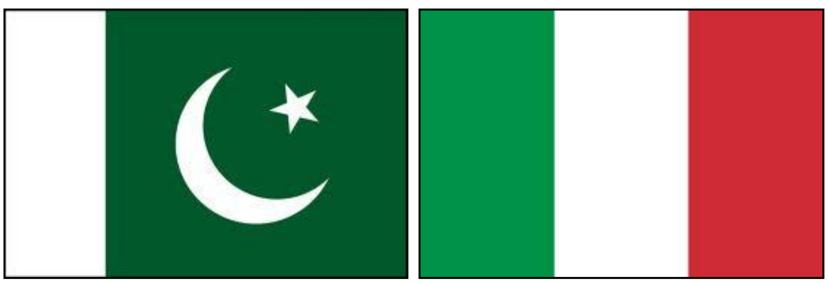
Pakistan - Italy Trade Relations & Business/Investment Opportunities



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EMBASSY OF ITALY

ISLAMABAD

Italy has always followed with keen interest the Pakistani market and in the past decades has gradually increased its' positioning, becoming one of the **top ten global trading partners** of Pakistan and the **third amongst the EU member States** with a growing trade exchange amounting in 2013 to over 1.5 billion US dollars.

Hence, over the years, Italian companies have been looking more and more at Pakistan for trade and investments; ***Energy*** remains today the most important sector, while alternative energies, including solar, wind and bio-gas, are acquiring a growing importance in our commercial relations. The ***Pharmaceutical*** sector maintains a relevant position in our bilateral trade relations with some of the Italian main companies, operating on the Pakistani market since the 1980s. Also the ***Automotive*** sector plays a leading role, as well as ***Textile***: most spinning mills successfully of Pakistan employ Italian machinery.

Italy has, hence, expertise in areas matching Pakistan's interests. For this reason, the already very significant results bestow a great potential, in terms of possible future cooperation, which has not been fully exploited yet.

In the light of the aforementioned, to further encourage bilateral business links, the Italian Embassy in Islamabad is promoting the process for the creation of a fully-fledged **Italian Chamber of Commerce in Pakistan**. On this issue, joint efforts have led, four years back, to the creation of the Karachi-based ***Italian Development Committee (IDC***), which is currently undergoing the procedures for the official recognition from the Italian Authorities. Upon recognition, the IDC plans to organize itself in several chapters, the one in Lahore having been recently inaugurated, in the main cities of the Country, becoming the first Chamber of Commerce in Pakistan officially recognized by the Authorities of an EU Member State.

Furthermore, we hope that this platform will be able to further engage the **large Pakistani Community in Italy,** adding momentum to the process. In fact, building on their entrepreneurial spirits and skills, a number of members of the Pakistani diaspora in Italy created their own successful businesses with hubs in both countries, therefore boosting the avenues of trade and creating additional bridges between Europe and Pakistan.

Moreover, the recent access of Pakistan to the GSP Plus (Generalized System of Preferences – Plus) as from January 1st 2014, will probably boost the country's economy, by allowing a high number of lines of products (especially from the textile sector) to enter free of duty into the EU market.

This very interesting publication aims to give an outlook of the economic frameworks in which Pakistani and Italian businessman can operate in both countries, and it will certainly help the ones willing to approach these markets to better understand opportunities and challenges.

Some of the areas covered in this report are: Economic overview of both Italy and Pakistan, various policies, details of regulatory framework and basics on how to start a business in each jurisdiction. Moreover the report also briefly talks about investment opportunities in both countries with examples of some success stories.

The Embassy of Italy in Islamabad would like to commend the work done by Ms. Ayla Majid and by the KMR's very competent staff. We are sure it will constitute an important tool to further enhance our mutual understanding and underscore existing business potential.

Islamabad, 25 February 2014

Dr. Federico Bianchi
Head of the Economic and Commercial Office

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Finally, I would like to appreciate the efforts of my team members Azhar Abbas and Ahmed Khalid for their hard work and dedication for completion of this publication.

The main idea of this initiative is to create awareness about the economic environment in Pakistan and Italy by providing guidance and knowledge about the business eco system prevalent in both countries. The same will enhance comprehension of those who wish to explore opportunities in both the countries. Some of the areas covered in this report are: Economic overview of both Italy and Pakistan, various policies, details of regulatory framework and basics on how to start a business in each jurisdiction. Moreover the report also briefly talks about investment opportunities in both countries with examples of some success stories. Whereas this is a general document my team and I would be happy to answer specific queries relating to various businesses, policies and compliance requirements.

AYLA MAJID

5-Mar-14

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Annexure

SCHEDULE A – *LIST OF THE COMMODITIES/GOODS FOR IMPORT FROM PAKISTAN INTO ITALY*

SCHEDULE B – *LIST OF THE COALMODITIES/GOODS FOR IMPORT INTO PAKISTAN FROM ITALY*

Pakistan and Italy have excellent relations and cooperation in the fields of both development and non-development sectors and the same are growing day by day. The financial contribution of Italian Government in development sector is over Euro 1 billion in sectors including *Health and Sanitation; Agriculture, Rural Development and Natural Resources Management; Cultural Heritage and Education.*The projects supported by the Italian Government are focused on livelihood, improving living standards, and gender diversification. Programs supported by the Italian Government spread all across the country with projects in Balochistan, Khyber Pakhtunkhwa, Punjab and FATA.

While there is significant contribution in development sector, enhancing bilateral trade and investment between Pakistan and Italy is of significant importance to both countries. Italy has always followed with keen interest the Pakistani market and, in the past decades, has increased its positioning, becoming one of the top 10 global trading partners of Pakistan and the third among the European Union (EU) member states. There are a number of Italian companies with investments in Pakistan in the fields of oil and gas, pharmaceutical, manufacturing, etc. Likewise Pakistani businesses have also invested and succeeded in Italy.

As to enhance trade and investment, it is of utmost importance to understand the business environment this publication aims to provide guidance and knowledge about the business and trade eco system prevalent in both countries. The same will enhance comprehension of those who wish to explore opportunities in both the countries.

Some of the areas covered in this report are: Economic overview of both Italy and Pakistan, various policies, details of regulatory framework and basics on how to start a business in each jurisdiction. Moreover the report also briefly talks about investment opportunities in both countries with examples of some success stories.

HIGHLIGHTS OF THE ECONOMY

ITALY ECONOMIC OVERVIEW

Italy's economy is expected to pick up and so is the demand of goods both in Italy as well as the Euro zone by 2014. The Economic Intelligence Unit report predicts a positive outlook for the Italian economy with an upward growth of 0.5%. However, at the same time this forecast is dependent on the improvement in the confidence across the investment community and demand for Italian goods across the neighboring Europe.

The unemployment rate in 2013 is expected to peak at 12.4%. It is expected to remain stable in 2014, however, it is expected to fall in 2015 with the economy picking up at a more meaningful rate.

Inflation is expected to increase slightly to 1.0% in 2014 from 0.7% in 2013. As domestic demand growth gather pace from 2015 we expect inflation to accelerate to about 1.5% in year 2015.

As a member of the Euro-Zone, Italy has to follow a uniform monetary policy. The governing council of the European Central Bank (ECB) again held its main refinancing policy rate at 0.25%. According to preliminary official estimates, consumer price inflation dipped to 0.7% in January 2014. The average Euro-Zone inflation was below the target of 2% due to constrained economic growth and lower commodity prices. This will restrict changes in the interest rates until improvement in the economic scenario is clearly visible or a period of above target inflation.

The current account deficit declined in 2012 dipping to USD 8.1 billion from USD 67.1 billion in 2011. This same trend is expected to continue in 2013 and onwards with slight surplus. This trend is expected to continue in 2014 and 2015 with increase in the current account surplus, however, this improvement in current account will be a result of weak imports reflecting a subdued domestic demand and anticipated rebound in export activity in 2015.

Italy reduced its budget deficit from 3.9% in 2011 to 2.9% in 2012. If we exclude interest payments from the public debt from the calculation, Italy was able to earn a healthy surplus of 2.5% of GDP. However, this deficit is expected to increase in 2013 and 2014 as the government is trying to avoid the hike in value added tax and the levy of property tax. It would be difficult to replace these revenue measures that would be enough to continue with the current downward trend in the deficit. In addition government has devoted itself to the cause of reducing the heavy debt outstanding to the private sector.

Indicators	2011	2012	2013	2014	2015
Nominal GDP (USD Billion)	2,200.1	2,014.6	2,060.8	2,022.1	2,038.7
GDP Growth rate (%)	0.6	-2.6	-1.9	0.5	1.0
Un employment Rate (%)	8.4	10.7	12.4	12.5	12.0
Consumer Price Inflation (%)	3.6	2.5	0.7	1.0	1.5
Lending interest rate (%)	4.6	5.2	5.1	5.1	5.3
Trade balance (USD Billion)	-21	25.4	39.1	39.5	38.7
Current Account balance (USD Billion)	-67.1	-8.1	4.5	7.3	8.2
External debt (USD Billion)	N/A	N/A	N/A	N/A	N/A
Government Revenue (%)	46.6	47.7	48.4	47.9	47.6
Government Expenditure (%)	50.5	50.6	51.7	51.2	50.6

Source: Economic Intelligence Unit (EIU)Report (Feb 2014)

PAKISTAN ECONOMIC HIGHLIGHTS

Despite the global slowdown, the uptrend in KSE-100 index encouraged foreign investment in stock market. The Karachi Stock Exchange (KSE) reached to historical height of 22000 plus points. This positivity of foreign portfolio investment further reinforced the confidence of investors. In capital market the major contribution came from USA, UK and Hong Kong. This feat is an epitome of the high potential of the business environment of Pakistan.

GDP growth moved towards its potential, increasing from 4.2% in 2011to 6.1% in the fiscal year 2012. However, this trend is expected to diminish with growth rate falling to 3.9% at the end of the current year. This below par performance will mainly be attributable to severe power crisis in the country, as well as lack of large project investment. In the coming years GDP is expected to grow at a below potential growth rate due to electricity and water shortage, and security concerns. However, many energy and other infrastructure projects that are in the pipeline are expected to be completed in the next 2-3 years, which will give a favorable boost to the economic condition.

Pakistan has to its disposal a large amount of skilled and educated human capital that will play an essential role in the future economic propensity of the country. However, one of the reasons of Pakistan's weak performance is the low utilization of its human capital. This is highlighted by the fact that unemployment has steadily increased by an average of 25 basis points year on year from 2010 to 2013 and is expected to reach 6.9% in 2014. This has the potential to create internal problems in the country as unemployment does not just affect the economic prosperity but can also result in social unrest. Instead, if utilized in a productive capacity, the economic and social environment of Pakistan can improve significantly.

Inflation has decreased steadily over the years dropping to 7.9% in 2012. This trend is expected to break with higher inflation of 9.1% in 2013 due to higher food costs and raised electricity tariffs. Ongoing efforts to withdraw fuel subsidies gradually, as well as the Pakistan rupee's continued weakness, will offset the positive effect on import costs from a drop in global oil prices during the forecast period. However, failure to undertake fiscal consolidation, a renewed surge in international oil and food prices or inclement weather that reduces agricultural output could cause inflation to exceed our forecast in any year.

The State Bank of Pakistan (SBP) lowered the discount rate by 50 basis points in June. The focus of the central bank's policymaking has shifted to combating inflation, following the approval of a financial assistance program by the IMF in September 2013. Since then the SBP has lifted its main policy interest rate, the discount rate, by 100 basis points to 10%. With economic reforms and the impact of the new IMF package will hopefully allow the SBP to cut rates further in the second half of 2014 before tightening again in the second half of 2015 prompted by a slight recovery in domestic demand and rising inflation.

Exports will be boosted following the European Parliament's decision in December 2013 to accord special trade privileges to Pakistan under its Generalized System of Preferences-Plus scheme. However, exporters in Pakistan will struggle in the early part of the forecast period to take advantage of reduced tariffs in the EU because of persistent power shortages and poor basic infrastructure.

The Government is targeting reducing the deficit to 4% of GDP by 2015. The conditions attached by the IMF target lowering the budget shortfall to 3.5% of GDP by 2015. We believe that the targets set by both the government and the IMF will be difficult to achieve. The administration's efforts to increase revenue and to rationalize its subsidy bill have met stiff resistance, from both the public and, in October 2013, the powerful Supreme Court. From a revenue perspective, the government will struggle to improve the tax system radically. Tax exemptions and loopholes are likely to remain in place in the early part of the forecast period, while tax evasion will remain a problem. Therefore, the budget deficit is expected to decline only to 6.3% of GDP in 2013, from 8% in 2012 and to stand at 3.6% by 2017.

Indicators	2011	2012	2013	2014	2015
Nominal GDP (USD Billion)	213.7	224.9	236.6	248.8	274.2
GDP Growth rate (%)	2.8	4	6.1	3.9	4.0
Un employment Rate (%)	6	6	6.6	6.9	6.7
Consumer Price Inflation (%)	9.7	7.9	9.2	7.3	6.7
Lending interest rate (%)	14.1	12.4	10.3	10.5	10.0
Trade balance (USD Billion)	-12.54	-15.37	-15.68	-16.51	-19.18
Current Account balance (USD Billion)	-2.23	-2.03	-3.25	-3.91	-5.34
External debt (USD Billion)	65.13	61.86	57.25	57.62	60.22
Government Revenue (%)	12.3	12.8	13	14.1	15.2
Government Expenditure (%)	18.9	19.6	21	20.4	20.3

Source: Economic Intelligence Unit (EIU) Report(Feb 2014)

PAKISTAN'S FOREIGN DIRECT INVESTMENT STRATEGY 2013-2017

Net foreign direct investment (FDI) into Pakistan rose approximately by 30% in FY 2012-13 which was more than $850 million, as against of $658 million in the corresponding period of FY 2011-12. Most recently there has been interest of foreign companies, most notably companies from Turkey, looking at opportunities in Pakistan.

The 5-year Investment Policy 2013 comprise gross Foreign Direct Investment (FDI) target of $ 5.5 Billion where the federal government anticipates a progressive increase in net FDI inflows of $ 2 Billion in the first year and an increase of about 25% in subsequent years to $ 2.5 Billion in 2014, $2.75 Billion in 2015, $ 3.25 Billion in 2016 and $ 4 Billion in 2017. The government is eyeing an average annual GDP growth of 5% and FDI stock at 20% of GDP.

Investment Policy-2013 and FDI Strategy 2013-17 focus on curtailing the cost of doing business to enhance Pakistan's international competitiveness in attracting, starting and long-term continuation of businesses, industrial, and financial operations, and cutting down the red tape, procedures and processes. It proposes liberalization of economy with emphasis on investors' facilitation, investment protection, removing regulatory impediments, public-private partnership and coordination amongst stakeholders. It also covers the idea of linking trade industrial and monetary policies for greater convergence and to facilitate market entry of Small and Medium Sized Enterprises (SMEs).

To attract the foreign investors incentives like, entitlement to lease land without limitation under the rules & regulations of the concerned authority, no limitation on the transfer of any land held by a foreign investor unless contractually specified in an agreement between the landholder and subject to the Federal or provincial regulations, removal of restrictions on foreign real estate developers and subject to the same rules and treatment as domestic real estate developers and no minimum requirement for the amount of foreign equity investment in any sector and there is no upper limit on the share of foreign equity allowed, except in specific sectors including airline, banking, agriculture and media. Foreign investors will also be permitted to hold a 60% stake in agriculture projects. In corporate farming, the investors will be able to hold 100% equity.

FDI STRATEGY 2013-17

The global integration of economies have forced the developing countries to adopt liberalized policies for attraction of Foreign direct Investment (FDI). Around the world countries have adopted proactive and liberal policies to attract FDI. Special Economic Zones (SEZs) have gained momentum in attracting FDI. To meet global competitiveness effectively and efficiently, creation of SEZs in the country had become an acute necessity. The law to establish SEZs has been promulgated which necessitate to review the existing Investment Policy backed by FDI Strategy for 5-yearto implement the policy through strategic interventions.[1]

[1] www.pakboi.gov.pk

Foreign Direct Investment

Foreign investors operate in the Pakistani economy alongside with domestic Pakistani investors. The Investment Policy 2013 offers equal treatment to both local and foreign investors. Therefore, to avoid distortions of competition, the same framework conditions must in principle apply to all enterprises operating in the Pakistani market. Efforts towards improving the investment climate in Pakistan ("policy advocacy") are hence envisaged to stimulate both domestic and foreign investment in Pakistan while offering the level fields. In the same vein, sector strategies aiming at developing Focal Sectors should be designed with a view to energizing domestic and foreign private investments in these sectors.

To maximize the contributions of FDI to Pakistan's economic development, this FDI Strategy furthermore envisages special programs to promote the linkages between domestically and foreign-owned private enterprises, such as local supplier, subcontractor or joint venture programs.

Pakistan Economic Targets

The FDI Strategy outlines a conceptual framework for cooperation of economic sectors in Pakistan, public and private sectors, towards mobilizing the Private Investments,(domestic and foreign) that are required to achieve Pakistan's economic targets.

The following targets are highlighted for the purposes of FDI Strategy:

- Average growth rate of some 7 – 8 % per year (supported by the Framework for Economic Growth)
- Employment for an increasing and increasingly urbanized population (230 – 260 million by 2030)
- Building a knowledge-based economy and prioritizing the development of human Capital
- Enhancing the global competitiveness of the Pakistani economy from the 2011-12 rank (118 out of 142 benchmarked countries) to rank 50 by 2030.

Development of Special Economic Zones (SEZs)

SEZ's serve to facilitate site development; the provision and financing of adequate business infrastructure; the protection of security of business installations; the alleviation of regulatory constraints ("administrative enclaves"); the promotion of industry clusters; and the creation of industrial lighthouses in underdeveloped regions. As successful examples in other countries demonstrate, SEZs offer an opportunity of overcoming investment constraints.

With two noteworthy exceptions, past SEZ initiatives in Pakistan have not been successful, though. These include the attempts at developing Export Processing Zones(EPZs) and the now defunct Special Industrial Zones. Previous governments have initiated Industrial Estates and Industrial Parks in the country to meet challenges of competitiveness.

The basic concepts of the SEZ regime, notably the development and operation of SEZs by private or public-private or public agencies "Developers";

The incentives available for a period of 10-years for SEZ Developers and SEZ Enterprises;

a. Exemption from custom duties for import of all capital goods, machinery & equipment.
b. Income tax exemption.

Source: www.pakboi.gov.pk

SECTORAL POLICIES OF PAKISTAN

PAKISTAN'S NATIONAL MINERAL POLICY 2013

It is key to look at the mineral sector in Pakistan, which offers huge potential to tap he unexploited reserves of metallic as well as non-metallic minerals. Whereas the solid minerals in Pakistan fall under the provincial regime there is a federal directorate at the Ministry of Petroleum and Natural resources for facilitation and policy making purposes.

The National Mineral Policy NMP 2013 aims is to enhance the contribution of the mineral sector to the GDP by efficient and sustainable development of mineral resources through private sector investment for the benefit of the people of Pakistan.

The NMP 2013 mainly covers constitutional position on minerals, price determination, development of infrastructure, joint ventures with local enterprises, royalty, fiscal & regulatory regime, taxes and levies applicable to mineral sector.

For increasing the economic contribution of mining sector of Pakistan, foreign investors are encouraged to invest by allowing following incentives:

- Foreign private investment in Pakistan for the development and extraction of mineral resources is not only protected but the repatriation of original investment and profits earned thereon is guaranteed.
- Except where lower rates are specified in the Avoidance of Double Taxation Treaty with the country of the recipient, the withholding tax levied on dividends paid is 10%.
- There is no customs duty and sales tax on the import of machinery, equipment, materials.
- Exemption from taxation on refining or concentration of mineral deposits.

For further details click on below link:
http://www.mpnr.gov.pk/gop/index.php?q=aHR0cDovLzE5Mi4xNjguNzAuMTM2L21wbnIvdXNlcmZpbGVzMS9maWxlL01pbnJhbFBvbGljeTIwMTMoMSkucGRm

PAKISTAN'S PETROLEUM EXPLORATION & PRODUCTION POLICY 2012

Pakistan's petroleum exploration and production sector is a vibrant one with significant foreign investment. Some notable European companies operating in Pakistan are: OMV of Austria and ENI from Italy, British Petroleum, Tullow Oil, MOL, Premier Oil, Polish Oil and Gas Company, Total and Shell. The petroleum sector in Pakistan has had good policies and incentives offered by the Government, however form time to time the policy is updated to incorporate changes in light of international dynamics as well as to enhance further development.

The purpose of the recent Petroleum Exploration and Production Policy 2012 is to establish the policies, procedures, tax and pricing regime in respect of petroleum exploration and production (E&P) sector by accelerating E&P activities, promoting direct foreign investment and promoting the involvement of oil and gas companies.

This policy enlighten about licensing process, exploration and production regimes (PCA & PSA), regulatory process & obligations, profit sharing, royalties, taxation treatment, oil & gas pricing & incentives and remittance of proceeds abroad.

To promote foreign direct investment in Pakistan's Petroleum E & P sector the incentives offered to qualified E&P Companies incorporated in Pakistan in the policy are:

- Foreign E&P Companies are entitled to export its share of the petroleum acquired under an agreement, in accordance with the applicable laws.
- Foreign Contractor/Operator (and its registered branch in Pakistan) has the right to retain abroad and to freely make use of sale proceeds from the export of its share of petroleum.
- If the foreign E&P Companies sell gas to third parties in Pakistan and want to remit sale proceeds in foreign currency abroad, GOP shall allow these companies to freely remit a "guaranteed percentage" of their sale proceeds. Foreign E&P companies shall have the right to remit sale proceeds from the sale of petroleum within Pakistan in foreign currency abroad in accordance with applicable regulations of the State Bank of Pakistan.
- Encouragements of E&P companies to operate exploration blocks with 100% ownership and are entitled to acquire petroleum rights.
- Incentives in respect of Import Duties/Taxes and Fees for the E&P companies are as per applicable SRO on the effective date of execution of the Exploration Licences/PSAs.

For further details click on below link:
http://www.pepc2012.com/Downloads/Petroleum-Policy-2012.pdf

PAKISTAN'S POLICY FOR DEVELOPMENT OF RENEWABLE FOR POWER GENRATION 2006

The alternate/renewable energy sector in Pakistan offer promising potential too. Pakistan has huge potential for hydro, wind and solar energy. Alone in Wind Corridor in Sindh, studies have confirmed a potential of 50,000 MW.

Pakistan's policy for Development of Renewable Power Generation 2006 aims to enhance power generation from renewable resources attracting investments in electricity generation projects by utilizing hydro (up to 50 MW capacity), wind, and solar power (of all capacities)with the full participation and collaboration of the private sector(both foreign and local players).

The policy is a comprehensive one covering details of: renewable energy resources in Pakistan, strategic objectives for developing Pakistan's renewable energy resources, general incentives for RE power generators, financial & fiscal incentives, procedure for setting up RE IPPs, corporate, fee, and contractual arrangements, determination of tariff and general guidelines.

As per the policy, renewable energy-based power projects enjoy the following incentives:

- Financial incentives include exemption from income tax, including turnover rate tax and withholding tax on imports.
- No customs duty or sale tax for machinery equipment and spares.
- Foreign investors are allowed to purchase securities issued by Pakistani companies without the State Bank of Pakistan's permission, subject to prescribed rules and regulations.
- Permission for power generation companies to issue corporate registered bonds.
- Other incentives for RE Power Generators include:
  - Guaranteed Market: Mandatory Purchase of Electricity
  - Grid Connection, Off-take Voltage and Interface - The producer may also undertake to lay a new transmission line for connection with the main electricity grid
  - RE power producers shall also be allowed to enter into direct (bilateral)sales contracts with end-use customers

For further details click on below link:
http://www.aedb.org/Policy/REpolicy.pdf

PAKISTAN'S POWER POLICY 2002

Purpose of this policy is to invite the investors to invest in the power sector The policy mainly covers tariffs, financial and fiscal regime, structure of power sector, specific provisions for hydel & thermal projects, public – private partnership, amendments and implementation process.

This policy offers the following set of incentives for investing in power sector of Pakistan:

- Repatriation of equity along with dividends is freely allowed, subject to the prescribed rules and regulations.
- The GOP will guarantee the contractual obligations of its entities, namely WAPDA etc. and also provide protection against specified "political" risks.
- Exemption from payment of Zakat on dividends paid by the company.
- Customs duty at the rate of 5% on the import of plant and equipment not manufactured locally.
- Companies will be completely exempted from the payment of income tax, including turnover rate tax, and withholding tax on imports.

For further details click on below link:
http://www.ppib.gov.pk/PowerPolicy2002.pdf

Tight Gas (Exploration & Production) Policy-2011

Pakistan is facing big challenge in meeting its ever growing energy needs due to expanding population and economic growth. Energy demand is projected to grow to 147 MTOE by 2022 reflecting a phenomenal increase of 245% compared to 2008. Gas being largest component of energy supply is also projected to decline from existing 4.2 BCFD to 1.6 BCFD in 2022 giving rise to deficit of 7 BCFD. To meet the targets identified, Pakistan's oil and gas industry will need to explore, discover and produce greater volumes of oil and gas than we are producing today. Increasing exploration is the first and essential step in this process. Exploration and development activity is critical to the long-term energy security of Pakistan and the growth of Pakistan's oil and gas industry.

Promulgation of the "Tight Gas (Exploration & Production) Policy 2011" is to start of fast track development and production of gas from the existing tight gas reservoirs that are not being produced due to non-commerciality, to open new frontiers for exploration of tight gaswhich would help increase the production level for reducing the energy deficit and boosting local manufacturing industry for supply of equipment for production of tight gas by international collaboration and transfer of technology.

This policy mainly covers the gas pricing, lease term & renewal, abandonment costs, tax loss carry forward, windfall and other fiscal levies, remittance of proceeds abroad and review & implementation of the policy.

For further details click on below link:
http://ppisonline.com/iop2010/Tight_Gas_E_P_Policy_2011.pdf

MAJOR IMPORTS & EXPORTS BETWEEN PAKISTAN & ITALY

Major Goods Imported by Italy from Pakistan (€ million)	**2010**	**2011**	**2012**
Food	17.89	19.74	25.9
Textiles	240.59	299.25	194.4
Clothing (also leather and fur)	79.86	94.59	75.56
Leather goods (except clothing) and similar	49.42	64.61	57.2
Chemicals	34.21	18.28	8.2
Fabricated metal products, except machinery and equipment	5.33	6.09	6.59
Computers and electronic and optical products, electrical equipment, measuring equipment, and watches	3.91	7.5	5.3
Products of other manufacturing industries	19.81	16.6	17.46
Other products and activities	13.31	18.6	11.99
Total imports by Italy from Pakistan (€ million)	**490,81**	**583.62**	**431.51**
Major Goods Exported by Italy to Pakistan (€ million)	**2010**	**2011**	**2012**
Paper and paper products	4.02	5	4.59
Chemicals	46.72	54.46	51.82
Basic pharmaceutical products and pharmaceutical preparations	15.88	13.99	22.75
Rubber and plastics	6.17	5.53	6.08
Other products in the processing of non-metalliferous minerals	4.94	6.36	5.57
Metallurgy products	15.73	11.98	18.79
Fabricated metal products, except machinery and equipment	66.52	140.77	182,26
Computers and electronic and optical products, electrical equipment, measuring equipment, and watches	42.62	29.91	65.56
Electrical and non-electrical equipment for domestic use	18.69	11.62	12.75
Machinery and equipment	292.11	157,72	146.25
Other products and activities	20.53	16.19	18.39
Total exports by Italy to Pakistan (€ million)	**568.05**	**488.57**	**578.76**

Source: Elaborated by the Italian Embassy on data provided by ISTAT ICE Agency.http://www.infomercatiesteri.it/scambi_commerciali.php?id_paesi=136

AGREEMENTS BETWEEN THE TWO COUNTRIES

There are three agreements at time between Pakistan and Italy regarding trade;

1. AccordoCommerciale E Scambi Di Note. (Trade Agreement), 1961

2. Accordo Per La Cooperazione In Campo Economico E Finanziario. (Agreement On Financial And Trade Cooperation), 1984

3. Accordo Sulla Promozione E ProtezioneDegliInvestimenti. (Agreement On Protection Of Investments), 1997

4. Avoidance of Double Taxation

TRADE AGREEMENT

This agreement come into existence on 10 January 1961. The Government of the ITALIAN REPUBLIC and the Government of PAKISTAN, being desirous of expanding trade and developing economic relations between their respective countries on a mutually advantageous basis, have through their respective representatives agreed as follows:

Article I

The two Governments shall accord, all facilities for the import and export of goods listed in appended Schedules A and B, including the grant of import or export permits or licenses, if required.

Article II

The trade between the two countries shall be conducted in accordance with the laws and regulations in force in either country.

Article III

If the Member States of the European Economic Community should decided to adopt a common commercial policy, if such policy so requires, negotiations shall be opened with as little delay as possible.

Article IV

Similarly if Pakistan becomes a member States of such Community should decide to adopt a common commercial policy.

Article V

Two governments agree to accord subject to their laws and regulations facilities for the holding of trade fairs and exhibitions.

Article VI

The letters exchanged between the representatives of the two Governments shall be deemed to form an integral part of this Agreement for schedule A and B specified commodities imported or exported.

Article VII

All payments shall be made in convertible pounds or any other convertible currency in accordance with the laws and regulations in the two countries.

Article VIII

In order to facilitate the implementation of this Agreement two governments consult each other to review the working of the Agreement and to adopt such measures as may be necessary effectively to increase the volume of trade.

Article IX

During the period of the validity of this Agreement, mutual agreement, alter, extend or supplement; the Schedules to this Agreement.

Article X

This Agreement will be valid for a period of two years from the date shall be extended for further periods of one year each unless three months notice.

Schedule A: List of Commodities/Goods for imports from Pakistan into Italy

Schedule B: List of Commodities/Goods for imports into Pakistan from Italy

BILATERAL TRADE AGREEMENT

This agreement come into existence on 19th July 1997 between Government of Pakistan and the Italian Republic to establish favorable conditions for improved economic cooperation between the two countries and especially for investment by nationals of contracting party and acknowledge that offering encouragement and mutual protection to such investment. Hereby have agreed as follows;

Article 1: Definitions

In this section of agreement various terms are defined which are likely used in proceeding sections of agreement.

Article 2: Promotion & Protection of Investments

Investments shall be encouraged and authorizations shall confide with respective legislations of the countries.

Both contracting parties shall ensure fair and equitable treatment of investments of the other party.

Article 3: National Treatment & the Most Favoured Nation Clause

Investments and activities connected with investments of the respective parties shall be treated in the same way as if they are the investments of their own nationals or of third states .

Above provisions do not apply to any advantage which one contracting party grants or may grant at some future time to third states by virtue of its membership in custom or economic unions, common market associations, free trade areas, regional or sub-regional agreements, international multi lateral economic agreements or economic agreements entered into in order to prevent double taxation or to facilitate cross border trade.

Article 4: Compensation for Damages & Losses

In case of damages due to war or other form of conflicts or other similar events, the contracting party in which the affected investments has been made shall offer adequate compensation without undue delay. The investors concerned shall be treated the same way as the nationals and no less favorably than investors of third states.

Article 5: Nationalization or Expropriation

- The control or possession of these investments shall never be limited unless specifically provided by Law or regulation.
- Investments shall not be nationalized, expropriated, requisitioned or subjected to any measure having similar effect, directly or indirectly except for public purposes, against immediate full and effective compensation and in accordance with law.
- The just compensation shall be equivalent to the real market value of investment at that time, calculated in accordance with international standards. Whenever there are difficulties in calculating market value, fair appraisal shall be used. Compensation shall include interests calculated on a six month LIBOR basis accruing to the date of nationalization to the date of payment.
- Compensations shall be paid promptly.
- These provisions apply to income from investment and in events of winding up to proceeds of liquidation.
- If after dispossession the assets have not been fully or partially utilized, the owner or his assignees are entitled to repurchasing on reciprocity.

Article 6: Repatriation of Capital, Profits & Income

Contracting parties shall guarantee the transfer of the following without undue delay, in any convertible currency;

(a)Capital and additional capital investments used to maintain or increase investments

(b)Net income, dividends, royalties, payments for assistance and technical services, interests and any other profits.

(c)The proceeds of total or partial sale or liquidation of an investment.

(d)Remuneration or allowances paid to nationals of other contracting parties.

The above provisions shall comply with fiscal obligations and their transfer shall be accorded in no less favorable way then third states.

Article 7: Subrogation

In case a contracting party has provided insurance guarantee against non commercial risks, the other party shall recognize the assignment and its subrogation shall not exceed the original rights.

Article 8: Transfer Procedures

The transfers referred to in articles 4, 5,6 and 7 shall be affected promptly and at all events within six months ,in convertible currency and prevailing exchange rate.

Article 9: Settlement of Disputes between Investors and the Contracting Party

Any disputes arising shall be settled amicably as far as possible

In case the dispute can't be settled amicably within six months, the investor in question may submit the dispute for settlement to :

(a)The contracting party's court, at all instances having territorial jurisdiction

(b)An adhoc arbitration tribunal in accordance with "Un commission on international trade law"

(c) The "international center for the settlement of investment disputes"

Article 10: Settlement of Disputes between the Contracting Parties

Any dispute regarding the interpretation of this agreement shall be settled as far as possibly amicably.

In case the dispute can't be settled within three months amicably it shall be referred to an adhoc arbitration tribunal by one of the parties within two months from receipt of referral. These two parties shall then select a national of third state to act as chairman.

In case of non compliance with the above, any party can apply to president of the international court of justice to make the appointments within three months .
In case president or vice president are member of contracting parties the next most senior will be selected who is not a member of the parties.

The arbitration tribunal shall rule with majority vote with each parties bearing their own cost except for the cost of president which shall be paid equally .

Article 11: Relation between Governments

The provisions of this agreement shall be enforced irrespective of diplomatic relations.

Article 12: Application of other provisions

In case this agreement and international agreement apply the most favorable shall be used.

When one party gives a more favorable treatment to one party the other shall also give such treatment.

Article 13: Entry into Force, Duration and Expiry date

This agreement shall enter into force on the thirtieth day after the receiving date of the second of the two notifications by which the contracting parties shall have notified each other that their constitutional procedures for the entry into force of this agreement have been fulfilled

In case of investments effected prior to the expiry dates of the present agreement as provided in this article 13 the provisions of the article 1 to 12 shall remain effective for a further five years after the aforementioned dates.

Source: www.pakboi.gov.pk

AGREEMENT ON AVOIDANCE OF DOUBLE TAXATION

The Government of Pakistan has signed agreements on Avoidance of Double Taxation with Italy. It was signed on June 22, 1984.

Personal Scope

This Convention shall apply to persons who are residents of one or both of the Contracting States.

Taxes Covered

1. This Convention shall apply to taxes on income imposed on behalf of each Contracting State irrespective of the manner in which they are levied.

2. There shall be regarded as taxes on income all taxes imposed on total income or on elements of income, including taxes on gains from the alienation of movable or immovable property and taxes on the total amounts or wages or salaries paid by the enterprises, as well as taxes on capital appreciation.

3. The existing taxes to which the Convention shall apply are, in particular:

(a) In the case of Italy:

- the personal income tax
- the corporate income tax, whether or not they are collected by withholding at source

(b) In the case of Pakistan:

- the income tax,
- the super tax, and

- surcharge

4. The Convention shall apply also to any identical or substantially similar taxes, which are imposed after the date of signature of this Convention.

Income from Immovable Property

1. Income derived by a resident of a Contracting State from immovable property (including income from agriculture or forestry) situated in the other Contracting State may be taxed in that other State.

Business Profits

1. The profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on or has carried on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other State, but only so much of them, as is attributable to

- that permanent establishment; or
- sales of goods or merchandise of the same or similar kind as those sold, or from other business activities of the same or similar kind as those effected, through that permanent establishment.

2. Where an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.

3. In the determination of the profits of a permanent establishment, there shall be allowed as deduction expenses which are incurred for the purposes of the permanent establishment, including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere.

4. No deduction shall be allowed in respect of amounts paid or charged (otherwise than towards reimbursement of actual expenses) by the permanent establishment to the head office of the enterprise or any of its other offices, by way of:

- royalties, fees or other similar payments in return for the use of patents or other rights;
- commission for specific services performed or for management; and

- interest or moneys lent to the permanent establishment except in case of a banking institution.

5. In so far as it has been customary in a Contracting State to determine the profits to be attributed to a permanent establishment on the basis of an apportionment of the total profits of the enterprise to its various pads, nothing in paragraph 2 shall preclude that Contracting State from determining the profits to be taxed by such an apportionment as may be customary; the method of apportionment adopted shall, however, be such that the result shall be in accordance with the principles embodied in this Article.

6. No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.

7. For the purposes of the preceding paragraphs, the profits to be attributed to the permanent establishment shall be determined by the same method year by year unless there is good and sufficient reason to the contrary.

8. Where profits include items of income, which are dealt with separately in other Articles of this Convention, then the provisions of those Articles shall not be affected by the provisions of this Article.

Dividends

1. Dividends paid by a company which is a resident of a Contracting State to a resident of the other Contracting State may be taxed in that other State.

2. However, such dividends may be taxed in the Contracting State of which the company paying the dividends is a resident, and according to the law of that State, but if the recipient is the beneficial owner of the dividends the tax so charged shall not exceed:

- 15% of the gross amount of the dividends, if the recipient company holds directly at least 25% of the capital of the company paying the dividends and the latter company is engaged in an industrial undertaking;

- 25% of the gross amount of the dividends in all other cases.

Interest

1. Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

2. However, such interest may be taxed in the Contracting State in which it arises, and according to the law of that State, but if the recipient is the beneficial owner of the interest, the tax so charged shall not exceed 30% of the gross amount of the interest.

Royalties

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

2. However, such royalties may be taxed in the Contracting State in which they arise and according to the law of that State, but if the recipient is the beneficial owner of the royalties the tax so charged shall not exceed 30% of the gross amount of royalties as defined in paragraph 3.

Capital Gains

1. Gains from the alienation of immovable property, as defined in paragraph 2 of Article 6, may be taxed in the Contracting State in which such property is situated.

2. Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State or of movable property pertaining to a fixed base available to a resident of a Contracting State for the purpose of performing professional services, including such gains from the alienation of such a permanent establishment (alone or together with the whole enterprise) or of such a fixed base, may be taxed in that other State. However, gains from the alienation of ships and aircraft operated by an enterprise of a Contracting State in international traffic and movable property pertaining to the operation of such ships or aircraft, shall be taxable only in that Contracting State.

3. Gains from the alienation of shares of the capital stock of a company the property of which consists directly or indirectly principally of immovable property situated in a Contracting State may be taxed in that State.

4. Gains from the alienation of shares other than those mentioned in paragraph 3 representing a substantial participation in a company, which is a resident of a State, may be taxed by that State.

5. Gains from the alienation of any property other than that referred to in paragraphs 1, 2, 3 and

4, shall be taxable only in the Contracting State of which the alienator is a resident.

Source: www.fbr.gov.pk

ENHANCING BILATERAL TRADE AND INVESTMENT

Both Italy and Pakistan offer good and complimenting opportunities for trade and investment. In this section some of the opportunities in both countries are highlighted:

INVESTMENT OPPORTUNITIES IN ITALY

Italy possesses countless opportunities for expanding companies. Key factors that attract investors to invest in Italy are:

- Around 60 million demanding and sophisticated consumers
- A favorable geographical position in the center of the Mediterranean Sea
- The great strength of the Italian economy: *Small and Medium Enterprises*
- An extensive infrastructure network
- Facilities and support for foreign companies
- Innovative value system
- High know-how and expertise

The charming sectors, which possess opportunities for investor, include Logistics, ICT, Life Sciences and Tourism which are briefly explored below;

Logistics

In Italy logistics represents 7% of National GDP and it has very high prospects of growth. Country's favorable position, able to intercept trade flows from/to Asia, the Balkans and countries of the Mediterranean coast. Logistics is one of the most profitable Italian businesses. In Europe, Italy has the fourth longest rail network and the second largest road network.

Italian distribution network currently focuses on the infrastructure improvement in air, rail and sea transport and aims at serving the growth of existing trade routes and the development of new ones. Trends such as the expansion of geographical boundaries and efficient collaboration to manage all aspects of the global supply chain indicate that the Italian logistics industry will strengthen further over the years.

Activities and opportunities in logistics sector refers to 4 types of investment:

- Terminal container management in hub or feeder ports through port authorities grant
- Creation of warehouses in freight villages and intermodal centers
- Creation of European distribution centers in value added logistic areas located just behind ports
- Logistic real estate

In the last 10 years 462 companies operating in logistics, subsidiaries of 280 foreign groups, have invested in Italy. In 2010 investments in Italian logistic sector increased of 75% in comparison to 2009. The average returns amounted to around 7.5%, in line with European levels. Market attractiveness is confirmed by the presence of many multinational and/or big companies in Italy; these include DHL Group (Deutsche Post), TNT Group (TNT Post NV), Kuehne + Nagel, Schenker, UPS, Geodis, Fiege Group, Eurokai, Cosco, Evergreen e PSA (Port of Singapore Authority).

ICT

Italy is one of Europe's largest ICT market, with market value of almost € 56 billion in 2012. Today Italy remains a source of vigorous and dynamic innovation, a major developer of pioneering technologies, with an impressive track record of successful cases. Its 60.5 million potential consumers - highly sophisticated and receptive to innovative technologies contribute to making Italy one of the most outstanding pilot markets worldwide for development and launch of ICT products and services.

New market drivers are shaping the ICT industry in Italy. The following stakeholders have been identified as the best suited investors to build up initiatives within the Italian ICT market:

- *SMEs carrying out global strategies*– i.e. acquiring market share in different countries due to displacement of previous firms due to credit loss, financial crisis, etc;
- *Venture Capitalist specialized in ICT sector;*
- *ICT firms* yet established in Italy with the aim of expanding previous activities or opening new business activities;
- *Firms operating in energy sector or construction sector*, interested in integrating their offer(s) with ICT embedded solutions aiming to increase energy efficiency and enhance integration of renewables and grids, building, logistic infrastructure systems, industrial processes, etc.

As a major market, Italy has already attracted the presence of all the top ICT multinational companies. Over 500 foreign ICT companies have already invested in Italy employing about 160,000 workers.

Life Sciences

Italy is one of the world leaders in Life Sciences market, being the third largest industry in Europe after Germany and France (Source: IMS 2011), in terms of turnover as well as of number of employees; in recent years, the Country has been showing a strong commitment to innovation and a rising expenditure on R&D.

Italy's companies cover the whole market spectrum including Pharmaceuticals, Biotechnology, Biomedical applications, Bioinformatics, Biomechanics and Nanobiotechnology, integrated with traditionally strong Italian sectors such as Agro-Food, Chemicals and Textiles.

In particular biotechnology in Italy is a growing and promising reality: the biotech industry is composed of 407 companies and the "red biotech" is the prevalent segment with 235 companies operating in the health-care field.

In 2012 total turnover was € 7,152 million, with a 6% increase compared to the previous year, whilst R&D investments have grown to € 1,832 million, with a further 2.9% increase. It demonstrates a vigorous growth and an excellent innovation capacity of the sector. *(Source: Italian Biotechnology Report 2013)*

The main business opportunities and activities in the Italian Life Sciences sector lie in the Red Biotech segment, (i.e. R&D), and primarily in the areas of top specialization and prestige of Italian research such as Biomedicine, Oncology, Diagnostics, and Neuroscience.

Prospective investment opportunities include:

- Spin-off by research or company
- Multifunction R&D centers
- Research Partnership between foreign company and R&D Italian centers
- Research Partnership between foreign company and Italian company
- Venture Capital Funding.

Italy offers plenty of scope for opportunities in the field of Clinical Trials: in recent years changes to regulatory procedures, now compliant with European rules, have decentralized decision-making to special Ethics Committees. Total clinical trials performed in the 2000-2009 period amounted to 6,787.

Pharmaceutical companies are the prime players in the area of Clinical Trials. Over 350 businesses are responsible for testing primarily on Antineoplastic and Immunomodulatory Medicines, drugs for nervous system treatment, and Antimicrobials. The first 26 out of 360 pharmaceutical companies sponsor 66% of clinical trials.

Among the factors encouraging continued foreign investment interest in Italy's Life Sciences industry, two stand out: its highly prolific Research and Innovation annually funded by private R&D investments, and its long-standing production tradition, directly involving approximately 600 companies, as well as hundreds of industry-related businesses, most of which multinational companies.

Italy hosts 140 Pharma foreign companies, with over 39,000 employees and R&D foreign centers, with over 43,000 employees and € 18,839 million overall turnover. USA accounts for the first foreign investor with 44 companies, 17, 108 employees and € 6,720 million turnover.

Tourism

Italy has always been a renowned and appreciated tourist destination at world level, notably for its absolutely unique art cities and immense historic-cultural heritage, its quality offer within outstanding natural and landscape beauty sites, as well as shopping opportunities and wine-gastronomic tours.

In 2011 Italy's tourist industry overall turnover was about € 136.1 billion, thus confirming as an ever expanding sector:

- contributing to over 8.6% of GDP
- employing over 1.1 million qualified workers
- including more than 153 firms throughout Italy's Regions

With almost 34,000 hotels and 400,000 employees, the tourism sector is one of the driving forces of the Italian economy. Excellent investment opportunities can be found in accommodation – real estate - leisure facilities and services.

Italy's tourist industry confirms as an ever expanding sector:

- with € 136.1 billion overall turnover in 2011, it contributed to over 8.6% of GDP: the sector generated a total impact of $190 million of GDP in Italy in 2011, larger than that of the communication services, chemicals manufacturing, automotive manufacturing, and mining industries;
- "Travel & Tourism" sustained a total of 2.2 million direct, indirect, and induced jobs in Italy in 2011, thus representing 9.7% of employment in Italy in 2011;
- adding the number of foreign visitors to Italian tourists, each year almost 95.5 million people travel around Italy for various reasons, including culture, seaside holidays, religion, leisure and business.

Investing in tourism offers great rewards and less risk than most other business ventures in Italy. Since 2010 the sector has been experiencing a constant annual growth and it is strongly supported by the Italian government and local municipalities. Outstanding investment opportunities can be found in accommodation, infrastructure and services, particularly with regard to cross-sectional products which combine Italian style with tourism and leisure facilities, and to the development and upgrading of localized tourist assets in seaside destinations.

Italy's strong appeal attracts great interest from international hotel groups, who are investing in hotels (particularly 4 and 5 star) in the main art cities and in the business hotel division, through renovations and new buildings with modern design concepts.

Six international groups are included in the rankings of the main international hotel chains in the Italian market - Best Western, NH Hotels, Inter Continental Hotels Group, Accord, Starwood and Hilton – together representing 28% of hotels and 20% of turnover.

For further details please click on below link:
http://www.invitalia.it/site/eng/home.html

ITALY'S INVESTMENT POLICES

Investment Incentives

The numerous and varied incentives are generally directed to enhance the economic development of the country and, in particular, to accelerate the industrialisation of southern Italy, including Sicily and Sardinia (Mezzogiorno), and of certain localities in central and northern Italy that are recognised as depressed areas. Incentives are also available to encourage technological innovation and to assist in the development of exports. Incentives take the form of subsidised loans, cash grants, leasing assistance, tax credits and subsidised labour costs.

Industrial enterprises, trading companies, service enterprises, artisans, consortia (groups of entities) and wholesale trade centres are eligible for incentives to invest in the construction of new plants, the expansion of existing plants, the development of abandoned factories, plant modernisation, company reorganisations, industrial conversions, services, research projects and innovative initiatives. Most incentives are obtained through special credit bank departments and state agencies, which assess the feasibility of business plans and the creditworthiness of the entrepreneurs.

Many incentives are specially designed to assist investments in the Mezzogiorno. Incentives available in other regions are not as extensive as those in the Mezzogiorno. Recently, incentives to the Mezzogiorno areas are being diminished due to EU rules.

Sources of Finance for Foreign Investors

The sources of finance used by Italian entities are also available to foreign investors. The primary sources of finance for new enterprises are subsidised loans and medium-term loans at fixed or variable market rates.

Importing and Exporting

Because Italy follows the principles of the General Agreement on Tariffs and Trade (GATT), and the regulations of the EU customs union and other international agreements, most goods may be freely imported. Existing restrictions are intended to protect the EU economy, so that the importation of certain items requires advance authorisation.

Exports are generally unrestricted. Exporters must comply with the requirements to submit a customs office declaration. Special export insurance is available from the Agency for Export Credit Insurance (SACE) for exports of durable goods – machinery, equipment and transport vehicles – as well as for services, studies and design projects, and for civil engineering works carried out abroad.

To encourage such exports, funding is available from special credit bank departments and state agencies in the form of medium-term loans at low interest rates.

Registration of intellectual property

Through the Central Patent Office (UfficioCentraleBrevetti), Italian law provides patent protection for novel innovations, such as creative inventions and utility models, which are suitable for industrial application.

Foreign individuals may obtain patents for industrial inventions or utility models on the same terms as Italian citizens.

Licensing Arrangements

Licensing offers a means of profiting from inventions without the need to invest substantial capital and risk economic failure.

Foreign entities may find licensing arrangements attractive in Italy because the government imposes no exchange control limitations on the transfer of royalties abroad.

Setting up a Business

Foreign investors who intend to conduct commercial activities in Italy can choose from a wide range of legal entities. Effective from April 1, 2010, communications to Tax Authority, Register of Companies and Labour Authorities will be made through the so called "Sole Communication" that will grant shortest time to set up a business in Italy with respect to the current situation. We describe below the structure of the most common business entities. Personal companies without limited liability status:

Snc (società in nomecollettivo – general partnership): a partnership where all partners are jointly liable for all of the firm's debts and obligations

Sas (società in accomanditasemplice – limited partnership): a partnership with two different categories of partners; silent partners (sociaccomandanti) - liability is limited to the extent of their per capital contribution; or general partners (sociaccomandatari) - jointly liable for all debts and obligations of the partnership.

Companies with legal personality and limited liability status:

SpA (società per azioni – corporation): in which the participants' equity is represented by shares

Srl (società a responsabilitàlimitata – limited liability company): in which the capital stock is represented by quotas and not by shares

Sapa (società in accomandita per azioni – limited partnership by shares): this combines some of the features of both a limited partnership and a limited liability company. It is a company in which at least one member has unlimited liability while the liability of remaining members is limited to the extent of **their share capital subscriptions.**

'Ltd type' SpA and Srl

Both SpA and Srl have a legal personality. The shares of a SpA may be quoted on the stock exchange; the quotas of aSrl may not. The shares of a SpA are generally freely transferable; the quotas of aSrl may be restricted by the articles of incorporation. The annual financial statements of a SpA and aSrl must be published.

The minimum capital stock for a SpA is Euros 120,000, while for aSrl it is Euros 10,000.

Source: www.ipbfonline.com

INVESTMENT OPPORTUNITIES IN PAKISTAN

Pakistan has the most liberal investment policy in the South Asia region new incentives and liberalization measures include:

- Reducing minimum foreign equity from US$ 0.5 million to US$ 0.3 million.

- Remittance of royalty, technology and franchise fee allowed to projects in social, service, infrastructure, agriculture and international chains food franchise.
- Zero import duties on capital goods, plant and machinery and equipment not manufactured locally. CBR can supply a list of locally manufactured goods. In case of doubt the investor is invited to consult the BOI.
- Enhanced FYA from 50% to 75% of PME for infrastructure and agriculture projects.
- The import tariff on agriculture machinery (not manufactured locally) for registered corporate agricultural projects will be zero-rated.
- The investors who invest in the newly opened sectors can import plant, machinery & equipment (not manufactured locally) at concessional rate of customs duty which is 10% and also avail first year allowance @ of 50% of the cost of plant, machinery & equipment.
- Zero import duties on raw materials used in the production of exports.

Five Reasons to Invest in Pakistan (among many others!!)

1. Abundant Land and Natural Resources
2. Strong Human Resources
3. Large and Growing Domestic Market
4. Well-Established Infrastructure and Legal Systems
5. Strategic Location as a Regional Hub

The sectors which hold potential for growth and attract investor includes;

- Telecom.
- Financial Services (Banking and Insurance).
- Services (IT, Accounting, Legal, Medical, Education and Tourism).
- Energy (IPPs, Hydel, Wind and Solar).
- Construction/Housing/Engineering .
- Commercial Real Estate Development .
- Infrastructure (RR, Roads, P&S and Airports).
- Agro-tech/Corporate Agricultural Farming (Dairies/Livestock,
- Fisheries, Farming and Food/Fruit processing and Horticulture).
- Manufacturing (Textiles and Apparel, Light Engineering,
- Pharmaceuticals, Medical, Sports and Leather garments).
- Mining (Marble/Granite/Onyx).

PAKISTAN'S INVESTMENT POLICIES

Manufacturing/Industrial Sector

Foreign Investors are permitted to hold **100% of the equity** of industrial projects **without any permission** of the Government.
Government sanction is not required for setting up any industry, in terms of field of activity, location, and size, except.

- Arms and Ammunitions.
- High Explosives.

- Radioactive Substances.
- Security Printing, Currency and Mint.
- Alcoholic beverages or liquors.

There is no requirement for obtaining No Objection Certificates (**NOC**) from the provincial governments **for locating the project** anywhere in the country **except** in areas that are notified as **negative areas.**

Non - Manufacturing/Industrial Sector

Foreign investment 100% equity on repatriable basis is allowed in the following sectors subject to the condition.

- Service,
- Infrastructure,
- Social and
- Others

Service Sector

- FDI in Service Sector is allowed in any activity subject to condition of prior permission/NOC or license from the concerned agencies and subject to provisions of respective sectoral policies.
- 100% foreign equity allowed on repatriable basis
- The amount of foreign equity investment in the company/project shall be at least US$ 0.15 Million.

Infrastructure Sector

Infrastructure Projects, including the development of Industrial Zones.

- The foreign equity allowed in this sector is also 100% on repatriable basis.
- The amount of foreign equity investment in the company/project shall be at least US$ 0.3million.

Social Sector

The social sector includes

- Education,
- Technical/Vocational Training,
- Human Resource Development (HRD),
- Hospitals, Medical
- Diagnostic Services.

100% foreign equity is allowed if the amount of foreign equity investment in the company/project shall be at least US$ 0.3 million.

Other Sectors

Tourism

Tourism has been given a status of Industry as per the Ministry of Industries and Production.

- Plant, machinery & equipment, not manufactured locally, of tourism, hotels and tourism related projects are importable at custom duty of 5% and Zero rated sales tax.

Housing and Construction

The Housing and Construction sector has also been declared as Industry.

- Plant, machinery & equipment, not manufactured locally, of housing & construction industry are importable at custom duty of 5% and Zero rated sales tax.
- Local and Foreign Companies involved in real estate projects will be able to market these projects, only after the title of the property is transferred in the name of a locally incorporated company. Thereafter the "Commencement of Business" certificate is to be issued by the Security Exchange Commission of Pakistan (SECP) to the firm.

Information Technology

Computer Software and Information Technology (IT) have been declared as industry which includes “Telecommunication i.e. E-mail/internet/electronic information services, cellular mobile telephone services, audio-fax services, voice mail services, card pay phone services.

- Plant, machinery & equipment of Information Technology projects are importable at custom duty of 5% and Zero rated sales tax, if not manufactured locally and as certified through Central Board of Revenue by the Facilitation Committee of Board of Investment (BOI) Islamabad from time to time.

Technical / Royalty / Services / Franchise Fees

a. Manufacturing Sector

- There is no restriction on payment of royalty and/or technical service fees for the manufacturing sector.
- However, such agreements shall be registered with the State Bank of Pakistan
- The payments of royalties and technical service fees to foreign companies will be taxed at 15%. However, reduced rates under the treaties with different countries remain applicable.

b. Non-Manufacturing Sector

The payment of franchise, royalty or technical fee in case of non-manufacturing sectors is allowed subject to following conditions:-

- In case of foreign investment in non-manufacturing sectors including food sector, the initial / lump sum fee should not exceed US$ 100,000irrespective of number of outlets under on franchise.

- A maximum 5% of net sales (excluding 15% Sales Tax) in the food sector may be allowed as franchise fee only for those items which are core items of the franchise and are the specialties of the trade name.

- The payment of such fees be allowed on monthly basis. No item will be eligible for twice payment of royalty/franchise fee, e.g, soft drinks, etc.

- Percentage/amount of fees etc., for other non-manufacturing projects is also be upto the maximum of 5% of net sales (excluding 15% Sales Tax).

- Initial period for which such fees may be allowed to projects in non-manufacturing sectors should not exceed 5 years.

- Subsequent extension in time period may be considered provided these projects also make investment in allied upstream projects.

- The agreements conforming to above guidelines will be sent by the sponsors to State Bank of Pakistan for its information.

- However, any relaxation or deviation from the guidelines will require prior approval of the Cabinet Committee on Investment (CCOI).

SETTING UP BUSINESS IN ITALY

Foreign investors wishing to startup a new business in Italy may operate subject to conditions of treatment reciprocity.

Registering the Business

Company established in Italy by natural persons or foreign legal persons , and/or foreign company 's secondary offices shall be registered in the Competent Register of Enterprise (RegistroDelleImprese) whereas,

- One man enterprises established by a foreign Investor.
- Foreign company's branches
- Foreign company's representative offices shall be registered with the competent Economic and Administrative Index Repertoire Economic-Administration (REA)

The relevant Registrar of Enterprises and REA offices are set within the Chamber of Commerce, Industry, Crafts and Agriculture (CCIAA) relevant for the site where the company , secondary registered office , one man enterprise, branch or representative office are located.

Starting a business In Italy by:

ESTABLISHING AN ITALIAN COMPANY

Italy's corporate law primarily differentiates between;

1- Partnership
2- Corporations
3- Limited Liability Company

1: Partnership

Partnership generally characterized by;

- Unlimited joint and several liability of partners of company obligations
- Each partner acts as a director of the company with managing power.

2: Corporations

Corporations generally characterized by;

- Legal personality, autonomous from company owner's personality.
- Limited liability for company owners
- Separation of owner and managing power
- Ownership as freely transferable.

3: Limited Liability Company

The most widespread types of companies in Italy are:

- Societa Per Azioni – S.P.A (Companies with liability limited by shares)
- Societa a responsabilitalimitataS.r.I (Companies with limited liability by qotas)

Both types of companies are to be established via a Memorandum of Association (or Deed of Incorporation)

Societa Per Azioni(S.p.A)

A Societa per Azioni is the Primary form of corporation, i.e it best meets the needs of enterprises requiring significant capital.

S.P.A shares capital may not be lower than €120,000.00 and is divided into " Shares" which can by even dematerialized securities.

In case of multiple founding shareholders, these paying the capital subscription in cash are not required to pay the entire amount of their share(s) up front. They are entitled to deposit at least 25 % initially and agree to pay the remaining 75 % at least subsequent data consistently with the managing body's request.

Societa a responsabilitalimitata (S.r.I)

Societa a responsabilitalimitata (Srl) – company the liability of which is limited by quotas has a much more streamlined corporate structure than an S.p.A, particularly due to the pbroder freedom that Italian laws grants to the founding quota holders in establishing its functing, organization and other features and adapting them to their specific needs. Indeed memorandum and articles of association may derogate from much of the legislation governing an Srl. Srl capital may be not lower than € 10,000 and is divided into "quotas". The amount of capital is determined at the time Srl is incorporated and shall be subscribed by its entirety by founding quota holders. Quotas are dematerialized.

OPENING AN ITALIAN BRANCH

Foreign company branches are separate – though not legally autonomous – units of the company itself; as a matter of fact, with regard to company head office, branches enjoys both organizational and decision – making autonomy.

An Italian branch of foreign company enables the company to operate in Italy with a more streamlined, cost-effective structure than if a full subsidiary were established in the country. Furthermore a foreign company can utilize a branch to conduct the same business in Italy as abroad.

The branch of foreign company is managed and legally represented by the managing body and legal representative of the foreign company, although, in practice companies frequently appoint a local manager to run the branch.

OPENING A REPRESENTATIVE OFFICE

Whereby a foreign company wishes to get a feel for the Italian market before locating a business or aims to promote its business, a representative office may be opened in Italy.
Current Italian legislation does not provide an official definition of “representative office”
It is therefore standard practice of the OECD (Model) convention to avoid double taxation and prevent tax evasion (Affecting Article 162 of the Italian so –called Revenue Tax Consolidated Act Presidential Decree no. 917/ 1986)

SETTING UP A BUSINESS IN PAKISTAN

SOLE PROPRIETORSHIP

An individual may set up the business as sole proprietorship without any registration except with tax authorities.

PARTNERSHIP FIRM

A partnership firm can be established by executing a partnership deed on a stamp paper of Rs.500/- and getting the same Notarized by the authorized Notary Public Magistrate. The Partnership Act, 1932 is the legal framework for partnership firms and a firm may or may not be registered with the Registrar of Firms.

COMPANIES

The Companies Ordinance, 1984 (the Ordinance) and The Companies (General Provisions and Forms) Rules, 1985 provide the legal framework for operations of companies in Pakistan and the Securities and Exchange Commission of Pakistan (the Commission) is the regulatory authority in this regard. In Pakistan, a company may be formed with or without limited liability and the Ordinance provides for the following categories of the companies:

- A company limited by shares; or
- A company limited by guarantee;

Companies formed in any of the above categories can further be classified in two types:

a) Private company
b) Public company
c) Single Member Company

Any three or more persons associated for any lawful purpose may, by subscribing their names to the Memorandum of Association (document that defines the objectives of the company) and complying with the registration requirements, form a public company. There is no limitation as to the maximum number of members of such a company members of such a company and after complying with the prescribed requirements; it may offer its shares and other securities to the general public. The public company may get its shares and other securities listed on the stock exchange(s).

A private company can be established by any one or more persons associated in such manner as specified in the case of a public company and means a company which by its articles of association (document that defines the standard operating procedures of the company),

a) Restricts the right to transfer its shares, if any;
b) Limits the number of its members to fifty;
c) Prohibits any invitation to the public to subscribe for the shares, if any, or debentures of the company.

The name of every public limited company should include the word "Limited" as the last word of the name. And the name of every private company and a company limited by guarantee should respectively include the parenthesis and word "Private" and "Guarantee" before the last word "Limited". The Commission may grant license to a non-profit association for the promotion of commerce, art, science, religion, sports, social services, charity or any other useful object to be registered as a company with limited liability without the addition of the words "Limited", "(Private) Limited" or "(Guarantee) Limited" as the case may be, to its name.

A single person may form a single member company on fulfillment of certain legal conditions.

LINCESE REQUIREMENTS

Specialised businesses

In Pakistan, certain businesses have been declared specialized and in addition to corporate and tax requirements, a specific license is required to commence such businesses.

- Such businesses are Banking Companies, Non-Bank Finance Companies, Security Service Providing Companies, Corporate Brokerage Houses, Money Exchange Companies, a Company which invests in Arms and Ammunition, Security Printing, Currency and Mint.
- High Explosives and Radio Active Substances. Certain conditions e.g. as to minimum capital, qualification of directors, corporate structure and area of operations etc. are required to be complied with to obtain these licenses.
- However, the conditions for grant of license vary from business to business.

Generalised businesses

For other businesses some procedural approvals etc. may be required but no specific license is necessary.

Registration of Trademarks in Pakistan

A Trade Mark is not protected in Pakistan until and unless it is registered in Pakistan. Registrar of trademarks in Pakistan, appointed under section 7 of the Ordinance and trademark registry, established under section 9 of the Ordinance work under the administrative control of Intellectual Property Organisation (IPO).

LISTING OF COMPANIES AND SECURITIES

There are three stock exchanges in the country, namely:

- Karachi stock exchange,
- Lahore stock exchange, and
- Islamabad stock exchange.

Karachi Stock Exchange (the Exchange)is the biggest and most liquid exchange and has been declared as the "Best Performing Stock Market of The World For the year2002".

All exchanges have their own regulations which are largely similar. The Securities and Exchange Commission of Pakistan (Commission) grants the approval for the public offer and after such approval a company may obtain listing for its equity and/or debt securities according to the regulations of the Exchange.

Thestockexchangeregulationsprovideforcertainreportingandotherrequirements.Someimportant regulations are in respect of:

- Notice of board and shareholders' meetings
- Approval for date of annual general meeting of the company
- Reporting of the results and announcements of the dividends
- Payment of dividend at least once in five years
- Code of corporate governance. The code is a comprehensive set of rules for ensuring transparency and good governance in the management of the company.

FOREIGN INVESTOR IN PAKISTAN

A foreign investor may establish an independent business with any of above mentioned corporate structures.
He can establish a sole proprietorship, can enter into partnership with any local person or foreignerandevencanestablishacompanywithorwithoutparticipationoflocalshareholder(s) and director(s).
If a foreign enterprise wishes to establish a business in Pakistan as a part of its international operations, in addition to the said corporate structure sit also has following choices:

a) It can obtain registration with Board of Investment – Government of Pakistan (the Board),for opening of a branch office, marketing office or liaison office. Regulations of the Board impose certain restriction on the operations of the enterprise.

b) It can appoint an agent in Pakistan. Relevant provisions of the Contract Act, 1872 shall apply in such agency arrangements.

c) It can enter into joint venture with other business entities. Relevant provisions of Contract Act, 1872and PartnershipAct1932are applicable to these ventures.

ACCOUNTING AND AUDITING

- The financial year for all business enterprises (except as discussed in the section on Income Tax)is from 1st July to 30th June of every year. All listed companies are required to issue their financial statements for the year ending on 30th June at the latest by the last day of the immediately following October, while other Companies may submit their financial statements to Securities and Exchange Commission of Pakistan (SECP), at the latest by the last day of immediately following December.

- All companies are required to get their financial statements audited by a Chartered Accountant who is a member of the Institute of Chartered Accountants of Pakistan (ICAP). However, a company that has share capital below three million rupees may get their financial statements audited by a Cost and Management Accountant who is a member of the Institute of Cost and Management Accountants of Pakistan (ICMAP).

- Financial statements of listed companies are presented according to the requirements of the fourth schedule to the Companies Ordinance, 1984 while financial statements of all other companies are presented according to the fifth schedule to the Companies Ordinance, 1984. ICAP considers and adopts the International Accounting Standards (IASs) and SECP notifies their application in preparation of financial statements of companies. At present, all IASs issued by International Accounting Standards Board except IAS 15 and IAS 29 have been adopted and notified.

SUCCESS STORIES OF ITALIAN COMPANIES OPERATING IN PAKISTAN

There are a number of successful Italian companies operating in Pakistan. We have aimed to highlight the experiences of these companies in different sectors.

CHIESI PAKISTAN

Chiesi Group – Italy is one of the fastest growing European Pharmaceutical Company.Chiesi Pharmaceutics was launched in Pakistan on 2nd June 1987.Chiesi Pakistan started its operation with 10 Hi - Tech professionals which are now increased to total of 196simultaneous as increased in product range. Chiesi's existing product range portfolio of 17 represents vital therapeutic areas of Respiratory Diseases, Cardiovascular Diseases, Central Nervous System Disorders, Musculoskeletal pain and Neonatology. Chiesi Pakistan has particular expertise in the pulmonary and systemic delivery formulations directly at respiratory level. Their recent hallmark achievements include Modulite technology, a patent pulmonary delivery system utilizing ozone-friendly propellants. Chiesi Pakistan has now become the second largest company in providing the best Asthma management therapeutics with maximum range of products which are having prestigious ranking in the Pharma market.

In Pharmaceutical Market Chiesi Pakistan is holding 40th Position with a share of 0.65 %. (IMS 4th Quarter 2012. From sales and profitability point of view Chiesi Pakistan is showing a persistent growth as previous five year history reveals that;

	2008	2009	2010	2011	2012
Sales growth	17.4 %	11.8 %	13.1%	23.9 %	15.0 %
Profitability growth	9.8 %	11.8%	27.2 %	11.8%	12.7 %

In the year 2012 Chiesi Pakistan has achieved a great milestone of over **1 Billion** Pak Rupees sales and ambitious to further enhance its contribution in the fast growing Pakistan Pharma market. To further sustain their commercial strength and increase future growth potential, Chiesi is actively evaluating and pursuing the acquisitions of new companies / products. In future Chiesi's prime objective is to play a leading role for the improvement of health and quality of life of ailing humanity by providing innovative products.

LANDI RENZO

Landi Renzo came up with a JV named LR Pak(PVT) Ltd in 2007 and became operational in mid 2008 as CNG kit assemblers. Growth and decline is totally linked to the market trend of motor vehicles, therefore every year could be different due to variable demand.

Landi Renzo had a 90% market share in Pakistan the day the local company started operations, and have maintained the market share to-date because of their quality standards of kits are the same whether they produce in Italy or Pakistan.

At the startup of Landi Renzo operation in Pakistan all the components were being imported from Italy, however by the end of the first year of operation they shifted some portion of imported components to locally produced components which helped in decreasing their cost and by now more than 50% are locally produced. Landi Renzo had started its operations from a meager 50 people which at its peak was close to 200 and now its down to 74 workers and staff as the Government put a ban on Dec 15 ,2011 on the import of kits and cylinders. Although they are hopeful with the present government and seeking lifting of Ban the import of CNG Kits and Cylinders.

ITALTEC ENERGY

Italtec Energy is a Private Limited and in energy power sector business since 2002, it has JV with M/s. Ansaldo Energia, S.p.A Italy, one of the most mega state owned Company which builds and supply's Gas and Steam Turbines internationally. Italtec Energy is a leading engineering and energy company involved mainly in foreign companies representation as well as construction, fabrication, erection and installation, operations and maintenance of oil & gas and power generation plants.

Italtec Energy (Pvt.) Limited worked as an EPC Contractor (Engineering, Procurement, Construction) in Power Generation Field. Italtec installed many power houses in Pakistan, like Guddu power station, Kapco, Liberty Power Plant, Bin Qasim Power Plant, KotAddu Power House etc. In Pakistan providing sales and technical services not only to these power companies, but also to the GENCOs subsidiaries of PEPCO through their logistic and technical support.

Italtec Energy's has more the 400 staff, during the year 2012 turnover of Italtec Energy was more than 340million and net revenue 150+ million.

AL-GHAZI TRACTORS LIMITED

Al-Ghazi Tractors Limited (AGTL) engages in the manufacture and sale of agricultural tractors, implements, and spare parts in Pakistan. It manufactures tractors of various models, including 480-S (55 horse power), GHAZI (65 horse power), 640 (75 horse power), and 640 Special (85 horse power). Al-Ghazi Tractors Limited was incorporated in 1983 and commenced its business in the same year. In 1991, Al-Ghazi Tractors Limited was take over by Al-Futtaim. Al-Futtaim Industries Company LLC, having a lion s share of 50. 02% followed by 43. 17% by CNH Global NV, with whom AGTL has entered into a collaboration agreement for manufacturing new Holland brand of tractors. This agreement is expected to last till April 2016.

It has currently around 388 employees with production capacity average 30,000 tractors per annum.

	2008	2009	2010	2011	2012
Sales Growth	11.30 %	55.94 %	(5.19)%	(32.28) %	46.13 %
Profitability Growth	(12.16) %	56.61%	9.48 %	(28.81)%	41.03 %

ENI PAKISTAN LIMITED

ENI is one of the most important integrated energy companies in the world operating in oil and gas, power generation, petrochemicals, oilfield services construction and engineering. In these businesses it has a strong competitive edge and leading international market positions. ENI is listed on the Italian and New York Stock Exchange.

ENI has been operating in Pakistan since 2000 with a yearly average net equity production of over 50,875 boepd ENI- Pakistan ranks as the largest foreign producer in the Pakistan E&P sector.

ITALIAN DEVELOPMENT COMMITTEE

The Italian Development Committee (formerly Italian Development Council) at Karachi is a trade development association formed by eleven founder members under the patronage of the Ambassador of Italy and the cooperation and support of the Consul General of Italy at Karachi. The Italian Development Committee was established on 30th September 2009 with objective to enhance bi-lateral trade & investment between Italy and Pakistan.

IDC's main aim is developing activities in aid of commercial exchange between Italy and Pakistan, of assisting enterprises and furthermore of supporting the development of economic relations and any possible collaboration between entrepreneurs of the two countries.

ANNEXURE

SCHEDULE: A

LIST OF THE COMMODITIES/GOODS FOR IMPORT FROM PAKISTAN INTO ITALY:

1. Animal hair (new)
2. Animal casings
3. Artemisia
4. Artificial Jewelry
5. Aragonite or Onyx marble
6. Art silk waste and raw silk waste
7. Art fabrics
8. Arts and handicrafts and handicraft products — all sorts
9. Aluminum-ware
10. Agricultural implements and tools
11. Asbestos products
12. Antimony ore
13. Bile of Cow (Oxgall)
14. Bones crushed, bonemeal and bonegrist
15. Bone dust and bone sniews and similar articles
16. Buttons made of horn, bone and mother of pearl
17. Bees wax and sealing wax 18 Books and magazines
18. Brass and ivory inlaid wooden articles
19. Brass and copper-ware, all sorts
20. Brass water fittings
21. Biscuits and confectionery
22. Cummin Seed 24 Cotton raw
23. Cotton waste, all sorts
24. Cotton linters and yellow pickings
25. Cotton raga
26. Cotton yarn
27. Cotton thread
28. Cotton seeds hulls or husks
29. Castor oil, seed and castor seed cakes
30. Chrome ore
31. Coir and coir product
32. Cinematograph films (exposed)
33. Carpets and rugs, all sorts
34. Cycle tyres and tubes
35. Cotton fishing nets
36. Cotton ropes and twine
37. Cotton towels and bed sheets
38. Camel skin lamps and shades
39. Cement tiles
40. Cast iron pipes and water fittings
41. Dried blood of animals
42. Dried fish, fish meal and fish maws
43. Door and window fittings

44. Dried fruits
45. Diesel engines and water pumping sets
46. Drugs and medicines
47. Ephedra and Ephedrine hydrochloride in crude crystal and extracts
48. Essential oils
49. Embroidered goods, all sorts
50. Electric fittings
51. Electric fans
52. Electric motors and transformers
53. Eggs and poultry
54. Furs raw, all sorts
55. Fish meal and fish maws
56. Fish dried
57. Fishing ropes and tackles
58. Frozen fish, prawns, shrimps and lobsters
59. Fruit plants, seeds and bulbs
60. Gelatine
61. Guar seed, guar gum and guar meal
62. Guts for tennis rackets and strings for musical instruments
63. Gypsum
64. Gold and silver thread (real Zari) and imitation articles made the-refrom
65. Gramophone records
66. Grinding machinery
67. Gums all sorts
68. Bides and skins, including karakulis, reptile skins and crocodile skins, raw
69. Honey and bees wax
70. Herbs, crude drugs, extracts and indigenous drugs and medicines and other pharmaceutical raw materials
71. Henna leaves, powder and paste
72. Horns and hooves, crushed and uncrushed
73. Hurricane lanterns
74. Handloom cloth
75. Hosiery and haberdashery
76. Hand saws
77. Jute raw and Jute yarn and manufactures thereof
78. Jute waste
79. Kapok and kapok seed
80. Kips, bark tanned
81. Kenaf and other fibers and manufactures therof
82. Leather manufactures and vellours
83. Leather goods other than footwear
84. Livestock including horses
85. Magnesium silicate (soap-stone)
86. Magnesite
87. Minerals
88. Musical instruments and parts thereof
89. Metal-wares
90. Mica
91. Mother of pearl shells
92. Novelties and curios other than those containing silver, gold or other precious metals

93. Newsprint
94. Oil seeds and oil seed cakes
95. Pyrethrum
96. Paints and varnishes
97. Plastic manufactures
98. Paper and paper board, all sorts
99. Pashmina cloth and manufactures thereof with or without silk and/or cotton embroidery work
100. Pulses
101. Perfumes and cosmetics
102. Red oxide of iron
103. Rosin
104. Readymade garments
105. Reptile skin manufactures
106. Rattan (cane) furniture and its other manufactures
107. Red beans
108. Saltpetre
109. Shark liver oil
110. Sodium silicate
111. Sports goods, all sorts, games, gymnastic and athletic appliances, accessories and requisites thereof
112. Santonin
113. Sewing thread
114. Surgical instruments and hospital equipment including rubber goods
115. Sea salt
116. Spices
117. Shuttle and bobins
118. Tea
119. Turpentine n.o.s.
120. Tanned and semi-tanned leather, all sorts
121. Tarpaulin
122. Toys, all sorts
123. Tobacco
124. Vegetable turpentine
125. Wool
126. Woolen carpets and rugs
127. Woolen yarn
128. Water and sanitary fittings
129. Miscellaneous, including such commodities the importation of which is free in Italy

SCHEDULE: B

LIST OF THE COALMODITIES/GOODS FOR IMPORT INTO PAKISTAN FROM ITALY:

1. Iron and steel pipes, accessories and fittings thereof
2. M. S. Bars
3. M. S. Plates
4. 4M. S. Billets
5. Tin plates
6. Baling hoops and strapping
7. sheets (below 22 gauge)
8. 8M. S. sheets (20 gauge and below)
9. Iron or steel wire (plain only)
10. Iron or steel castings, forgings, stampings and forged steel balls
11. Iron or steel structures, fabricated or semi-fabricated
12. Aluminum
13. Aluminum and aluminum alloys manufactures
14. Lead, zinc tin and their alloys manufactures
15. Unfinished products of aluminum and its alloys
16. Unfinished products of copper and its alloys
17. Tools and workshop equipments
18. Newspapers, magazines and periodicals
19. Asbestos sheets and asbestos manufactures, all sorts
20. Fiber boards, hard boards, insulating boards
21. Building and engineering materials, all sorts
22. Chemicals, all sorts
23. Soda Ash 24 Sodium carbonate
24. Nitrogenous fertilizers (ammonium sulphate)
25. Drugs and medicines, including antibiotics and preparations thereof
26. Synthetic organic dyestuffs
27. Chestnut and sumach-tree extracts for tanning
28. Sheet and plate glass
29. Glass bottles, jars and phials
30. Venetian artistic glassware
31. Laboratory glassware, graduated or undergraduate
32. Pipes, made of plain or beveled glass or lead crystal
33. Glass insulators and glass insulating materials
34. Lenses and rough blanks for lenses
35. Glass syringes for injection, all sorts
36. Blown glasses for sun-protection
37. Works of unbreakable glass
38. Earthenware, chinaware and porcelain, all sorts
39. Materials and apparatus, made of gres clay
40. Graphite crucible and accessories thereof

41. Abrasives, on clothes and papers
42. Grinders, grinding stones, grinding machines and similar works made of artificial abrasives, pure or mixed with other materials
43. Porcelain insulators with or without metallic part
44. Artificial teeth, porcelain
45. Wireless reception instruments including those for motor cars, and parts thereof
46. Electrical instruments and apparatus, incl. carbon rods and parts thereof
47. Carbons and graphite also with metallic accessories, for electrical and electro technique use
48. Electric transformers, control gears, and transmission gears, switches, fuses and current breaking devices, all sorts
49. Electric insulating materials, all sorts, n.o.s.
50. Cast iron pipes and tubes and fittings thereof
51. Iron and steel nails and washers, all sorts, n.o.s.
52. Iron or steel wire rope and wire strand
53. Iron or steel wire nails
54. Iron or steel (other than bar or rod) specially designed for the re-enforcement of concrete
55. Iron or steel wire chain links, fencing wire, etc.
56. Iron or steel wood screws
57. Valves for iron or steel pipes and tubes
58. Manufactures of iron and steel, all sorts n.o.s., including crown corks, and iron or steel bolts, nuts and rivets
59. Wines and liquors, vermouths and syrups.
60. Domestic and industrial sewing and knitting machines and parts thereof
61. Typewriters and other Office machines (such as adding, drafting duplicating, tabulating machines, etc.) and parts thereof
62. Ball and roller bearings and parts thereof
63. Machinery and millwork, all sorts and parts and accessories thereof
64. Sweet-meat making machinery
65. Machines, machinery and industrial apparatus, all sorts (textiles machinery, thermo engines, monopump groups, etc.)
66. Machinery for building industry, mining and road making machinery
67. Tanning and leather working machinery
68. Machine tools, for metal and wood-working, parts and accessories thereof
69. Plastic working machinery
70. Glass containers making machinery (bottles, flasks, ampoules, etc.)
71. Machinery and apparatus, all sorts, n.o.s. (such as compressors of air and gas ; gas driven motor compressors, machinery for producing oxygen and nitrogen, oil extracting machinery, bottles for liquefied gas, etc.)
72. Essential oils, all sorts, including synthetic essential Oils
73. Photographic films, perforated or imperforated, plates and papers, including sensitized papers, non exposed, all sorts
74. Photographic instruments apparatus and appliances, with or with-out optical parts, excluding cameras for amateurs)

75. Optical instruments and appliances and parts and accessories thereof excluding binoculars
76. Potatoes, seed only
77. Rubber tires and tubes (new), other than those for cycles
78. Silk, raw
79. Artificial silk yarns Si Artificial silk thread
80. Cotton yarn
81. Elemphoses, for fire-fighting
82. Motorcar's and vehicles of the jeep types and parts and accessories thereof
83. Motorcycles and motor scooters and parts and accessories thereof
84. Two or four stroke engines for motor-cycles
85. Dynamo-lamps for cycles
86. Celluloid
87. Cork manufactures, all sorts
88. Fittings for parasols, umbrellas and sunshades
89. Thermoplastic mounding compounds
90. Synthetic resins, plastic materials and their derivatives
91. Cookers and stoves, working on liquid gas (cracked petroleum products)
92. Sanitary goods made of enameled iron or steel
93. Cellulose acetate, sheets and powder
94. Regenerated Cellulose
95. Ammunitions, including lead shots and cartridges, for hunting
96. Olive oils
97. Electric motors, all sorts, cartridges, for hunting and components and parts thereof
98. Electric machinery, including generators, motors, converting machinery rectifiers, transformers, starting and control motors, switches gears and switch boards
99. Household electric apparatus and appliances, electric fitting and accessories thereof
100. Parts and accessories for radio-electric apparatus
101. Cinematographic instruments and appliances, parts and accessories thereof
102. Electric measuring instruments and apparatus and meters, all sort
103. Electric gramophones, accessories and parts of sound recording & reproducing apparatus
104. Scientific glassware and glass apparatus for technical use
105. Electric cables and wires
106. Cycles with motors, motor vans and motor rickshaws and parts thereof
107. Express coffee making machines, appliances and apparatus of any type for bars
108. Pneumatic machines and pneumatic tools, all sorts
109. Drawing equipments and drawing devices, all sorts Aluminum foils
110. Potassium salts Blast furnace cement Refractory bricks
111. Cement asbestos materials
112. Concrete framed glass blocks
113. Glass beads and works thereof
114. Agglomerated corks
115. Driving belts and technical leather items
116. Raw materials, semi manufactured and complete dental products

117. Insecticides for the agriculture
118. Tubular iron poles
119. Metallic supports for electric installations at high and very high tension
120. Roller blinds in plastic material
121. Wheels, axles, tread, real, accessories, etc.
122. Machines for working the salt
123. Machines for producing canned stuffs
124. Industrial motor vehicles
125. Agricultural and industrial tractors
126. Lifting apparatus
127. Electro medical apparatus
128. Rolling railway stocks, either dragging or dragged ones
129. Diesel motors included marine and industrial ones, generating and motor pump sets
130. Injection apparatus for Diesel engine
131. Electrical installations for lorries and tractors
132. Thermionic valves
133. Complete installations for petrol industries; parts and accessories thereof
134. Complete installations for sugar industries, parts and accessories thereof
135. Complete installations for the production of fertilizers, parts and accessories thereof
136. Complete installations for cement produce, parts and accessories thereof
137. Heating system and air-conditioning equipment
138. Service station and garages installations
139. Other installations for chemical, pharmaceutical and foodstuffs industry
140. Merchant and War vessels all sort and tonnage
141. Polystirole
142. Sports goods, all sorts, games, gymnastics & athletic appliances, accessories & requisites thereof
143. Brushes and paint-brushes, all sorts
144. Umbrellas and parts thereof
145. Toys, games, dolls, and items for festivities and Xmas trees
146. Travel articles and leather articles, all sorts
147. Handicraft articles, all sorts
148. Motor compressors all sorts and pneumatic hammers
149. Cinematographic films (exposed)

This document has been prepared for providing general information for boosting economic and trade relations between Italy and Pakistan. The prime purpose of this publication is to provide general guidelines, however for more detailed inquiries we recommend to solicit expert advice.

This publication is a joint effort of Khalid Majid Rehman Chartered Accountants, CAMCO (Pvt) Limited with the help of Italian Embassy in Islamabad.

Khalid Majid Rehman Chartered Accountants (KMR) , Established in 1975,is one of the trusted firms of Chartered Accountants in Pakistan comprising 3 partners who manage the firm with more than 60+ mature and committed professionals and support staff including very experienced Chartered Accountants, Cost and Management Accountants, Chartered Certified Accountants, MBAs, and Lawyers.

The team at KMR possesses an understanding of compulsions and parameters of business of its clients, and has background of successfully meeting requirements of local and international clients. The firm can assist any foreign entity/investor looking to invest in or doing business in Pakistan. KMR provides services to a broad range of public and private sector clients; services that include business set up, feasibilities, due diligence, sale and acquisitions, audit and assurance, accounting services, taxation advisory services, and financial management.

KMR has its National office in Islamabad and provides services throughout the country as well in South Asian region.

***CAMCO (Pvt.) Limited** is an investment and brokerage company, with a corporate trading license of Islamabad Stock Exchange Limited.*

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