank Challan is automatically populated with prescribed fee and other information by the eServices application. Press Save Form. Do not print and pay challan before submitting the process/form.
- h. Sign Forms (Using PIN).  
The user shall Click "Sign form". Please note that sign form link will be activated when all mandatory documents are attached and challan is saved.

Enter the PIN and click "Apply user PIN", field for "PIN APPLIED" will be auto-populated and on clicking "Submit process to SECP" button, process will be submitted to SECP. Please note that every subscriber needs to sign the documents by logging in with his/her User ID and password and applying their respective PIN. Click this button. All the documents will be submitted to the SECP and a process reference number will be displayed. Please keep this reference number for any future correspondence, if required.

- i. Make Payment:  
**Payment through Challan:**  
Click on Submitted Processes link available on the left side of the page. Documents submitted by you along with bank challan will be displayed. Click and open challan and then press Print. Four copies will automatically be printed as original copy, applicant copy, bank copy and branch copy.

The fee shall be deposited in the Bank branch selected by the applicant from the designated branches of MCB Bank Limited/United Bank Limited. The bank shall retain the branch and bank copies and return remaining two copies (original and applicant copy) to the client.

**Payment through Credit Card:**

To facilitate investors and speed up processing time of transactions in eServices, SECP has introduced online payment of fee through Credit Cards. This facility is only available to depositors/applicants using eServices online submission option of SECP and transact through eServices portal. To make payment through Credit Card, click on “Online Payment” link available on the left side of the page, then select the relevant check box under “Make Payment” and follow procedure.

For obtaining further information regarding payment of fee through Credit Cards, please visit SECP website and see Online Payment Guide available on the eServices page. Payment through MCB Online Fund Transfer Facility SECP has also arranged with MCB Bank Limited to introduce an “On-line Fund Transfer (OFT)” facility whereby its depositors can pay SECP fee directly into SECP’s bank account in MCB through on-line fund transfer from their MCB Bank account, without the need to visit a branch for physically depositing the amounts. This facility is only available to depositors/applicants using eServices online submission option of SECP and transact through eServices portal.

For obtaining further information regarding MCB OFT Facility, then please visit SECP website and see Online Fund Transfer Facility Guidelines available on the main page.

The process will be initiated as soon as the SECP receives the verification of deposit of fee from the Bank.

User will receive response from the SECP via email, with any of the response, acceptance (Incorporation Certificate Dispatched through Courier), rejection or issue resolution.

For more information about eServices, please visit the website at <https://eservices.secp.gov.pk/eServices/>

### **Post Incorporation Requirements**

#### **a. Private companies**

- i. Directors of every company are required to appoint the first chief executive not later than fifteen days from the date of incorporation and thereafter within fourteen days from the date of election.

- ii. The first auditor is required to be appointed by the directors within sixty days from the date of incorporation and thereafter in each AGM of the company.
- iii. A single member company is also required to appoint a company secretary within fifteen days of incorporation or of becoming a single member company or of the office of company secretary falling vacant and notify such appointment on Form 29 within fourteen days of the date of such appointment.
- iv. Any appointment, election or change in the Directors, Chief Executive, Auditors, Chief Accountant, legal adviser etc is required to be notified to the registrar concerned on Form '29' within 14 days of the said election, appointment or change.
- v. A company is required to notify the change in its registered office on Form-21 within 28 days from the date of change.
- vi. First Annual General Meeting (AGM) of the company is required to be held within eighteen months from the date of incorporation and subsequent Annual General Meetings are required to be held once at least in every calendar year, within a period of four months following the close of its financial year and not more than fifteen months after holding of its last preceding AGM.
- vii. Annual return on prescribed Form 'A'/'B' as applicable is required to be filed with the registrar concerned once in each year made as on the date of Annual General Meeting, where no such meeting is held, on the last day of the calendar year .
- viii. In case of increase in paid-up capital, the company is required to offer new shares to the existing shareholders and the offer is required to be accompanied by a circular issued under section 86(3) to all the shareholders strictly in proportion to the shares held by them and, on the allotment of shares, return of allotment on Form '3' is required to be filed with registrar concerned within 30 days from the date of allotment of shares. Partly paid shares are not allowed to be issued at all.
- ix. Particulars of every mortgage or charge created by the company on its property or undertaking and every modification therein or satisfaction thereof are required to be filed and registered with the registrar concerned within 21 days after the date of its creation, modification or satisfaction .
- x. In case of death of single member of a Single Member Company, the secretary shall manage affairs of the company till transmission

of shares to legal heirs of the single member, and inform the registrar concerned about the death, provide particulars of the legal heirs and in case of any impediment report the circumstances seeking within seven days of the death of directors in the form as set out in Form S 3.

**b. Public companies**

- i. All the requirements meant for private companies given at serial Nos. (i) to (xii) above are also applicable to public companies. However, the listed companies are also required to file list of members on CD/DVD/USB to the Commission and the associations are required to file with the registrar concerned annual return on Form 'B' instead of Form 'A'.
- ii. List of Directors and consent of Directors and Chief Executive are required to be filed within 14 days after the election of Directors and appointment of Chief Executive on Forms 27 & 28.
- iii. A private company may commence its business immediately after its incorporation. However, a public Company shall be entitled to commence its business after obtaining commencement of business certificate from the registrar concerned.
- iv. Statutory meeting is required to be held within a period of not less than three months but not more than six months from the date at which the company is entitled to commence business. A statutory report is required to be circulated to the members and the registrar within the time frame as prescribed under the law.
- v. Return containing beneficial ownership of listed securities and change therein on Form 31 and Form 32 are required to be filed with the Registrar concerned and the SECP.
- vi. A listed company is also required to appoint a company secretary.

**c. Requirements for establishment of place of business by foreign companies**

A Foreign Company incorporated outside Pakistan, is required to file the following documents to the registrar concerned within 30 days from the establishment of its place of business in Pakistan. Detailed procedure is available at <https://www.secp.gov.pk/media-center/guide-books/general-guide-books/>

The SECP has introduced the Virtual one-stop shop portal for integrated business registration with Federal Board of Revenue (FBR) and Employees Old Age Benefits Institution (EOBI). A web portal has been developed to provide a single interface for investors intending to get their company registered with the SECP, followed by NTN/tax registration with the FBR, and employers' registration with EOBI.

VOSS portal is available for public access at <https://voss.gov.pk/Forms/frmLogin>

### **Fast Track Registration System**

Fast Track Registration System is introduced for quick processing of availability of name, incorporation of companies, change of name of companies and charge registration, modification and satisfaction cases. It ensures quickest disposal with a minimum of four working hours. FTRS ensures provision of services in hours, enhanced public facilitation, increase in corporatization, compliance and development of corporate sector.

**Table - I**

**RATES OF STAMP DUTY**

Stamp duty, previously levied on Memorandum and Articles of Association of a company, has been abolished by all the provincial governments. It now remains applicable in I.C.T. only, the rates of which are Rs. 60/- on Memorandum of Association and Rs. 200/- on Articles of Association. However, no stamp duty is required to be levied in case of applications submitted through eServices.

**Table - II**

**SCHEDULE OF FEES**

The Registration Fee payable by a company having share capital at different levels of capital are as follows:

<b>Item</b>	<b>In case of online submission of documents Rs.</b>	<b>In case of physical submission of documents Rs.</b>
<b><sup>1</sup>I. By a company having a share capital:-</b>		
(1) For registration of a company whose nominal share capital does not exceed 100,000 rupees, a fee of .....	1,000	2,000
(2) For registration of a company whose nominal share capital exceeds 100,000 rupees, the additional fee to be determined according to the amount of nominal share capital as follows, namely:		
(i) For every 100,000 rupees of nominal share capital or part of 100,000 rupees, up to 10,000,000 rupees, a fees of ....	500	1,000
(ii) For every 100,000 rupees of nominal share capital or part of 100,000 rupees, after the first 10,000,000 rupees, upto 5,000,000,000 a fee of ...	400	750
(iii) For every 100,000 rupees of nominal share capital or part of 100,000 rupees after the first 5,000,000,000 rupees, upto any amount of fee of ...  Provided that a company which is wholly owned by the Federal Government and has been notified by the Federal Government in the official Gazette for exemption from paying fee shall be charged a fee of Rs. 10,000/-:  Provided further that the fee payable at the time of registration of company shall not exceed forty million rupees in case of online submission and fifty million rupees in case of physical submission.	150	250

Details of other fees payable under the Company Law are available on the following link:

<https://www.secp.gov.pk/company-formation/fee-calculator/schedule-of-feesixth-schedule/>

### **Fee Calculator**

In order to facilitate the corporate sector and the general public, SECP has provided a facility of Fee calculator on <https://www.secp.gov.pk/company-formation/fee-calculator/company-incorporation-fee-calculator/> for instant calculation of the registration fee as well as fee for enhancement of authorized capital.



## LOCATION AND CONTACT DETAILS OF COMPANY REGISTRATION OFFICES

<b>Company Registration Office, Islamabad</b>
State Life Building, 7-Blue Area, Islamabad. Phone No: 051-9208740 Fax No: 051-9206893
<b>Company Registration Office, Karachi</b>
4th Floor, SLIC Building No.2, Wallace Road, Karachi. Phone No: 021-99213272 Fax No. 021-99213278
<b>Company Registration Office, Lahore</b>
3rd & 4th Floor, Associated House, 7-Egerton Road, Lahore Phone No. 042-99200273-4 Fax No: 042-99202044
<b>Company Registration Office, Multan</b>
63-A, 2nd Floor, Nawa-e-Waqt Building, Abdali Road, Multan. Phone No: 061-9200530/9200920 Fax No: 061-9200530
<b>Company Registration Office, Faisalabad</b>
2nd Floor, Faisalabad Chamber & Commerce Building, East Canal Road, Faisalabad. Phone No: 041-9230264 Fax No: 041-9230263
<b>Company Registration Office, Peshawar</b>
1st Floor, State Life Building, The Mall, Peshawar Cantt. Phone No: 091-9213275, Fax No: 091-9213686
<b>Company Registration Office, Quetta</b>
Aiwan-e-Mashriq, Plot # 4-A, Ground Floor, Opposite FC Headquarter, Hali Road, Model Town Quetta. Phone No: 081-2844136 Fax No: 081-2827538
<b>Company Registration Office, Sukkur</b>
B-73 , Hamdard Housing Society, Airport Road, Sukkur, Phone No: 071-5630517 Fax No: 071-5630517
<b>Company Registration Office, Gilgit</b>
H. N. 02, Ayub Colony, Near Apna Bank Phone No: 5811-922572

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<sup>i</sup> The content of this guide has been taken from the SECP's promoters guide with little modifications wherever required.