PIVRA

Hiring Staff in Pakistan: The Employer Registrations and Contributions to Plan For

Minimum wages, EOBI, provincial social security, salary tax, workers funds, contracts, work visas and the monthly payroll calendar for employers in Pakistan.

Pakistan Market Guide

October 2026

Pakistan Institute for Vision Research and Action

Contents

What this guide covers, in the order an importer meets it.

1. The employing entity . . . 3

2. Minimum wages are provincial . . . 3

3. EOBI . . . 3

4. Provincial social security . . . 4

5. Salary tax and withholding . . . 4

6. Workers' funds and other obligations . . . 4

7. Contracts, leave and termination . . . 5

8. Foreign staff and work visas . . . 5

9. The monthly payroll calendar . . . 5

10. Common mistakes . . . 5

11. Employer setup checklist . . . 6

12. How PIVRA can help . . . 6

Sources . . . 6

Questions and answers . . . 7

Hiring in Pakistan brings a set of registrations and monthly contributions that are easy to miss because they sit with different federal and provincial bodies. A company that has registered with SECP and obtained its tax number is not yet set up to employ people. It still needs an employer registration with EOBI, a provincial social security registration, payroll tax withholding, and the employment documentation that provincial labour law requires.

This guide sets out the employer obligations for a foreign-owned company in 2026: minimum wages, EOBI, provincial social security, salary tax, workers' funds, employment contracts, foreign staff and the monthly payroll calendar. It is an orientation, not legal or payroll advice. Minimum wages and contribution ceilings are revised regularly; confirm the current provincial notification before setting salaries.

1. The employing entity

To employ staff directly, a foreign company needs a registered presence in Pakistan: a local subsidiary, a single member company, or a branch permitted to employ. The entity must have its SECP registration, National Tax Number, bank account and, where required, sales tax registration before payroll can run cleanly.

A company without a local entity sometimes uses an employer of record or independent contractors. That can bridge a short period, but it carries risk: the worker may still be treated as an employee for tax and labour purposes, the employer of record may not be authorised for the activity, and the foreign company may create a permanent establishment. Take advice before using an employer of record as a long-term solution.

2. Minimum wages are provincial

Each province sets its own minimum wage, usually revised from 1 July. For 2025-26, Punjab, Sindh and Khyber Pakhtunkhwa set PKR 40,000 a month and Balochistan PKR 37,000. The 2026-27 rates are notified by each province; the Pakistan Institute of Development Economics recommended PKR 45,000 for 2026-27, but a recommendation is not a notification. Check the current gazette notification for the province where the staff work.

The minimum wage is a floor, not a market rate. Skilled staff, managers and specialists command more. The statutory minimum also feeds the EOBI contribution base, so a change in the minimum wage changes the payroll cost even for staff paid above it.

3. EOBI

Employers register with the Employees' Old-Age Benefits Institution (EOBI) and pay monthly contributions of 5% from the employer and 1% from the employee. Both are calculated on the statutory minimum wage, not the actual salary. At a minimum wage of PKR 40,000 this came to PKR 2,000 from the employer and PKR 400 from the employee per month. The contribution is capped by the EOBI wage ceiling, so a higher salary does not increase it proportionally.

Registration requires the company's incorporation documents, tax number, employee details and bank information. Contributions are deposited monthly, and the employee is registered for the old-age pension, survivors' pension and other benefits. Late payment attracts surcharge; unregistered employees

are a common audit finding.

4. Provincial social security

Employers also register with the provincial social security institution: PESSI in Punjab, SESSI in Sindh, and ESSI in Khyber Pakhtunkhwa and Balochistan. The employer contribution is generally 6% of insured wages, subject to the provincial wage ceiling, and is typically employer-paid. The institution provides medical care, sickness, maternity, injury, disablement and survivors' benefits through its hospitals and cash benefits.

The contribution base is not the same as EOBI's. Social security uses insured wages and a provincial ceiling; EOBI uses the statutory minimum wage. A payroll provider should calculate each separately, not apply one percentage to the gross salary. Registration and monthly contributions are enforced through inspections and contribution records.

5. Salary tax and withholding

Employers withhold income tax from salaries each month under the Income Tax Ordinance, 2001, deposit it with the Federal Board of Revenue, and file periodic withholding statements. Salary tax slabs change with each federal budget. The employer must collect the employee's tax card or registration details, apply the correct slab and credits, and issue the annual tax certificate.

Salary is also relevant to the company's tax deduction and to the employee's final return. A payroll that pays cash without records creates a tax risk for both sides. Use a payroll system that produces the monthly withholding statement, the annual certificate and the bank payment trail.

6. Workers' funds and other obligations

- **Workers' Welfare Fund:** companies above the statutory profit threshold contribute a share of profit under the federal Workers' Welfare Fund Ordinance.
- **Workers' Profit Participation Fund:** companies above the threshold contribute a share of profit for distribution to workers.
- **Group life insurance and workmen's compensation:** provincial labour laws may require coverage depending on the establishment and the number of workers.
- **Written appointment letters:** provincial standing orders require written terms for many establishments, covering wages, hours, leave, notice and termination.
- **Provident fund and gratuity:** contractual or statutory schemes may apply; check the company policy and the applicable law.

These obligations are threshold-based and province-specific. A small office may not be covered by every fund, while a factory with hundreds of workers will be. Do not assume that paying salary and EOBI is the whole cost.

7. Contracts, leave and termination

Provincial standing orders govern hours of work, rest, leave, notice, termination and, in some provinces, the grounds for dismissal. A written appointment letter should state the position, salary, allowances, probation, notice period, leave, confidentiality and the applicable provincial law. A foreign company's global contract template may not comply; localise it.

Termination without the required notice or process can lead to a labour court claim, reinstatement or compensation. Keep the appointment letter, attendance, salary records, warnings and the termination letter. For senior foreign staff, the employment agreement should also address tax, visa sponsorship, relocation and repatriation.

8. Foreign staff and work visas

Foreign employees need a work visa. The Board of Investment processes work visa recommendations on the basis of the company's registration and the employment agreement (BOI, FAQs). The company should provide the registration certificate, tax number, employment contract, the employee's qualifications and the justification for the role. The visa is tied to the employer and the position; changing employer or role may require a new approval.

Foreign staff also need a tax registration and, where they are resident for tax purposes, a tax return. The payroll should distinguish resident and non-resident employees, apply the correct withholding and consider treaty relief. A seconded employee may remain on the home-country payroll; the Pakistan entity still needs to document the recharge and the tax position.

9. The monthly payroll calendar

Step	When	Record
Payroll run	Monthly, before payday	Salary register, attendance, deductions
Salary tax withholding	With the monthly deposit	Withholding statement and bank challan
EOBI contribution	Monthly	Contribution schedule and deposit receipt
Provincial social security	Monthly	Contribution schedule and receipt
Salary payment	By the contractual date	Bank transfer or signed receipt
Annual tax certificate	After the tax year	Certificate to each employee
Annual return and statements	Per FBR deadline	Income tax and withholding returns

10. Common mistakes

1. **Paying salary without EOBI and social security registration.** Both are enforceable and can be inspected.
2. **Calculating social security on the minimum wage.** It is generally 6% of insured wages, subject to the provincial ceiling.
3. **Using the old minimum wage.** Provinces revise from 1 July; check the current notification.

4. **No written appointment letter.** Provincial standing orders require one for many establishments.
5. **Cash payroll without records.** It creates tax, EOBI and social security exposure.
6. **Assuming a global contract works.** Local notice, leave and termination rules apply.
7. **Ignoring workers' funds.** Profit thresholds can bring additional contributions.
8. **Foreign staff without a work visa or tax registration.** The visa is tied to the employer and role.

11. Employer setup checklist

- Employing entity registered with SECP and FBR.
- Bank account and payroll funding in place.
- Current provincial minimum wage confirmed.
- EOBI registration and employee registration completed.
- PESSI, SESSI or ESSI registration completed.
- Payroll tax withholding set up with FBR.
- Written appointment letters issued.
- Workers' fund and group insurance thresholds checked.
- Work visas and tax registrations for foreign staff.
- Monthly contribution and withholding calendar created.
- Personnel files and salary records retained.
- Annual tax certificates and returns scheduled.

12. How PIVRA can help

PIVRA maps the registrations and payroll obligations for your sector and works alongside your payroll and legal advisers. Our local representation and ongoing support gives you a point of contact in Pakistan, and our registration and licensing guidance covers the entity setup. Request a quote.

Sources

All sources accessed 24 October 2026. Minimum wages, contribution ceilings and tax slabs change; confirm the current provincial and FBR notifications.

Vialto Partners, Pakistan social security update: minimum wages, EOBI and social security, October 2025.

Profit, PIDE recommends raising minimum wage to PKR 45,000 for FY2026-27, 3 June 2026.

LexForm, Pakistan PESSI SESSI social security guide, last reviewed 17 July 2026.

Employees' Old-Age Benefits Act, 1976, and EOBI regulations.

Provincial Employees Social Security Ordinances and provincial labour legislation.

Income Tax Ordinance, 2001, salary and withholding provisions.

Workers' Welfare Fund Ordinance, 1971; Workers' Profit Participation Fund legislation.

Board of Investment, FAQs on work visas.

Questions and answers

What is the minimum wage in Pakistan?

Each province sets its own minimum wage, usually revised from 1 July. For 2025-26, Punjab, Sindh and Khyber Pakhtunkhwa set PKR 40,000 and Balochistan PKR 37,000. Check the current 2026-27 provincial notification.

What are EOBI contributions?

Employers contribute 5% and employees 1% to the Employees Old-Age Benefits Institution, calculated on the statutory minimum wage and subject to the EOBI ceiling, not on the actual salary.

Do employers pay provincial social security?

Yes. Employers register with PESSI in Punjab, SESSI in Sindh, or ESSI in Khyber Pakhtunkhwa and Balochistan, and generally contribute 6% of insured wages, subject to the provincial wage ceiling.

Can a foreign company employ staff without a local entity?

Direct employment generally requires a registered presence such as a subsidiary, single member company or permitted branch. An employer of record or contractors can bridge a short period but carries tax, labour and permanent-establishment risk.

How does an employer register with EOBI?

The company submits its incorporation documents, tax number, employee details and bank information, registers each employee and deposits monthly contributions. Late payment attracts surcharge.

What is the difference between EOBI and social security?

EOBI is a federal old-age benefits scheme based on the minimum wage. Provincial social security provides medical and cash benefits and is generally based on insured wages subject to a provincial ceiling.

How is salary tax withheld?

The employer withholds income tax under the Income Tax Ordinance, deposits it with FBR and files periodic withholding statements. Salary slabs change with each federal budget.

What are workers welfare and profit participation funds?

Companies above the statutory profit thresholds contribute a share of profit to the Workers Welfare Fund and the Workers Profit Participation Fund. The thresholds and rates are set by law.

Do I need written employment contracts?

Provincial standing orders require written terms for many establishments, covering wages, hours, leave, notice and termination. A global template should be localised.

What visa does a foreign employee need?

A work visa, with a Board of Investment recommendation based on the company registration and employment agreement. The visa is tied to the employer and role.

What is the monthly payroll calendar?

Run payroll, withhold salary tax, deposit EOBI and social security, pay salaries by the contractual date, issue annual tax certificates and file the annual returns and withholding statements.

What are common employer mistakes?

Paying salary without EOBI or social security registration, calculating social security on the minimum wage, using the old minimum wage, no written contracts, cash payroll, ignoring workers funds and foreign staff without visas.