



National Freelancing Facilitation Policy 2021

Consultation Draft

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List of Acronyms

- » APAC – Asia Pacific
- » FBR – Federal Board of Revenue
- » CIR – Committed Information Rate
- » GoP – Government of Pakistan
- » ICT – Information Communication Technology
- » ITeS – Information Technology Enabled Services
- » MoITT – Ministry of Information Technology and Telecommunication
- » P@SHA – Pakistan Software Houses Association
- » PSEB – Pakistan Software Export Board
- » PTA – Pakistan Telecommunication and Authority
- » QA – Quality Assurance
- » SBP – State Bank of Pakistan
- » SECP – Securities & Exchange Commission of Pakistan
- » SMEs – Small and medium size Enterprises
- » STPs – Software Technology Parks
- » TDAP – Trade and Development Authority of Pakistan
- » VoIP – Voice Over Internet Protocol
- » VPN – Virtual Private Network

1. Preamble:

The growth of the Information Technology (IT) and Information Technology enabled Services (ITeS) sector is vital for Pakistan's economic development. This sector has tremendous potential and is expected to reach its set target of US\$ 5 Billion in IT & ITeS export remittances within the next three years. The Government of Pakistan has invested heavily in this sector, especially in the last two decades, resulting in laying the foundations for developing a knowledge-based economy and digitally empowered society through the use and adoption of inclusive, affordable, and sustainable technology.

IT & ITeS export remittances surged to \$1.23 billion during FY 2019-20, including US\$150 million earned by freelancers. Whereas, in the first seven months of the current FY 2020-21 (July 2020 – January 2021), freelancers' export remittances have rapidly increased to US\$ 219 Million and are expected to cross US\$ 350 Million by the end of FY 2020-21. It is estimated that, at present, around 100,000 "active" freelancers (who at least make \$100 a month) are working from Pakistan and earning valuable foreign exchange for the country. To increase Pakistan's freelancer's footprint globally and gain a larger share of the global outsourcing business, it is essential to devise and implement a National Freelancing Policy. This would enable freelancers to work within a supportive framework duly aligned with enhancing demand generation and supply of IT & IT enabled Services to the international markets worldwide.

With the right policy interventions, the number of freelancers in Pakistan can be increased tenfold in few years, generating self-employment for talented youth, bolstering IT & ITeS export remittances, and spurring economic growth of the country.

The policy has been drafted by MoITT through its departments PSEB, Ignite, and IT Wing of MoITT in consultation with the National Freelancing Policy Committee comprised of the representatives from SECP, SBP, FBR, and Ministry of Commerce. Input from a working

group of prominent freelancers has also been sought while preparing this draft.

Pakistan's Freelancing Landscape:

Freelancers have registered remarkable growth in numbers and income during recent years. The telecom infrastructure expansion across the country has played a pivotal role in freelancers' development. This is now getting global acknowledgment, a reputation for reliable and cost-effective IT and IT-enabled services delivery. Freelancers from Pakistan are ranked 3rd globally and have become increasingly popular due to quality of work and cost-effectiveness compared to other competing countries.

As per *'The 2020 Freelancer Income Report'* by a Payoneer, the role of technology advances and shifting work paradigms are fueling a surge in freelancing with collaborative technologies making it easier for remote workers to communicate and contribute. Online marketplaces are making it easier for freelancers to find work. Cross-border payment platforms make it easier for freelancers to get paid for their services, regardless of the client's location. Whether an individual is making the shift from a full-time salaried position or working to supplement an existing job with some extra income, freelancing presents a wealth of opportunities.

According to an international survey, the worldwide average hourly rate charged by freelancers is US\$ 21, showing that freelancing is providing an attractive earning potential that, in many cases, far exceeds average wages, especially in emerging economies. The most popular fields of work for freelancers are web development, graphics designing (30%), computer programming (19%), IT services (10%), multimedia production (8%), content writing (8%), translation (7%), marketing (6%), admin (3%), customer support (2%), project management (2%), sales (2%), quality assurance (2%) and finance (1%).

In this digital world, freelancers have recognized that they can earn a significant income and gain more freedom over their working and

employment conditions, with the ability to choose projects and create a more excellent work-life balance no matter where they are located. Likewise, businesses realize that having a growing freelancers' workforce can provide them with the flexibility to scale and quality service when costs need to be cut.

The United States of America is one of the leading freelancing countries. According to the study *"Freelance Forward 2020"* carried out by Payoneer, 59 million Americans were engaged in providing freelancing services during the last fiscal year, which makes up 36% of the USA's total workforce, generating \$1.2 trillion in annual earnings from freelancing. Research finds that hard skills, soft skills, and business skills are fundamental to be a successful freelancer. Most freelancers in the USA are aged between 18 to 22 years, followed by 23 to 38 years old, 39 to 54 years old, and 55+. Whereas in Asia, the number of freelancers under the age of 35 is a lot higher, reflecting the potential of freelancing in countries such as Pakistan.

Freelancing is also playing a pivotal role in closing the overall mean gender pay gap in earnings. The mean hourly rate of female freelancers is 84% (in APAC 85%) of the male's mean hourly rate freelancers across all fields.

Freelancers' Definition

Freelancer is a type of self-employment where the individual works for themselves, carry out temporary jobs / projects / contracts / assignments / tasks and relate to professions such as web development, software development, graphics designing, computer programming, IT services, multimedia production, content writing, translation, marketing, IT solutions administration, customer support, project management, sales activities, quality assurance, financial services, research activities, news reporting, medical services, interpretation, commercial advisories, tech consultancies, financial consultancies, attorney services, etc. using IT platform and software/tools to provide services in-country and globally.

2. Policy Vision:

To make Pakistan a leading enabler and top marketplace for freelancing with ease of doing business, carrying out skills development, capacity building, broad basing the technology jobs to all corners of Pakistan ensuring equitable inclusion all genders and abilities wealth generation, the economic well-being of the citizens and the achievement of sustainable economic growth of the country.

3. Policy Objectives:

- On average, each US freelancer is earning \$21000 per annum while the same for Pakistan is approximate stands @ US\$ 3500 per annum per active freelancer per year, 100,000 freelancers' active freelancer approx.
- Building the number of active freelancers in Pakistan to 1 Million freelancers and increasing the average earning rate to \$5,000 per annum will potentially add \$5.0 Billion of export remittance inflows in Pakistan every year.
- This policy aims to provide a framework for this target and accelerate its achievement by facilitating the freelancers and increasing wealth creation for themselves, their families, villages, and towns, and earning valuable foreign exchange for the country.

i. Business Development

1. To establish Pakistan as a leading freelance market globally by creating the transparent governance model, framework & policies and providing International access to markets, projects and clients.
2. To bridge the gap and facilitate freelancers to interface with governing/regulatory authorities to enable business ease.
3. To introduce a robust marketing strategy & promotional plan for freelancers.
4. Increase in service exports and foreign exchange of the country.

ii. Facilitation

1. To enable a digital-ready environment across the country and increase the

adoption rate for learning, upscaling, and skill practice.

2. To introduce digital banking, e-payments, access to financial instruments, and capital, especially low-interest loans for freelancers.
3. To provide income tax holiday to PSEB registered freelancers till 2030.
4. To increase access to health insurance, life insurance, and employee liability insurance through subsidies and Government incentives.
5. Making employee liability insurance available in the country reducing operational risks of the freelancers both locally and internationally

iii. HR Development and Entrepreneurship

1. To strengthen and build qualified human resources through capacity building and skill training programs.
2. To create a registry of local freelancers through a registration portal and facilitating them by providing them a platform to interact with the local and international market.
3. Increasing dispensable income of the population at large.

iv. Legislations

1. Designating policy stakeholders and the policy review board's formulation to create a legal & litigation framework suited to the freelancers.

v. Women Empowerment

1. To empower the women and encourage them to start or resume their careers as freelancers.

vi. Persons with Disabilities

1. Enabling the inclusion of persons with disability, retired and semi-retired individuals, and the transgender population.

vii. Empowerment of Remote and Underserved Areas

1. Ensuring the inclusion of remote areas, small towns, underserved areas, secondary and tertiary cities for economic development, wealth creation, and reducing the gap with metropolitan cities.

4. Strategy Implementation

1-Key Components

a) Business development and ICT Exports

To provide business opportunities to freelancers, the following strategic actions can be planned.

- PSEB in collaboration and facilitation with other governing bodies like M/o Commerce, M/o Interior, and TDAP to organize inbound and outbound delegations, IT exhibitions/meetups, roadshows, etc. through offered to freelancers for their participation at seminars, global exhibitions, trade fairs, and expos, allowing freelancers to showcase their portfolios and creating partnerships enabling to increase their revenues.
- Multiple freelance marketplaces to operate from Pakistan to compete against the international freelancing platforms, ensuring competition, which will reduce platform fees and provide multiple channels of revenue for Pakistani freelancers. This will also provide strategic security to this sector by lowering dependence on foreign-owned freelancing platforms.
- Provide digital banking channels to freelancers in opening bank accounts, enabling e-payments and access to other financial instruments, increasing export remittances, simplifying outward remittances for purchasing services/software/tools/digital platforms.

b) Facilitation:

- PSEB will provide low-cost registration and renewal @ Rs. 1,000 and 3,500, respectively, per annum and will facilitate ease-of-doing-business through tax incentives and other subsidies offered by the Government.
- PSEB and relevant Government bodies will provide special visa facilitation to freelancers with a record of a minimum of three years of IT & ITeS export remittances exceeding the US \$5,000 per annum through formal banking channels.
- PSEB and relevant Governmental

and private sector organizations will collaborate on providing subsidized health and life insurance to PSEB registered freelancers through existing and future initiatives.

- PSEB and relevant Governmental and private sector organizations will collaborate on providing collateral-free loans to PSEB registered freelancers through existing and future initiatives.
- Establishment of facilitation desk at PSEB and PSEB operated software technology parks for addressing matters related to registrations, taxations, dispute resolution, etc.
- PSEB, in collaboration with relevant Government and private sector organizations, will work on enabling linkages of PSEB registered freelancers with local and foreign investors.
- PSEB, in collaboration with the Securities and Exchange Commission of Pakistan, will simplify the process of registering a Single Member Company and offer a fee discount to the PSEB registered freelancers.

c) HR Development & Entrepreneurship

- In partnership with other public and private sector organizations, Pakistan Software Export Board will launch new training and technology certifications initiatives for the local freelancers.
- PSEB will create partnerships with multinational technology companies (Tech MNCs) for subsidizing the course materials and certifications, making such material available to the local freelancers.

d) Legislations

i. Foreign Remittances

- PSEB, in collaboration with the State Bank of Pakistan (SBP), will work to streamlining inward foreign exchange remittances from freelancing activity using freelancing defined codes by SBP, which are subjected to income tax exemptions.
- PSEB will work with SBP for the allowance of foreign exchange bank

account opening for PSEB registered freelancers.

- It is proposed for SBP to enable the retention of 35% of foreign exchange income received as an inward remittance in these foreign exchange business accounts of the freelancers.
- PSEB will work with the Finance Ministry and Federal Board of Revenue to ensure the foreign exchange export remittances received in freelancing codes will remain income tax exempted till 2030.
- SBP to mandate local banks to ensure the foreign exchange payments received in the freelancers' business account is reconciled with the corresponding local PKR deposit in the recipient's account. These recipients should not face any hassle in obtaining Proceed Realization Certificates (PRCs) for such remittances.
- It is proposed for SBP to allow freelancers to use documents such as bank statements, transaction history, or freelancer marketplace payments transaction statements in obtaining PRC documents from the banks within 72 hours.
- It is recommended for SBP to instruct the commercial banks to ensure adopting mechanisms of tracking and recording the transaction proceeds from freelancing activities both from local and international sources. Freelancers must not face any difficulties in providing the complete traceable records of such transactions to any government organization.

ii. Financial Inclusion

- Facilitation of freelancers may also include access to bank loans, credit cards, leasing services, and ease of sending payments abroad against services, software purchase, online platform usages, and other similar business expenses.

iii. Local Escrow

- It is proposed to establish an Escrow cell in collaboration with PSEB, SBP, and other concerned authorities for addressing the challenges of freelancers and their local and international clients

related to the payment and other legal and commercial disputes.

iv. Intellectual property and Data Protection Policy

- It is proposed to ensure the inclusion of freelancers and their digital and physical products and services, brands and trademarks, and any other intellectual properties in the National Data Protection Policy and Intellectual Property Policy in consultation with all associated stakeholders.

e) Women Empowerment

- It is proposed to emphasize promoting training and work from home enablement for women and girls across the country.

f) Facilitation for the differently-abled community

- It is proposed that a national survey be conducted enquiring the specially-abled population about their willingness and requirements for training, capacity building, and enablement for adopting freelancing as a career choice.
- It is proposed to ensuring free-of-cost Internet bandwidth be made available for PSEB registered transgender freelancers and specially-abled freelancers across Pakistan.

g) Empowerment of remote and underserved areas

- It is proposed for mapping the telecom penetration through existing and future Government initiatives in urban and rural areas to ensure the provisioning of subsidized internet services for PSEB registered freelancers working in remote and underserved areas.
- It is proposed to subsidize IT equipment costs such as personal use laptops and home networking equipment for the PSEB registered freelancers working in remote and underserved areas.
- It is proposed to run awareness programs on the district level to encourage students, women, and others to start their careers as freelancers.

2- Fiscal & non-fiscal incentives for the Freelancers:

It is necessary to re-align the government strategies to attract a reasonable chunk from global spending on outsourcing and freelancing services in Pakistan. This will help create thousands of new jobs for freelancers in different sectors in line with the current Government policy of creating high-end and well-paying white color jobs for youth employed in the digital economy.

Presently, specific Government incentives for freelancers are lacking, and thus there is a need to consider incentives for the freelancers to create a favorable business environment.

a. Fiscal Incentives:

Fiscal incentives for freelancers are recommended in consultation with the working group of prominent freelancers and freelancing community representatives. Ministry of Information Technology and Telecommunication (MoITT) will recommend these proposals for inclusion in the relevant documents such as Finance Bill and State Bank of Pakistan and SECP regulations etc., after due process.

- Income tax holiday on export income/revenue/receipts of freelancers, duly registered with PSEB till 2030, subject to receipt of income/revenue through formal banking channels in the specific purpose codes assigned by the State Bank of Pakistan.
- Introduction of incentivized registration fee package for freelancers by PSEB and access to PSEB programs and initiatives, including free and subsidized training, certifications, subsidized office space at Software Technology Parks (STPs) across the country, and access to international marketing and matchmaking opportunities.
- It is proposed for SECP to introduce a 20% registration fee discount for PSEB registered freelancers if they opt to register a Single-Member Company.
- It is proposed to make available collateral-free loans up to Rs. 1.0 Million

to the PSEB registered freelancers through commercial banks and financial institutions at subsidized rates.

- It is proposed that the facility of subsidized health and life insurance be made available to PSEB registered freelancers under existing and future Government and private initiatives.
- It is proposed that PSEB registered freelancers be included in any home loan schemes under the existing and future Government and private initiatives subject to providing a record of a minimum of 5 years of freelancing exports remittances of more than \$10,000 per annum. Such home loan facilities shall be provided to these qualified freelancers at a subsidized loan rate.
- It is proposed for the provinces and the Federal Capital revenue boards to implement a reduced sales tax rate, not exceeding 2%, against the local services revenue earned by the PSEB registered freelancers. It is further proposed that this sales tax payment shall only be due at invoice month end plus 60 days.

a. Non fiscal incentives:

- It is proposed that Visa facilitation shall be provided for PSEB registered freelancers whose export income/revenue for the last three years exceeds US\$ 5,000/- for each year and is remitted through formal banking channels.
- Fast track and simplified opening of Foreign Currency bank accounts for PSEB registered Freelancers and retention of 35% foreign exchange in these bank accounts.
- It is proposed to establish Technology Business Branches of commercial banks in at least six Pakistan cities where technology-aware bank staff can help freelancers. PSEB can work with SBP and commercial banks in providing relevant training for the staff of these branches.
- It is proposed to establish facilitation desks at PSEB offices and PSEB operated Software Technology Parks for freelancers to quickly resolve their

issues pertaining to taxation, banking, Intellectual Property rights, Voice Over IP Whitelisting, Virtual Network Access (VPN), or any other legal or commercial matters.

- It is proposed Revenue Boards for PSEB to established a free centralized VPN gateway service which Pakistan Telecommunication Authority will whitelist to provide services to verified freelancers registered with PSEB.
- It is proposed that IP whitelisting is available for Voice over IP (VoIP) traffic for PSEB registered freelancers, where the VoIP traffic must not exceed 200 kbps.
- It is proposed to ensure the provisioning of Committed Information Rate (CIR) Internet bandwidth service by the ISPs/ telco operators packaged under “Work from Home Packages” with a minimum of 20 Mbps connection at subsidized prices to be made available to PSEB registered freelancers.

3- Policy Implementation & Reviews:

- The policy implementation will require consistent monitoring and evaluation of its outcomes. However, an appropriate strategy will also be prepared to align the ‘Action Plan’ with key priority areas for proper monitoring and evaluation. MoITT will encourage provincial departments and bodies to use this National Freelancing Policy as a guideline for their own freelancing facilitation initiatives. Provinces can identify their unique requirements and implementation frameworks. However, broad alignment to the National Freelancing Policy may be pursued. Requisite measures will be adopted to cope with the continuous inclusion of the latest trends and technologies; one such step will be to ensure the policy review every three years to keep it relevant, vibrant, and up-to-date.

Annexure - 1

Roles and Responsibilities Matrix

4- Roles and Responsibilities:

- Implementation of the National Freelancing Policy will involve multiple ministries and departments. Considering the engagement of multiple ministries and departments, it is appropriate to align the relevant bodies with their specific roles and responsibilities for clarity. Responsibilities/assignments being proposed as part of this policy which is attached at Annexure-1.

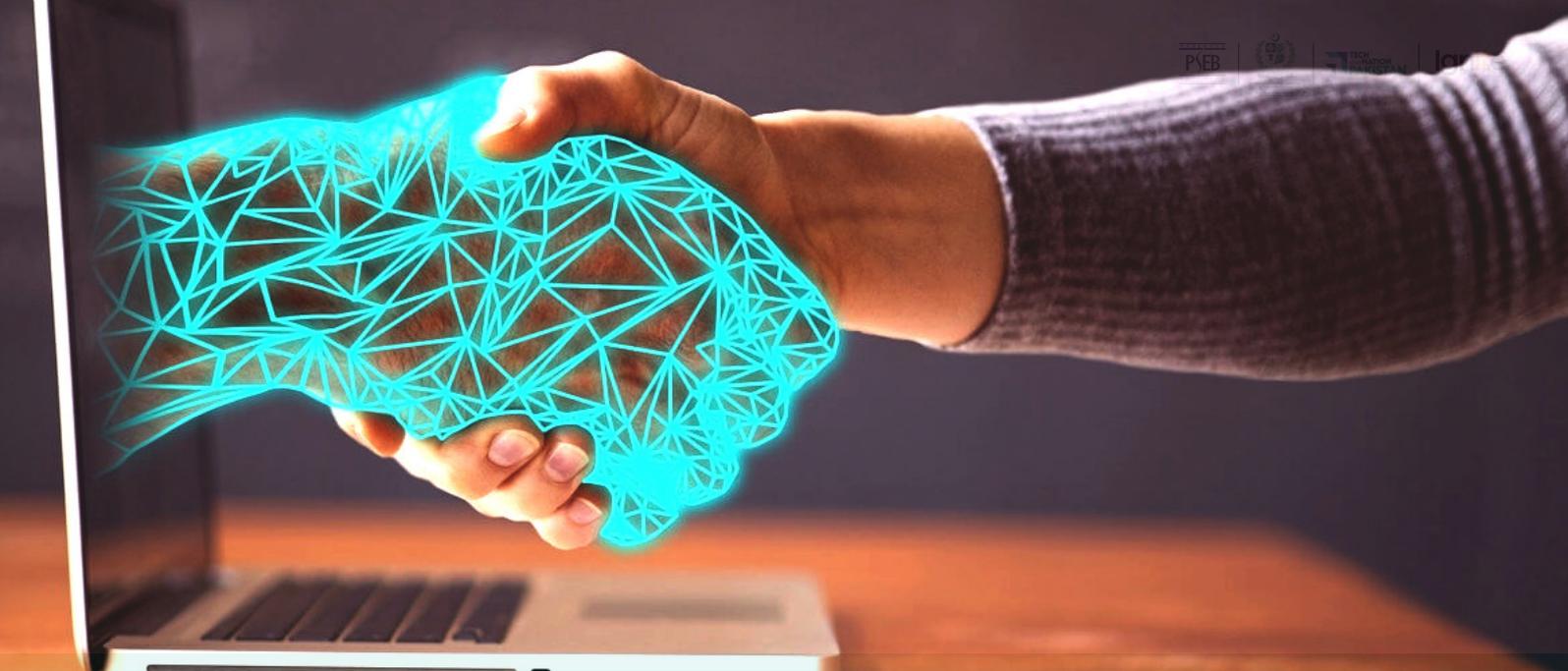
S.#	Policy Initiative	Lead Ministry/ Department	Facilitating Ministries/ Departments/ Bodies
1	Income Tax Holiday on export income/revenue of freelancers registered with PSEB for till 2030 starting from FY 2021-22	<ul style="list-style-type: none"> Ministry of Finance Federal Board of Revenue 	<ul style="list-style-type: none"> Ministry of IT and Telecommunication Pakistan Software Export Board
2	Introduction of incentivized registration fee package for Freelancers by PSEB and access to PSEB programs and initiatives etc.	Ministry of IT and Telecommunication	<ul style="list-style-type: none"> Ministry of IT and Telecommunication Pakistan Software Export Board
3	20% registration fee discount by SECP to freelancers registered with PSEB if they opt to be registered with SECP as an SMC (Pvt) Ltd.	<ul style="list-style-type: none"> Securities and Exchange Commission of Pakistan Ministry of IT and Telecommunication 	<ul style="list-style-type: none"> Pakistan Software Export Board
4	Collateral free loans to freelancers' registered with PSEB by scheduled banks and financial institutions at special rates up to Rs. 1 Million loans without any collateral/ guarantee.	<ul style="list-style-type: none"> Ministry of Finance State Bank of Pakistan Kamyab Jawan 	<ul style="list-style-type: none"> Ministry of IT and Telecommunication Pakistan Software Export Board Financial Institutions Microfinancing & commercial banks
5	The facility of health and life insurance to PSEB registered freelancers under relevant Government initiatives or programs.	<ul style="list-style-type: none"> Sehat Insaaf Program Ehsaas Initiative 	<ul style="list-style-type: none"> Ministry of IT and Telecommunication Pakistan Software Export Board

S.#	Policy Initiative	Lead Ministry/ Department	Facilitating Ministries/ Departments/ Bodies
6	Visa facilitation for PSEB registered freelancers whose export income/ revenue for the last three years exceeds US\$ 5,000/- for each year and is remitted through formal banking channels.	<ul style="list-style-type: none"> Ministry of Foreign Affairs 	<ul style="list-style-type: none"> Ministry of IT and Telecommunication Pakistan Software Export Board Ministry of Interior Ministry of Overseas Pakistanis and Human Resource Development Pakistan Software Export Board
7	Fast track and simplified opening of Foreign currency bank accounts for PSEB registered Freelancers and 35% foreign exchange retention.	State Bank of Pakistan	<ul style="list-style-type: none"> Ministry of Information Technology & Telecommunication Pakistan Software Export Board Commercial Banks
8	Establishment of Technology Business Branches of commercial banks in at least six cities of Pakistan.	State Bank of Pakistan	<ul style="list-style-type: none"> Ministry of Information Technology & Telecommunication Pakistan Software Export Board Commercial Banks
9	Facilitation Desk at PSEB offices and STPs for Freelancers for quick resolution of their issues pertaining to taxation, banking, Intellectual Property rights, IP Whitelisting, or any other matters.	Ministry of IT and Telecommunication	<ul style="list-style-type: none"> Pakistan Software Export Board Pakistan Telecommunication Authority Intellectual Property Office
10	Free VPN gateway for verified Freelancers registered with PSEB to get VPN access through PSEB operated VPN gateway.	Ministry of IT and Telecommunication	<ul style="list-style-type: none"> Pakistan Telecommunication Authority Pakistan Software Export Board
11	IP whitelisting for VoIP traffic to PSEB registered Freelancers not exceeding 384 kbps traffic.	Ministry of IT and Telecommunication	<ul style="list-style-type: none"> Pakistan Telecommunication Authority Pakistan Software Export Board

S.#	Policy Initiative	Lead Ministry/ Department	Facilitating Ministries/ Departments/ Bodies
12	Committed information rate (CIR) bandwidth internet service from ISPs/ telco operators packaged as “Work From Home” with minimum 20 Mbps connections – Special subsidy can be availed in case of PSEB registered freelancers.	Ministry of IT and Telecommunication	<ul style="list-style-type: none"> • Pakistan Telecommunication Authority • Pakistan Software Export Board • Internet Service Providers
13	PSEB registered freelancers be included in any home loan schemes under existing and future Government and private initiatives subject to a minimum of 5 years of freelancing exports remittance record of more than the US \$10,000 annum.	Ministry of Housing and Works	<ul style="list-style-type: none"> • State Bank of Pakistan • Commercial Banks • Pakistan Software Export Board • Other financial Institutions
14	The provinces and the Federal Capital charge a reduced sales tax rate not exceeding 2% against the local services revenue earned by the PSEB registered freelancers. The payment of this sales tax to be due at invoice month end plus 60 days.	<ul style="list-style-type: none"> • Federal Board of Revenue • Provincial Revenue Boards 	<ul style="list-style-type: none"> • Pakistan Software Export Board • Ministry of Information Technology & Telecommunication

References:

1. The 2020 Freelancer Income Report' - Payoneer
2. Freelance Forward 2020 - Upwork



Ministry of Information Technology
& Telecommunication
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Pakistan Software Export Board | Office No.2, 2nd Floor,
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