Globalization Partners provides employer of record services for clients that want to hire employees and run payroll without first establishing a branch office or subsidiary in Pakistan. Your candidate is hired via Globalization Partners’ Pakistan PEO in accordance with local labor laws and can be onboarded in days instead of the months it typically takes. The individual is assigned to work on your team, working on your company’s behalf exactly as if he or she were your employee to fulfill your in-country requirements.

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Our Global Employer of Record Platform™ and Global PEO service enables clients to run payroll in Pakistan while HR services, tax, and compliance management matters are lifted from their shoulders onto ours. As a Global PEO expert, we manage employment contract best practices, statutory and market norm benefits, and employee expenses, as well as severance and termination if required. We also keep you apprised of changes to local employment laws in Pakistan.

Your new employee is productive sooner, has a better hiring experience and is 100% dedicated to your team. You’ll have peace of mind knowing you have a team of dedicated employment experts assisting with every hire. Globalization Partners allows you to harness the talent of the brightest people in 170 countries around the world, quickly and painlessly.

Pakistan is located in South Asia. Nearly 200 million people live in Pakistan, making it the sixth most populous country in the world. More than 60 languages are spoken in Pakistan; the national language is Urdu, but it is the primary language of only 8% of the population. In Pakistan, establishing a personal relationship is a necessity as are third-party
introductions prior to developing a professional relationship. Negotiating is an art form in Pakistan so one should be prepared for prolonged business discussions with decisions made only by senior members.

When negotiating terms of an employment contract and offer letter with an employee in Pakistan, it may be useful to keep the following standard benefits in Pakistan in mind:

**Pakistan Holidays**

Pakistan celebrates both national and religious holidays for which employees are given the day off, including:

- Birthday of Prophet Muhammad (Eid Milad un-Nabi)
- Kashmir Day
- Pakistan Day
- Labor Day
- Eid ul Fitr
- Independence Day
- Eid ul Azha
- Birthday of Muhammad Iqbal
- Ashura
- Eid Milad-un-Nabi
- Christmas Day

**Bonus in Pakistan**

In accordance with section 1(4) of the Standing Orders Ordinance, 1968, every industrial and commercial establishment in Pakistan, employing 20 or more employees, is required to pay profit bonus to their employees provided that s/he has been in employment in that year for a continuous period of at least 90 days and the company has declared profit in that year.

- The bonus is paid to the employees in recognition of the good services rendered by them while serving the organization.
- It must be paid within a period of 3 months from the closing of the financial year and cannot be delayed due to any reason including lack of available funds or incomplete financial accounts.
- The bonus is calculated as follows:
  - If profit is less than the total of one-month wages of all employees, 15% of the profit is distributed among the eligible employees
  - If profit is equal to the total of one-month wages of all employees, 30% of the
profit is distributed among the eligible employees
- If profit is greater than the total of one-month wages of all employees, at most 30% of the profit is distributed among the eligible employees
- NOTE: This requirement is taken care through our Global Employer of Record Platform and not a matter for the client to worry about when working via our platform.

Pakistan Working Hours

The typical workweek in Pakistan is 48 hours for a full-time employee, 6 days a week for 8 hours per day. No employee can be required or permitted to work more than 9 hours per day or 48 hours per week without payment of overtime. Overtime pay is double the ordinary rate of pay and is calculated as follows:

Overtime = gross monthly salary x 2 x number of overtime hours/26 (working days in a month) x 8 (working hours in a day)

Vacation in Pakistan

Every employee who has completed a period of 12 months of continuous service shall be allowed 14 consecutive days of paid annual leave during the subsequent 12 months. If all 14 days are not taken, those days will be added to the annual leave allotted to the employee in the succeeding 12 month period.

Sick Leave in Pakistan

In addition to the 14 days of paid annual leave, every employee is entitled to 10 days casual leave with full pay and a further 16 days of sick or medical leave with 50% of pay. Casual leave is granted upon certain situations such as sudden illness. Sick leave requires a medical certificate.

Maternity Leave in Pakistan

Pakistan has four different laws that cover maternity leave and the associated benefits. These laws are:

- The Mines Maternity Benefits Act, 1941 – applicable to mine workers
- The West Pakistan Maternity Benefit Ordinance, 1958 – applicable to all organizations, establishments (industrial or commercial) and factories
- The Provincial Employees Social Security Ordinance, 1965 – applicable to all establishments and stipulates maternity benefits and medical care during pregnancy
• The Civil Servants Act, 1973 – applicable to civil servants

Under the Maternity Benefits Ordinance, every employed woman is entitled to a maximum of 12 weeks of fully paid maternity leave. This leave can be taken 6 weeks before the expected birth date and 6 weeks after the delivery and entitles the employee to 100% of pay. The employee must be employed for at least 4 months preceding the date of delivery.

Additionally, female employees are eligible for pre-natal confinement and postnatal medical care through the Provincial Employees Social Security Ordinance provided that contributions were paid for at least 90 days in the previous 6 months.

Termination/Severance in Pakistan

In the private sector, the probationary period for an employee is typically between 3-6 months. In the public sector, the probationary period is generally between 1 and 2 years.

Employment of a permanent worker cannot be terminated for any reason other than misconduct unless one month’s notice or wages have been given by the employer or by the employee. One month’s wages are calculated on the basis of the average wage earned during the last three months of service. If the employee has been with the company for less than one month, s/he must be paid one-month wages in lieu of notice.

Employers may terminate an employment contract but will be required to provide a written termination letter explicitly stating the reasons for termination. It should be noted that the local law does not state the reasons for which an employment relationship may be terminated, however, case law includes serious illness, inefficiency to perform the job, and the financial needs of the company. Misconduct, provided that the employee is given an opportunity to respond to the charges, is sufficient enough for dismissal. Instances of serious misconduct include willful disobedience, damage to the employer’s property, theft, fraud, habitual breach of the law, absence without permission, and illegal strikes.

Employees are entitled to severance pay when terminated for any reason other than misconduct. The severance pay is equivalent to 30 days’ wages for every completed year of service or any portion in excess of 6 months (for example, 5 years and 8 months is considered 6 years of service).

It’s permissible for an employer to substitute a provident fund for severance pay.
Pakistan Tax

Income tax in Pakistan is payable on the basis of different slab rates. Rates for salaried employees are in the range of 2% to 30%. If an employee’s income is less than the exemption threshold of PKR 400,000 (whether a salaried or non-salaried individual), the employee is not required to pay any income tax. Below is an income tax rate table for salaried employees for 2015-2016:

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Tax Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than Rs 400,000</td>
<td>0.0%</td>
</tr>
<tr>
<td>Rs 400,000 – Rs 500,000</td>
<td>2% of the amount exceeding Rs 400,000</td>
</tr>
<tr>
<td>Rs 500,000 – Rs 750,000</td>
<td>5.0% of the amount exceeding Rs 500,000</td>
</tr>
<tr>
<td>Rs 750,000 – Rs 1,400,000</td>
<td>Rs 14,500 + 10.0% of amount exceeding Rs 750,000</td>
</tr>
<tr>
<td>Rs 1,400,000 – Rs 1,500,000</td>
<td>Rs 79,500 + 12.5% of amount exceeding Rs 1,400,000</td>
</tr>
<tr>
<td>Rs 1,500,000 – Rs 1,800,000</td>
<td>Rs 92,000 + 15% of amount exceeding Rs 1,500,000</td>
</tr>
<tr>
<td>Rs 1,800,000 – Rs 2,500,000</td>
<td>Rs 137,000 + 17.5% of amount exceeding Rs 1,800,000</td>
</tr>
<tr>
<td>Rs 2,500,000 – Rs 3,000,000</td>
<td>Rs 259,500 + 20% of amount exceeding Rs 2,500,000</td>
</tr>
<tr>
<td>Rs 3,000,000 – Rs 3,500,000</td>
<td>Rs 359,500 + 22.5% of amount exceeding Rs 3,000,000</td>
</tr>
<tr>
<td>Rs 3,500,000 – Rs 4,000,000</td>
<td>Rs 472,000 + 25% of amount exceeding Rs 3,500,000</td>
</tr>
<tr>
<td>Rs 4,000,000 – Rs 7,000,000</td>
<td>Rs 597,000 + 27.5% of amount exceeding Rs 4,000,000</td>
</tr>
<tr>
<td>Rs 7,000,000 – anything above</td>
<td>Rs 1,422,000 + 30% of amount exceeding Rs 7,000,000</td>
</tr>
</tbody>
</table>

Employers must contribute to Social Security on behalf of the employee for up to 7% of wages and 5% for Employees Old Age Benefit. No contributions are due on wages in excess of PKR 400 per day or PKR 10,000 per month. Social Security provides for four types of benefits including:

- Old-Age Pension
- Survivor’s Pension
• Invalidity Pension
• Old-Age Grant (if an employee is not eligible for pension).

Employers are required to submit both employer and employee contributions to a bank designated by the Employees’ Old-Age Benefits Institution (EOBI) before the 15th of every month. Employers pay a contribution equal to 5% of the minimum wage while employees pay 1% of minimum wage.

As of July 2010, Value Added Tax (VAT) is levied at a 17% rate on most goods and services in Pakistan.

Health Insurance in Pakistan

Healthcare in Pakistan is considered one of the country’s most corrupt sectors, as currently only 0.8% of the country’s GDP is allotted to health care. Pakistan has no national health insurance system and 78% of the population pay health care expenses out of pocket. Pakistan is currently the only country in the world without a National Health Ministry.

Healthcare in Pakistan is administered through expensive private-sector insurance companies.

Additional Benefits in Pakistan

Based on some Collective Bargaining Agreements, employees who take pilgrimage i.e., Hajj, Umra, Ziarat, are granted special leave up to 60 days.

Some companies offer medical insurance, life insurance, and tuition fee reimbursement.

Bottom Line on Benefits in Pakistan

Generally, we recommend budgeting 20% for benefits cost on top of the gross salary to allocate the total employer’s cost including benefits in Pakistan.

Employment Contracts in Pakistan

All businesses with 20 or more employees are required to issue formal employment contracts at the time of hiring an employee.

Strong employment contracts should be put in place in Pakistan, in the local language, and they should spell out the terms of the employee’s compensation, benefits, and termination
requirements. An offer letter and employment contract should always state the salary and any compensation amounts in Pakistani Rupee rather than a foreign currency.

This information is provided as generally accepted information and is not intended as advisory services.

**Why Globalization Partners**

Establishing a branch office or subsidiary in Pakistan to engage a small team is time-consuming, expensive and complex. Pakistani labor law has strong worker protections, requiring great attention to detail and an understanding of local best practices. Globalization Partners makes it painless and easy to expand into Pakistan. We can help you hire your candidate of choice, handle HR matters and payroll, and ensure that you’re in compliance with local laws, without the burden of setting up a foreign branch office or subsidiary. Our Pakistan PEO and Global Employer of Record Platform provides you peace of mind so that you can focus on running your business.

If you would like to discuss how Globalization Partners can provide a seamless employee leasing or PEO solution for hiring employees in Pakistan, please contact us.

[Request a Proposal]