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Repatriating Profits and Dividends from Pakistan: The 2026 Rules for Foreign Investors

How foreign investors take dividends, branch profits, royalties and exit proceeds out of Pakistan, the 2026 share-registration rules, bank documents and tax.

Pakistan Market Guide

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Before investing in Pakistan, most foreign companies ask one question: can we get the money out? The legal answer is yes. Dividends, branch profits, sale proceeds, royalties and fees can be remitted, but only through the banking system and only if the investment was registered correctly when it came in. In 2026 the State Bank of Pakistan automated that registration and tightened the reporting around it, so the paperwork matters more, not less.

This guide explains the routes, the 2026 changes, the documents banks check, the tax that comes off first, and the mistakes that block a remittance. It is an orientation based on official sources, not legal or tax advice. Foreign exchange rules change by circular; confirm the current position with your bank and advisers before relying on a route.

1. The short answer

Foreign investors may repatriate profits, dividends and other funds under the Foreign Private Investment (Promotion and Protection) Act, 1976, subject to the State Bank of Pakistan's Foreign Exchange Manual. A Pakistani company designates an Authorised Dealer bank, registers the shares issued to non-resident shareholders, and uses that bank for dividend and disinvestment remittances. The bank can remit without prior State Bank approval if the shares are registered, the tax is paid and the prescribed documents are in order.

The system is therefore not a general permission to move money abroad. It is a documented channel from a registered investment to a verified bank account. An unregistered investment, a missed share registration or an incomplete tax file can turn a routine dividend into a months-long query.

The scale is significant: foreign investors repatriated USD 2.305 billion in profits and dividends in FY2025-26, up from USD 2.219 billion a year earlier, according to State Bank data (Pakistan Today, 21 July 2026). Manufacturing, financial services and electricity were the largest sectors, and the UK and China the largest destinations.

2. What can be repatriated

Route	What it covers	Main gatekeeper
Dividends	Distributed profits on registered shares	Designated bank; tax withholding; auditor certificate
Branch profits	After-tax profits of a branch of a foreign company	BOI permission, audited accounts, bank and SBP rules
Disinvestment	Sale or transfer of shares, including capital gains	Designated bank; valuation and buyer documents; independent review above threshold
Royalties and technical fees	Intellectual property, technical services, management fees	Contract, tax withholding, transfer pricing, bank
Foreign loan repayments	Principal and interest on registered foreign debt	Loan registration, bank, SBP rules
Portfolio investment	Listed securities held through a Special Convertible Rupee Account	Bank and SCRA rules

Each route has its own conditions. A dividend is not the same as a management fee, and a loan repayment is not a disguised dividend. The bank will classify the transaction and ask for the documents that fit that classification.

3. What changed in 2026

Two State Bank circulars matter most.

FE Circular No. 2 of 2026 sets out the delegation of functions for registering shares and units issued or transferred to non-residents on a repatriable basis, and for designating an Authorised Dealer. The company's designated bank handles the registration rather than the investor applying separately to the State Bank.

FE Circular No. 3 of 2026, issued on 25 May 2026, implements the Non-Resident Shareholding Registration System (NSRS). Banks must report all designation and share registration transactions, and all dividend and disinvestment transactions, monthly through the Data Acquisition Portal by the fifth working day of the following month. The first monthly reporting was for July 2026, due by the fifth working day of August 2026. Banks also had to upload legacy dividend and disinvestment data in three phases (SBP, FE Circular No. 3 of 2026).

For the investor, the practical change is that the bank's record is now part of a live national register. A share registration that was never entered, or entered with the wrong shareholder details, can surface when a dividend or exit is attempted. The 60-day registration window after share issue or transfer is not a formality.

4. The designated bank and share registration

A company with foreign shareholders chooses one bank as its designated Authorised Dealer. The bank registers the shares issued to non-resident shareholders and later processes dividends and disinvestment. The company should register the shares within 60 days of issue or transfer, with the proceeds realisation certificate, board resolution, constitutional documents, audited accounts where applicable, beneficial ownership undertaking and any required tax certificate. The bank's share registration unit issues a registration letter.

That letter is the spine of every later remittance. It ties the non-resident shareholder, the number of shares, the amount invested and the repatriable basis together. If the shareholder name, address, percentage or share class changes, update the registration. A bank that cannot reconcile the register to the dividend warrant will stop and ask.

Choose the bank for its foreign-investment experience, not only its branch location. The documentation is specialised; a bank that handles non-resident shareholding regularly will know what the State Bank expects and will not send the file back for a missing annex.

5. Dividends

Banks may remit dividends to non-resident shareholders without prior State Bank approval. Before remitting, the bank checks that:

- the shares are held by the non-resident under State Bank permission and registered at a foreign address;
- the shares were not acquired on an undertaking not to claim dividends;
- the dividend is declared out of profits, supported by audited accounts and a board/shareholder resolution;

- the remittance is net of Pakistan tax, supported by an auditor's certificate in the prescribed form from a well-known audit firm;
- the company has filed its tax returns and the dividend withholding has been paid.

Withholding tax on dividends is set by the Income Tax Ordinance, 2001. For a non-resident shareholder the standard rate is generally 15% for a filer, with a higher rate for a non-filer, and a double taxation treaty may reduce it. The treaty rate is not automatic: the bank will ask for a Tax Residency Certificate and the prescribed treaty form. Tax advice belongs in the dividend plan from the start, not at the remittance window.

Dividends are declared from distributable profits. A company that has losses, inadequate reserves or an unresolved tax demand may be unable to declare the dividend the parent expected. The board resolution, audited accounts and tax clearance are therefore part of the same file.

6. Branch profits

A branch of a foreign company is not a separate legal entity and does not pay dividends. It can remit after-tax profits to its head office, subject to Board of Investment permission for the branch, audited accounts, tax returns and the State Bank's foreign exchange rules. The bank will look for the branch's registration, the audited profit figure, the tax paid and the head office resolution.

Branch profit remittance is not a way to avoid the share-registration rules that apply to a local company. The branch's permission defines its scope; a branch that starts a new activity outside that scope can face both BOI and tax questions. If the business will need local equity, a subsidiary is usually the cleaner structure.

7. Selling out: disinvestment proceeds

When a foreign investor sells shares, the designated bank can remit the proceeds after reviewing the standard documents: the broker's memo for listed shares or a break-up value certificate for unlisted shares, the share purchase agreement, the latest audited accounts and the buyer's undertaking on related parties. If the price exceeds market or break-up value, the bank also needs the buyer's written justification and a valuation report.

An independent review applies where remittances exceed USD 50 million within six months (SBP, FE Circular No. 5 of 2020). The review is not a prohibition; it is a check that the price and the transaction are arm's length. Plan for it if the exit is large.

Capital gains are taxed under the Income Tax Ordinance and may be subject to withholding at the time of sale. The bank will ask for evidence that the tax has been paid or withheld. A sale at a price that cannot be supported by the accounts or a valuation is the most common reason an exit file stalls.

8. Royalties, technical and management fees

Royalties and fees for technical services can be converted and remitted under the Foreign Exchange Manual, but they are scrutinised more closely than dividends because they can move profit without a shareholding. The bank will ask for the underlying agreement, the invoices, evidence that the service was actually rendered, the withholding tax payment and, where the parties are related, transfer pricing documentation.

The agreement should be in writing, approved by the board, and consistent with the company's objects and tax filings. The fee should be arm's length and supported by a benchmark or a cost-plus analysis. A management fee that appears only when profits are high, with no invoices or deliverables, is a tax and exchange-control risk.

Withholding tax applies to royalties and technical fees under the Income Tax Ordinance, and a treaty may reduce the rate. The bank will not accept a treaty rate without a Tax Residency Certificate and the prescribed form. Large or recurring fees can also attract transfer pricing scrutiny, so keep the benchmark and the service evidence.

9. Foreign loans and other remittances

Repayment of a foreign loan is a separate route from equity. The loan must be registered with the State Bank through the bank, and the repayment of principal and interest must match the loan agreement and the registration. A loan that was never registered cannot be repaid through the normal channel, and an interest rate that is not arm's length can be challenged.

Portfolio investment in listed securities is handled through a Special Convertible Rupee Account under the State Bank's regime. The repatriation of sale proceeds and dividends follows that account's rules, not the direct share-registration route for a private company.

Do not use a loan, a royalty or a management fee to move what is economically a dividend. The tax and exchange-control consequences are different, and the bank is required to look through the label to the substance.

10. Tax before remittance

Pakistan taxes the income before it leaves. Dividends, royalties, technical fees, interest, capital gains and branch profits each have a withholding or assessment rule. The rate depends on the taxpayer's status, the instrument and the treaty. A non-resident that wants the treaty rate must provide a Tax Residency Certificate and the prescribed form; the bank will not apply a treaty rate on a claim alone.

Tax filings and remittances are linked. A company that has not filed its income tax and sales tax returns, or has an unresolved audit demand, may find the bank unwilling to certify the dividend. Keep the tax record clean throughout the year, not only at dividend time.

11. Documents and timeline

Transaction	Core documents	Typical timing
Share registration	PRC, board resolution, constitutional documents, share issue documents, beneficial ownership undertaking, tax certificate	Within 60 days of issue or transfer
Dividend	Audited accounts, board/shareholder resolution, dividend warrant, auditor certificate, tax payment, treaty certificate if claimed	Days to a few weeks after a complete file
Branch profit	BOI permission, audited accounts, tax returns, head office resolution	Weeks
Disinvestment	Broker memo or break-up certificate, SPA, audited accounts, buyer undertaking, valuation if above break-up, tax evidence	Weeks; longer if independent review
Royalty or fee	Agreement, invoices, service evidence, withholding tax, transfer pricing file	Weeks
Loan repayment	Loan registration, agreement, repayment schedule, interest calculation, tax evidence	Weeks

Timelines are indicative. The binding constraint is usually the completeness of the file and the bank's own compliance review, not the State Bank's approval, because most routine remittances are delegated to the bank.

12. What causes delays

- **Investment not registered through a designated bank.** The bank cannot trace the repatriable basis.
- **Share registration missing or stale.** The shareholder name, address or percentage no longer matches the register.
- **Tax file incomplete.** Returns not filed, withholding not paid, auditor certificate missing or treaty certificate absent.
- **Dividend not supported by profits.** The audited accounts do not show distributable reserves.
- **Exit price above break-up value without a valuation.** The bank cannot test arm's length.
- **Fee or royalty without service evidence.** The bank suspects a disguised profit transfer.
- **Foreign exchange pressure.** Even with a complete file, periods of dollar scarcity can slow processing.
- **Name and address mismatches.** A minor difference between the passport, the register and the bank account can stop a payment.

13. Plan the exit before you enter

1. Decide the holding structure and whether the investor will hold directly or through a treaty jurisdiction.
2. Register the shares through the designated bank within 60 days and keep the registration letter.
3. Keep the PRC, bank remittance advice and share issue documents in one file.
4. Adopt a dividend policy and ensure the accounts show distributable profits.

5. Document related-party royalties, fees and loans with agreements, benchmarks and invoices.
6. Check the treaty position and obtain the Tax Residency Certificate before the first remittance.
7. For a future exit, agree the valuation method and the buyer's undertakings early.
8. Run a dry-run remittance file with the bank before the first dividend.

14. How PIVRA can help

PIVRA can map the repatriation route for a proposed investment, review the share-registration and bank file, and coordinate the tax and treaty questions with your advisers. Our investment due diligence covers foreign exchange and exit risk, and our expert consultations connect you with Pakistani specialists. We work alongside your bank, lawyers and tax advisers. Request a quote.

Sources

All sources accessed 24 October 2026. Foreign exchange rules change by circular; confirm the current position with the State Bank and your bank.

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Pakistan's double taxation treaties and the prescribed treaty-rate forms.

Questions and answers

Can foreign investors take profits out of Pakistan?

Yes. The Foreign Private Investment (Promotion and Protection) Act, 1976 allows repatriation of profits, dividends and other funds, subject to the State Bank of Pakistan Foreign Exchange Manual and the designated bank process.

Do I need State Bank approval to pay a dividend abroad?

Not as a rule. The designated Authorised Dealer can remit dividends without prior State Bank approval once the shares are registered, the tax is paid and the prescribed documents, including the auditor certificate, are in order.

What documents are needed to remit dividends?

Audited accounts, a board or shareholder resolution, the dividend warrant, evidence of tax withholding, an auditor certificate in the prescribed form and, where a treaty rate is claimed, a Tax Residency Certificate and the prescribed form.

What changed in 2026?

The State Bank implemented the Non-Resident Shareholding Registration System. Banks now report designations, share registrations, dividends and disinvestment transactions monthly by the fifth working day, and the share registration is handled through the designated bank.

How long do I have to register shares?

Shares issued or transferred to non-residents should be registered within 60 days. The bank issues a registration letter, which is the basis for later dividend and disinvestment remittances.

Can a branch remit its profits?

Yes. A branch of a foreign company can remit after-tax profits, subject to Board of Investment permission, audited accounts, tax returns and the State Bank rules. A branch does not pay dividends because it is not a separate legal entity.

How are sale proceeds from shares repatriated?

The designated bank reviews the broker memo for listed shares or the break-up value certificate for unlisted shares, the share purchase agreement, audited accounts and the buyer undertaking. A price above market or break-up value needs a justification and valuation, and a review applies above USD 50 million within six months.

Can royalties and management fees be remitted?

Yes, if the agreement is in writing, the service was actually rendered, withholding tax is paid and the fee is arm's length. Related-party fees need transfer pricing documentation.

What tax applies before remittance?

Dividends, royalties, technical fees, interest, capital gains and branch profits have their own withholding or assessment rules. A treaty may reduce the rate, but the bank needs a Tax Residency Certificate and the prescribed form.

What causes repatriation delays?

Unregistered investment, missing or stale share registration, incomplete tax filings, a dividend not supported by distributable profits, an unsupported exit price and missing treaty documents are the common causes. Foreign exchange pressure can also slow processing.

Can I use a loan or management fee instead of a dividend?

No. A foreign loan must be registered and repaid on its own terms, and a fee must be for a genuine service at arm's length. Relabelling a dividend as a loan or fee creates tax and exchange-control risk.

How do I plan for an exit?

Register the shares at entry, keep the PRC and bank advice, maintain audited accounts and tax filings, document related-party arrangements, check the treaty position and agree the exit valuation method early.