

270+ Banking, Finance & Investment Commentary - BFIC 346

A. Background (BG)

1. This refers to the related Important BFQCs **in trail, blue, italic and double line** (a) 83 of 17.4.21 about Revision of FE Manual related to Commercial Remittances - SBP invites feedback (b) 33 of 9.1.22 about Updated Exchange Companies Manual
2. We also refer to several Other QCs fincluding (a) 3032 of 15.2.25 about Royalty, Franchise, Other Reverse charge input allowed – SHC 2nd Interim order (b) 2906 of 21.9.24 about 6 month Input Adjustment limit will extend, if Related Parties / for Non - resident win about reverse change – post SRO 350 – SHC Interim order & KCV

B. Updated Commentary

1. Further to KQU 3715 of 23.12.25, **being an important matter**, we would inform you about EPD Circular Letter No. 12 of 2025 - Revision in Instructions for Remittance of Royalty, Franchise and Technical Service (RFT) Fees for the Entities Operating in Agriculture, Social, Infrastructure and Service Sector projects, including International Food Chains (Attachment 346.1) in the ensuing paragraph, with emphasis in **bold & Underline** for quick reading.
2. Attention of Authorized Dealers is invited to Para 12(ii)(b), Chapter 14 of the Foreign Exchange Manual (**FEM**), which sets out the framework for remittances of RFT fees by entities operating in Agriculture, Social, Infrastructure and Service Sector projects, including international food chains.
3. In order to promote ease of doing business and realign the relevant instructions with market dynamics, the aforesaid para has suitably been revised. The same is attached as Annexure-A (Attachment 346.1) which is reproduced below in *Italics* for ready reference.

Agriculture, Social, Infrastructure and Service Sector projects including international food chains (excluding financial sector)

(i) The entities belonging to the above sectors may be allowed by Authorized Dealers to remit recurring payments up to 8 percent of their net local sales (after deducting sales taxes and the cost of imported items) under their respective RFT agreements. Further, entities starting new operations may be allowed an initial lump sum or one-time fee of up to USD 250,000 payable to their foreign collaborators providing RFT services. However, such a fee shall be included within the 8% of net sales limit, rather than being over and above it, and shall be adjusted over the term of the agreement, from the recurring fee payments, once the operations commence.

Permissible RFT structure for Agriculture, Social, Infrastructure and Service Sector

| <i>Category</i> | <i>Lump Sum / Upfront Fee</i> | <i>Recurring RFT Fee</i> | <i>Duration of Agreement</i> |
|----------------------------|-------------------------------|---|------------------------------|
| <i>New Operations</i> | <i>Up to USD 250,000*</i> | <i>Up to 8% of net sales (after deducting taxes & cost of imported items)</i> | <i>10 years</i> |
| <i>Existing Operations</i> | <i>Not allowed</i> | | <i>(further renewable)</i> |

** Requests exceeding USD 250,000/- shall be referred to the Board of Investment for a decision.*

C. Kasbati & Co Recommendations

Authorized Dealers (AD) are advised to ensure meticulous compliance of these revised instructions in respect of Royalty, Franchise & Technical Service (RFT) Fee Remittance revised policy EPD Circular 12.

Moreover, the AD and Entities remitting any of the RFT should ensure proper Tax Withholding / Exemption certificate, Proper Reporting and the necessary changes in Agreement.

D. Further Details & Services

Should you require any clarification or explanations in respect of the above or otherwise, please feel free to email Mr Amsal at amsal@kasbati.co with CC to info.kasbati@professional-excellence.com.

Best regards for Here & Hereafter
Asif S Kasbati (FCA, FCMA & LLB)

Managing Partner

Kasbati & Co (1400+ Tax, Levies, Companies, Economy, Inflation, HR, Banking, Finance, etc
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*From: **Asif S Kasbati** <asifskasbati@tax-excellence.com>*

Date: Sat, Apr 17, 2021 at 12:43 PM

*Subject: **BFQC 83 - Revision of FE Manual related to Commercial Remittances - SBP invites feedback***

Dear Learned Professionals

Background

*This refers to **BFQC 33** dated 9.1.20 (in trail, in blue, in italic and after double line) whereby we shared Updated Exchange Companies Manual.*

*You may have seen **KQU # 876** whereby we shared the link of the “Revision of Selected Chapters of The Foreign Exchange Manual - FE Circular 1” with several other updates.*

2. Latest Update

*You may have seen **KQU # 963** whereby we shared the link of the “SBP Invites views for Revision of Foreign Exchange Manual related to Commercial Remittances” with several other updates and now give below our **Commentary** on the same in ensuing paragraphs being an **Important** matter.*

3. Commentary

*The SBP External Relations Department vide recent Press Release ERD/M&PRD/PR/01/2020/34 titled “SBP Invites views for Revision of Foreign Exchange Manual related to Commercial Remittances” (**Attachment 83.1**) wherein SBP is in the process of revising the Foreign Exchange (**FE**) Manual in consultation with relevant stakeholders in a phased manner. The primary objective of these revisions is:*

(a) to promote Ease of Doing Business by simplifying the existing instructions

- (b) removing the redundancies and*
- (c) delegating more powers to the Authorized Dealers for facilitation of the stakeholders.*

*Out of 22 Chapters, 11 Chapters has already been revised by SBP. The Proposed Chapter 14 titled “Commercial Remittances” (click on the link and treat it as **Attachment 83.2**) in ~~Track~~ from of the FE Manual has already been circulated by the SBP for comments of the stakeholders.*

4. Comments / Suggestions

Your Goodself can send your Comments or Suggestions to SBP officials on email feedback.epd@sbp.org.pk upto Wednesday 21 April 2021.

Should you require any clarification or explanations, please feel free to contact us.

Best regards

*From: Asif S Kasbati <asifskasbati@tax-excellence.com>
Date: Thu, Jan 9, 2020 at 2:58 PM
Subject: BFQC 33 - Updated Exchange Companies Manual*

Dear Learned Professionals

This refers to BFQC 31 (in trail, in blue, italics after a double line) whereby we informed about several amendments in the Exchange Companies Manual.

Now, for the updated Exchange Companies Manual, please refer to Attachment 33.1.

In our view, as several entities and individuals are dealing with the Exchange Companies, hence, it is a very useful document in order to reap the real benefits.

Best regards

Asif S Kasbati (FCA, FCMA & LLB)

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