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PAKISTAN

INTRODUCTION

The Constitution of Pakistan, 1973 (“the **Constitution**”) provides for a federal system of governance. In brief terms, the Constitution envisages the division of legislative powers between the Parliament and the Provincial Assemblies and the division of executive powers between the Federal Government and Provincial Governments. Provincial Assemblies and Provincial Governments are exclusively empowered to legislate on and exercise executive control over a number of subjects, including health, education, and labor. The Parliament and the Federal Government, on the other hand, continue to enjoy legislative and executive domain over a number of important subjects such as defense, border control, and trade.

Pakistan reported its first case of COVID-19 on 26 February 2020. By mid May, the total number of cases in Pakistan were 42,067. Out of these, 16,377 cases were in Sindh, 15,346 in Punjab, 6,061 in Khyber Pakhtunkhwa and 2,692 in Balochistan. COVID-19 has caused more than 903 deaths across Pakistan.

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The COVID-19 pandemic posed a unique challenge in a federal constitutional framework. While different approaches devised by each provincial government may have some value (allowing a greater degree of experimentation), the need for coordination in regional governments cannot be underscored. To this end, the National Coordination Committee (“NCC”) was set-up ostensibly as an ad-hoc coordination committee, under the ambit of which the National Command and Operation Centre (“NCOC”) was formed for coordination amongst the federal and provincial agencies. The decisions of the NCC and NCOC are not binding on the provinces.

GOVERNMENT MEASURES

The Federal and Provincial Governments of Pakistan have undertaken various measures to combat COVID-19 pandemic. New measures are being introduced every day. As the situation is changing rapidly, some of the information set out below may not be up-to-date at the time of the reading. Significant governmental measures are discussed below.

a. Federal Government

One and a half weeks after the first case of COVID-19 was reported in Pakistan, on 7 March 2020, the Ministry of National Health Services, Regulation and Coordination devised a National Action Plan to provide a framework for the provinces to build capacity to prevent, detect and respond to the pandemic. On 13 March 2020, the Federal Minister of Education announced the closure of all educational institutes in the country. The Provincial Governments issued the orders for closure of educational institutes as well. The Provincial Governments also started imposing bans on public gatherings, as the gravity of the pandemic started to emerge for the authorities.

In the next week, particularly between 22 and 24 March 2020, the Provincial Governments took some of the most important steps for the containment and control of COVID-19 pandemic.

The Provincial Governments announced various restrictions on movement and activities (which are discussed below in further detail). On 23 March 2020, the Federal Government authorized deployment of troops of the Pakistan Army to aid provincial administrations in enforcing measures against the coronavirus. Some of the important decisions taken by the NCC are tabulated below in chronological order:

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The Federal Government ordered closure of Pakistan's western borders with Afghanistan and Iran on 13 March 2020. On 19 March 2020, the eastern border with India was also closed. The closure of western and eastern borders was ordered for an initial period of 14 days but was subsequently extended. On 17 May 2020, the Federal Government reopened Pakistan's western border with Afghanistan.

On 21 March 2020, the Federal Government of Pakistan suspended operations of all international passenger, chartered and private aircraft inbound flights to Pakistan till 4 April 2020. Exception was granted to diplomatic, special/cargo flights. On 24 March 2020, domestic flights were also suspended till 2 April 2020. The suspension of international flights continues to be in place till 31 May 2020. On 15 May 2020, the Federal Government allowed partial resumption of domestic flights operations.

b. Provincial Government of Punjab

Some of the important measures adopted by the Provincial Government of Punjab in relation to the COVID-19 pandemic are listed in chronological order below:

- | | |
|---------------|--|
| 27 March 2020 | Educational institutes across the country are to remain closed till 31 May 2020. |
| 1 April 2020 | Lockdown announced by the Provinces was extended till 14 April 2020. |
| 14 April 2020 | <p>Lockdown was extended till 30 May 2020.</p> <p>Low risk industries and the construction industry were granted exemptions to operate amidst the lockdown.</p> <p>Provinces were asked to formulate Standard Operating Procedures ("SOPs") to ensure permitted activities are carried out in compliance with measures to prevent the spread of the coronavirus.</p> |
| 24 April 2020 | Lockdown was extended till 9 May 2020. |
| 7 May 2020 | <p>Provinces were ordered to ease the restrictions announced in wake of COVID-19 to begin the lifting of the lockdown in phases from 9 May 2020.</p> <p>Closure of educational institutes across the country was extended till 15 July 2020.</p> <p>Board examinations were cancelled across the country.</p> |

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c. **Provincial Government of Punjab**

Some of the important measures adopted by the Provincial Government of Punjab in relation to the COVID-19 pandemic are listed in chronological order below:

- | | |
|---------------|---|
| 23 March 2020 | Announcement of lockdown. Markets, shopping malls, restaurants and offices were closed. Ban was imposed on movement of people by public transport and on all kinds of gatherings. Exemptions were granted to personnel related to health services, law enforcement agencies and essential services. These services included utility companies, defense, food and health related manufacturing industries, grocery stores, pharmacies, call centers with minimum staff, petrol pumps, auto workshops, banks with essential staff and welfare organizations. Dry ports and custom services were also exempted. Exempted personnel were required to adhere to social distancing measures. The order was supposed to remain in force till 4 April 2020. |
| 3 April 2020 | Exemption from lockdown measures were granted to some of the industries, including some textile, sports goods, surgical instruments, leather, pharmaceutical and auto parts industries. |
| 6 April 2020 | Lockdown was extended till 14 April 2020. |
| 10 April 2020 | Landlords were prohibited from evicting tenants on account of nonpayment or delay in payment of rent for a period of two months. |

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- 14 April 2020 Lockdown was extended till 25 April 2020. Manufacturing and supply chain activities of personal hygiene items and personal protective equipment, exploration and production of oil and gas companies were also exempted. Exemption from lockdown was granted to low risk sectors that included chemical industries, software development, paper and packaging, programming, and tech support companies, shops of electricians, plumbers and tailors, real estate and property dealers, book shops, services of architects and engineers etc. Export oriented industries were also granted permission to operate subject to verification by the Trade Development Authority of Pakistan (“TDAP”). Permitted activities were to be carried out in accordance with the guidelines/SOPs. The SOPs required employers to take measures to ensure hygienic work conditions and social distancing.
- 22 April 2020 Schools in Punjab were ordered to provide a 20% concession in tuition fee for the months of April and May.
- 24 April 2020 Lockdown was extended till 9 May 2020.
- 9 May 2020 Additional exemptions were granted to the construction sector, i.e., manufacturers of steel and aluminum equipment, ceramic and paint industry, hardware stores etc. All factories (except those expressly disallowed), retail shops except large shopping malls, salons and gyms were allowed to resume operations subject to adoption of SOPs. Shops were permitted to operate for only four days a week (Monday to Thursday from 8.00 am to 5.00 pm). It was clarified that the following activities shall continue to remain suspended: large shopping malls, educational institutes, cinemas, restaurants, hotels, marquees, marriage halls, places of large gatherings, organized sports events, concerts and public transport.
- 18 May 2020 This Order will remain in force till 31 May 2020. Public transport and shopping malls were allowed to resume operations subject to compliance with the SOPs.

The Governor of Punjab promulgated the Punjab Infectious Diseases Prevention and Control Ordinance, 2020 (“the **Punjab Ordinance**”). The Punjab Ordinance authorizes the Government of Punjab to deal with diseases posing imminent threat to the public, including the powers to:

- a) Require a person to undergo medical examination, abstain from work, and be kept in isolation or quarantine.
- b) Impose restrictions on events and gatherings.
- c) Close, seal and prohibit entry into specified premises and a general area for a specified period.

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- d) Impose a duty on a potentially infectious person to undergo screening and assessment which includes answering questions related to medical and travel history and allowing taking of biological samples.
- e) Impose a duty on head of family, health care providers, in charge of educational institutes, and employers to report if a person under their care/supervision is suffering from an infectious disease.
- f) Undertake steps deemed necessary to provide relief to persons infected in a specified area for instance segregation of population, requisition of buildings and means of transport, and conscription of labor.

The Punjab Ordinance sets out that the failure to comply with any directions issued thereunder would be an offence. The Punjab Ordinance also guarantees confidentiality with regards to the personal information collected by the public officials thereunder. So far, the Government of Punjab has not taken any notable action under the Punjab Ordinance.

d. Provincial Government of Sindh

Some of the important measures adopted by the Provincial Government of Sindh in relation to the COVID-19 pandemic are listed in chronological order below:

- | | |
|---------------|--|
| 22 March 2020 | Lockdown was announced for fifteen days. Essential services were exempted. Exempted personnel were required to observe social distancing. Defiance of the order was declared an offence under the Pakistan Penal Code. |
| 23 March 2020 | Activities within the supply chain of essential services were clarified as exempted. Employers were prohibited from laying off workers and were required to pay full wages to the workers during the period of lockdown. |
| 26 March 2020 | It was directed that the activities exempted from the lockdown included those related to agricultural activities, seed fertilizers, personal hygiene items, railway freight services. |
| 27 March 2020 | Movement of persons was strictly banned between 5.00 pm to 8.00 am. Employers were mandated to ensure that employees maintain safe distance at work and employees with symptoms of coronavirus are tested and reported to the health department. |

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- 2 April 2020 Lockdown was extended till 14 April 2020. It was clarified that the ban on restriction on movement of people from 5.00 pm to 8.00 am did not apply to medical emergencies, personnel related to law enforcement agencies, medical and emergency services, and personnel engaged in transportation of goods.
- 6 April 2020 Schools were mandated to grant concessions of at least 20% in tuition fee for April and May.
- 14 April 2020 Lockdown was extended till 30 April 2020. Similar to Punjab Government's Order dated 14 April 2020 exemptions were extended to low risk sectors and export-oriented industries. However, these permitted activities had to submit an undertaking to the local government, Home Department, Labor Department and Industries Department that they had undertaken all precautionary measures required by SOPs before they could commence operations. Permitted activities were required to strictly adhere to the SOPs. Among other precautionary measures to ensure hygiene and social distancing, these SOPs required employers to maintain a register of all persons engaged to work at premises.
- 25 April 2020 Owners of shops, outlets, showrooms, and business centers were allowed to open from Monday to Thursday (9.00 am to 3.00 pm) to conduct business online in accordance with the SOPs issued for e-commerce.
- 10 May 2020 It was clarified that businesses and offices not cleared for opening, shopping malls, educational institutes, marquees, halls, public processions, gatherings, sports events, concerts, restaurants, hotels, entertainment areas, parks and public transport shall remain closed/suspended. The ban on restriction on movement from 5.00 pm to 8.00 am shall continue to be in place. Low risk sectors, including construction activities, exempted from closure/suspension through Order dated 14 May 2020 and the businesses and offices cleared for opening were allowed to operate. Granted exemption to retail shops except large shopping malls to operate four days a week (Monday to Thursday from 8.00 am to 4.00 pm). It was clarified that salons, spas, gyms and game centers shall remain closed. Permissible activities were ordered to strictly adhere to the SOPs. Violation of the SOPs shall result in the suspension of permission to operate. Friday, Saturday and Sunday were announced as complete lockdown days with exemption granted to a limited number of activities. This Order will remain in force 31 May 2020.
- 11 May 2020 Amended the timings for ban on restriction of movement from 5.00 pm to 6.00 am and for operation of retail shops from 6.00 am to 4.00 pm.

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The Governor of Sindh promulgated an ordinance titled the Sindh Covid-19 Emergency Relief Ordinance, 2020 (“the **Sindh Ordinance**”). The Sindh Ordinance provided that it shall be deemed to have taken effect from 1 April 2020 and shall continue to be in force till the date notified by the Sindh Government. The Sindh Ordinance provides the following reliefs to people in Sindh:

- a) Prohibition on employers from terminating employees.
- b) Limitation on the deduction in salaries of employees as per the schedule of the Ordinance.
- c) Prohibition on educational institutes from charging more than 80% of the total monthly fee.
- d) Allowance of discount to all residents in water and sewerage monthly bills as per the schedule of the Ordinance.
- e) Requirement on landlords to defer or suspend recovery of 50% of rent of the premises with limited exceptions.

Further, the Sindh Ordinance extends the period for performance of any legal, regulatory, contractual or other obligations by 30 days. The Sindh Ordinance provided that where any act, proceeding or obligation is undertaken within 30 working days of the prescribed time, it shall be considered as done or undertaken within due time and the period to undertake such act, proceeding, or obligation shall be deemed to be extended by such period.

e. Provincial Government of Khyber Pakhtunkhwa

The Government of Khyber Pakhtunkhwa announced public holidays starting from 24 March 2020 till 28 March 2020. Similar to other provinces, bans were imposed on public transport and shopping malls, restaurants and markets were closed while exemptions were granted to essential services. Tourist spots were ordered to be vacated. Public holidays were subsequently extended by a set of government orders till 31 May 2020. Following the NCC’s decision to lift the lockdown in phases, the Government of Khyber Pakhtunkhwa also substantially eased the restrictions allowing factories and shops to resume operations. Some other measures adopted by the Government of Khyber Pakhtunkhwa were:

- | | |
|---------------|---|
| 14 April 2020 | Exemption from closures was granted to low risk industries. The exempted activities were required to follow a set of guidelines/SOPs issued for different sectors for instance industries, shops, transport, banks etc. |
|---------------|---|

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24 April 2020	Exempted businesses, shops and enterprises were not allowed to operate beyond 4 PM.
	People mandated to wear face masks in public.
15 May 2020	Public transport allowed to resume operations from 18 May 2020 for specific routes determined by the Regional Transport Authorities. Transporters are required to comply with the SOPs.

f. Provincial Government of Balochistan

The Government of Balochistan announced a lockdown on 23 March 2020 with restrictions similar to those imposed by the Punjab Government. The lockdown has been extended till ~~5~~31 May 2020. The Government of Balochistan has also eased the restrictions in accordance with the NCC's decision to lift the lockdown in phases.

APPLICATION AND IMPACT TO SPECIFIC SECTORS

PRIVACY AND DATA PROTECTION

Pakistan does not have any legislation pertaining directly to privacy and protection of personal data. The Prevention of Electronic Crimes Act, 2016, however, deals with the crimes relating to unauthorized access to data. The Punjab Ordinance (summarized above) requires information identifying an infectious person to be kept confidential and not be released to the public except with the consent of that person.

The SOPs issued by the Provincial Governments allow employers and shop owners to record body temperatures and other symptoms associated with COVID-19 of every employee, customer and any other person who enters the premises. The owners/employers are directed to record the data (body temperature, cough, flu, muscular pain) and if the symptoms persist, to get the employee tested and reported to the health care department accordingly. No directions are provided as to how long the data can be stored.

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TOURISM

On 21 March 2020, the Federal Government suspended international and domestic flights. Only a number of special international flights have been given permission to operate (mostly by Pakistan International Airline) for repatriation of stranded Pakistanis in other countries. Since 15 May 2020, the Federal Government has allowed partial resumption of domestic flights with restricted schedules operating between the provincial capitals.

Initially, the Provincial Governments imposed a complete ban on unnecessary inter-provincial and intra-provincial travel and movement, except in limited circumstances. Since 9 May 2020, the Provincial Governments have relaxed most of the restrictions but most public parks, public gathering spots, hotels, entertainment areas, known tourist spots and restaurants are still shut down. Some of the hotels and public exhibition halls have been converted into special quarantine centers across the country.

HEALTHCARE

The State Bank of Pakistan has announced availability of cheap loans for hospitals and medical centers to purchase medical equipment for combating COVID-19. The total size of the State Bank of Pakistan's scheme is PKR 5 billion, with a maximum financing limit of PKR 200 million per hospital/medical center. Health safety items have been exempted from all kinds of taxes (as discussed on the section on 'Taxation' below).

In some hospitals, outpatient departments were suspended. However, following the NCC's decision dated 7 May 2020 (discussed above) a number of hospitals have made their outpatient departments functional again. The Provincial Governments have also announced some incentives for healthcare professionals. For example, the Chief Minister of Punjab has announced additional salary for all healthcare professionals in Punjab from April 2020 till the coronavirus ends.

LABOR

Employers are required to take measures to ensure compliance with the Provincial Governments' guidelines and SOPs on hygiene, disinfection of premises, and social distancing.

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Employers are required to engage minimum staff possible and adopt work from home policy as far as feasible. In Sindh and Punjab, the employers are mandated to report employees having the symptoms associated with COVID-19 to the authorities.

Initially, the Government of Sindh prohibited the employers from laying-off workers during the period of lockdown and required employers to pay full wages for this period. Employer can consider the period of ban as paid leave for employees. However, under the Sindh Ordinance while employers are still prohibited from terminating employees, they can deduct a percentage of salaries in accordance with the schedule to the Sindh Ordinance. As per the schedule, deduction is disallowed for salaries less than or equal to PKR 50,000 (equivalent to around US\$320). The Sindh Government has made employers responsible for the treatment and welfare of the employees in case of the spread of virus due to employers' activities. Employers are also prohibited from calling workers above the age of 55 to work.

The Government of Punjab has directed all industrial units and food-processing/delivery services to keep a track of employees and their movement via an application. This is to ensure that the employees do not interact with anyone unnecessarily and if any of them tests positive for COVID-19, all their contacts can be alerted immediately.

CORPORATE

The Securities and Exchange Commission of Pakistan (“SECP”) has advised all companies to modify their usual plans for annual shareholders' meetings. Meetings of the Board of Director are also advised to be held through tele/video conferencing. The SECP has also issued a practice guide for conducting meetings of board of directors and general meetings of shareholders.

The guide is recommendatory in nature, giving companies the liberty to develop their own procedures keeping in view the best practice. The SECP has also decided to conduct the hearings of complaints through video conferencing facility and has relaxed the hearing submissions timeline for companies upon request.

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In the wake of COVID-19, SECP has issued the following notifications for the facilitation of companies:

- a) SECP has granted extension in holding of the Annual General Meeting (“AGM”) for the year ended 31 December 2020 and director’s election, laying annual financial statements in the AGM, and filing of first quarter financial statements and statutory returns.
- b) SECP shall also give consideration to the underlying circumstance while ensuring compliance with the filing of quarterly financial statements and the requirement of holding Board of Directors meetings once every quarter.
- c) SECP has encouraged companies to use electronic means to disseminate information among the shareholders and use public notices to draw attention of members of companies about electronic sources where reports and notices can be accessed.
- d) SECP has also allowed public limited companies to post notices of meeting and annual financial statements at the system of Pakistan Stock Exchange.
- e) SECP has granted an extension in renewal of licenses to associations with charitable and not for profit objects whose licenses expired between February 2020 - May 2020.

SECP has also relaxed the license renewal requirements for insurance brokers, insurance surveyors and authorized surveying officers whose licenses expired between 15 March 2020 – 15 May 2020. Further, on SECP’s proposal, the President of Pakistan has promulgated an ordinance to introduce amendments in the Companies Act, 2017. The amendments aim to provide a regulatory framework to encourage start-up companies.

CONTRACTS

As per the Sindh Ordinance, a contractual obligation performed within 30 working days after the time prescribed in the contract shall be considered as done within the prescribed time (discussed above). Apart from this, no reforms or amendments have been introduced with regards to contractual rights and obligations in the wake of COVID-19, by other provinces. Although most areas of industry have been shut down, compromising both the contractual duties and rights, no special government notification has been issued in relation to contractual rights and obligations.

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In Pakistan, as is the case in other common law countries, force majeure provisions are not implied into a contract. However, the courts generally recognize the scope, application, and consequences of force majeure clauses where these are expressly set out in the agreement between the parties.

In cases where the contract does not include a force majeure provision, the parties may be able to rely on the doctrine of frustration set out in Section 56 of the Contract Act 1872. Section 56 of the Contract Act allows the parties to be exempted from fulfilling their contractual obligations under the contract, if the performance becomes impossible due to any supervening event upon fulfillment of three pronged criteria.

The Punjab Government notified that no landlord shall evict any tenant due to the non-payment of rent till 10 June 2020. Similarly, the Sindh Ordinance requires landlords to defer or suspend recovery of 50% of the total rent of the premises except where the landlord is a widow, differently abled person or senior citizen or the tenant chooses to pay the full monthly rent.

STATE INCENTIVES

The Economic Coordination Committee of the Cabinet (“ECC”), which is a federal forum, has announced a fiscal stimulus package of PKR 1.2 trillion which includes cash assistance for low income groups. Cash assistance of PKR 12,000 (equivalent to around US\$76) has reportedly been provided to 12 million families already registered under regular assistance programs. Emergency cash assistance is to be provided to families on the recommendation of local administration.

The ECC has also approved PKR 200 billion of cash assistance to provide assistance of PKR 17,500 (equivalent to US\$ 111) each to daily wage workers in the informal sector who were laid off. Utility stores corporations are directed to provide essential food items to the vulnerable section of the society at subsidized rates.

Further, the Federal Government has allocated PKR 30 billion under a credit risk sharing facility for the banks to share the burden of losses due to any bad loans in the future. The Federal Government undertook this measure to incentivize banks to lend to SMEs and small corporates under the scheme to support payment of wages and salaries to workers (discussed below).

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The State Bank of Pakistan (“SBP”) has also announced the following measures:

- a) **Policy Rate:** The policy rate has been reduced by 5425 bps to 8.9-percent.
- b) **Temporary Economic Refinance Facility:** SBP to refinance banks to provide financing at maximum user rate of 7% for 10 years for setting up of new industrial units and purchasing new imported and locally manufactured plants and machinery against foreign and inland Letter of Credit. The scheme will expire in March 2021.
- c) **Loans:**
 - Reduced Capital Conservation Buffer from 2.50% to 1.50% to support banks to supply additional loans.
 - Enhanced the existing retail limit from PKR 125 Million per SME to PKR 180 Million per SME to make additional loans available to retail SMEs.
 - Relaxed the Debt Burden Ratio for consumer loans from 50% to 60%.
 - Allowed banks to defer payment of principal on loan and advance by one year upon written request by the borrower to the banks before 30 June 2020.
 - Relaxed the regulatory criteria applied by banks for restructuring and rescheduling of loans.
- d) **Scheme for Payment of Wages and Salaries to Workers:** Businesses are allowed loans at markup of 5% to finance salary expenses of their employees from April 2020 – June 2020.

SBP has also introduced measures for facilitation of the exporters (discussed below).

The SECP has introduced measures to facilitate insurers and policyholders. The SECP has asked insurance companies to waive non-mandatory requirements for claims processing. To facilitate policyholders, the SECP has asked companies to consider extension in grace period of payment of renewal premiums under insurance policies. Further, taking into account the anticipated low claim ratio in motor insurance business due to lockdown, the SECP has recommended insurance companies to pass on the benefit of low claim ratio to motor insurance policyholders by granting one month free of cost extension in insurance coverage to all motor insurance policyholders.

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LITIGATION

Each Province of Pakistan has a High Court, whereas the Supreme Court of Pakistan is the apex court of the country.

The Supreme Court, High Courts along with all its benches, district courts, and all other legal forums are functioning but are only hearing urgent matters (with a limited roster), while observing precautionary measures. For the convenience of litigants who are unable to file/institute any kind of litigation due to the restrictions imposed by the lockdown, the courts have extended the period of limitation as follows:

- a) The Supreme Court would be deemed to be closed till 23 ~~9~~ May 2020.
- b) The Lahore High Court and other subordinate courts and other legal forums in Punjab would be deemed to be closed till 20 April 2020.
- c) The Islamabad High Court would be deemed to be closed until the situation returns to normalcy.
- d) The Sindh High Court and other subordinate courts and other legal forums in Sindh would be deemed to be closed from 22 March till 30 April 2020 (both days inclusive).

There is no bar on filing a suit, application, appeal or initiating any other litigation.

COMMERCE

Essential industries were allowed to operate in all the provinces since the beginning of lockdown while industries in low risk sectors have also been permitted to operate since 14 April 2020 (as discussed above). Since 9 May 2020, the Provincial Governments have eased the restrictions allowing most businesses to operate except large shopping malls, cinemas etc. (discussed above). On 18 May 2020, the Punjab Government allowed shopping malls to resume operations. On the same day, –the Supreme Court of Pakistan also passed an order r-equiring all Provincial Governments to allow the opening of shopping malls, markets and shops without any restriction on timings. The President of Pakistan promulgated the Tax Law (Amendment) Ordinance, 2020 to encourage investment in the construction industry (summarized below).

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The Federal Government has reduced import duty on certain food items and exempted health safety items from payment of duties (discussed below). The Federal Board of Revenue (“**FBR**”) has also offered free storage services at Gwadar Port on all import shipments for March 2020 and April 2020. Export oriented industries are permitted to operate subject to verification of their export orders by TDAP.

The SBP has also introduced following key measures for the facilitation of exporters:

- a) Removed the limit of US\$ 100,000 on direct dispatch of shipping documents of exports’ consignments to their foreign buyers, subject to certain conditions.
- b) Enhanced the existing limit from US\$ 10,000 to US\$ 25,000 per invoice allowed to the bank to make advance payments on behalf of manufacturers.
- c) Refinance banks to provide cheap credit to exporters at an interest rate between 3-6 percent for working capital and new projects.
- d) Relaxed conditions of the existing refinance schemes available to exporters for instance extension in deadline for shipping of goods by 6 months after availing refinance facility, laxity in performance standards for imposition of penalties, and revision of eligibility criteria to make credit facilities available to exporters where exports account for 40% of sale instead of 50%.
- e) Allowed banks to increase the time period for realization of export proceeds from the existing requirement of 180 days to 270 days on a case by case basis.

TAX

The ECC announced reduction in tax and/or import duties on different food items supplied by utility stores like pulses, spices, tea, dry milk, salt, sugar, seed oil, wheat flour. The Federal Government has exempted all kinds of diagnostic support and health safety items from taxes, including income tax, sales tax and customs duty, for a period of three months. These items include coronavirus detection kits, surgical masks, ultrasound machines, ECG machines, ventilators with air compressors, face shields, and other medical supplies. The Federal Government has also exempted tax on the services of property developers and promoters in Islamabad as part of the incentive package for the construction industry.

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The FBR has extended the date of payment of sales tax and federal excise returns for January 2020 and February 2020 till 12 May 2020 and the date of submission till 15 May 2020. For March 2020, the FBR has extended the date of payment till 27 May 2020 and the date of submission till 30 May 2020. The FBR has also extended the date for filing of stock statement for the tax period July 2019 - December 2019 till 30 June 2020.

The President of Pakistan promulgated the Tax Law (Amendment) Ordinance, 2020 to incentivize construction industry. The amendments included:

- a) Fixed tax regime for developers and builders on income, profit and gains derived from the sale of buildings/plots.
- b) Exemption granted to builders and developers from payment of withholding tax on purchase of building materials except steel and cement.
- c) Dividend income paid to a person by a builder or developer being company out of the profits and gains derived from a project to be exempted from tax.
- d) Investors will not be questioned over the source of their investments in construction projects subject to certain conditions.
- e) Residents exempted from payment of capital gains on residential property not exceeding 500 sq. yards in case of house or 4000 sq feet in case of flat, subject to certain conditions.
- f) Reduced rate of advance tax of 5% has been introduced for sale of immovable property through auction.

In Punjab, the following measures have been adopted:

- (a) The Governor of Punjab approved amendments to the Punjab Sales Tax Services Act 2012 to allow reduction in sales tax to zero percent for hotels, marriage halls, and catering services, construction services, services for personal care (beauty parlors, cosmetic surgery clinics etc.), gyms, dying embroidery and knitting services, consultancy services, services provided by property dealers, real estate managers, Hajj/Umrah operators, automobile dealers, car renting facilities, laundries, dry cleaners, doctors and hospitals.
- (b) The Punjab Revenue Authority has extended the due date of payment of Punjab Sales Tax on services and filing of returns for March 2020 till 30 April 2020.

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In Sindh, the following measures have been adopted:

- a) The Sindh Revenue Board extended the date of deposit of Sindh Sales Tax on services for February 2020 till 31 March 2020 and the date of filing returns of sales tax for February 2020 till 10 April 2020. For March, the date of deposit was extended till 27 April 2020 and the date of filing returns till 30 April 2020.
- b) The Government of Sindh has exempted the payment of property tax, motor vehicle tax, professional tax and entertainment duty for three months (1 April 2020 - 30 June 2020).

In Balochistan, the following measures have been adopted:

- a) The Balochistan Revenue Authority (“**BRA**”) has extended the date of payment of Balochistan Sales tax on services for March 2020 till 27 April 2020 and the date of submission till 30 April 2020.
- b) The BRA, with the approval of the Government of Balochistan, has also exempted sales tax on the services provided by medical practitioners, health care consultants and laboratories, fumigation services and janitorial services and on payment of cess on goods imported under interest free loans or grants.
- c) Similarly, the BRA, with Balochistan Government’s approval, exempted the Provincial Disaster Management Authority from payment of sales tax on services being acquired and payment of cess on imported goods till 30 June 2020.

In Khyber Pakhtunkhwa, the following measures have been adopted:

- a) The Khyber Pakhtunkhwa Revenue Authority (“**KPRA**”) extended the date of payment of sales tax for February 2020 and March 2020 till 28 April 2020 and the date of filing of sales tax returns till 30 April 2020.
- b) The KPRA, with the Government of Khyber Pakhtunkhwa’s approval, has exempted the construction and allied services from payment of sales tax subject to certain conditions.

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Due to the complexity of the COVID-19 pandemic, the Federal and Provincial Governments in Pakistan, as is the case in other countries around the world, are introducing new regulatory measures to contain the pandemic's spread and support the acutely fragile economy on a regular basis.

Updated to 18 May 2020

