



JURISDICTIONAL PROFILE: **Pakistan**

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This Profile provides information about the application of IFRS® Accounting Standards (Standards) in Pakistan. The Standards are developed and issued in the public interest by the International Accounting Standards Board (IASB). The IASB is the standard-setting body of the IFRS Foundation (Foundation), an independent, private sector, not-for-profit organisation.

The Foundation has prepared this Profile based on information from various sources. The starting point was the answers provided by standard-setting and other bodies in response to surveys the Foundation conducted on the application of the Standards around the world. The Foundation drafted the profile and invited the respondents to the survey. The Foundation also invited others (including regulators and international audit firms) to review the drafts. Their comments are reflected in this Profile.

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RELEVANT JURISDICTIONAL AUTHORITY

Organisation	<p>The Institute of Chartered Accountants of Pakistan (ICAP)</p> <p>The Securities and Exchange Commission of Pakistan (SECP)</p> <p>The State Bank of Pakistan (SBP)</p>
Role of the organisation	<p>ICAP is the statutory body mandated to regulate the chartered accountancy profession in Pakistan. It is the body responsible for the adoption of auditing standards. ICAP has also formed a multi-stakeholder Accounting Standards Board which is responsible for the due process (such as stakeholder outreach, consultation, awareness) for adopting an IFRS Accounting Standard and recommending accounting standards for notification in <i>The Gazette of Pakistan</i>.</p> <p>The SECP is the corporate regulator. Under the corporate law (i.e. Companies Act 2017) the SECP has authority to notify accounting standards for all companies, including listed companies.</p>

The SBP is the central bank and regulator of the banking sector. The SBP has a role in prescribing the accounting and reporting requirements for banks and some categories of financial institutions.

Website	ICAP: www.icap.org.pk SECP: www.secp.gov.pk SBP: www.sbp.org.pk
Email contact	Imran.khan@icap.org.pk

COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?	Yes.
Has the jurisdiction made a public commitment towards IFRS Accounting Standards as that single set of high quality global accounting standards?	Yes.
What is the jurisdiction's status of adoption?	<p>Pakistan has adopted all IFRS Accounting Standards issued by the IASB, except IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>.</p> <p>The effective date of IFRS 17 <i>Insurance Contracts</i> has been deferred in Pakistan until 1 January 2026 for companies engaged in insurance, takaful, re-insurance and re-takaful activities.</p>
Additional comments provided on the adoption status?	<p>The SECP and SBP have granted few exemptions from and deferrals of adopted IFRS Accounting Standards.</p> <p>The exemptions and deferrals allowed by the SBP comprise:</p> <ul style="list-style-type: none"> • IFRS 9 is applicable for development banks, finance institutions and micro finance banks from 1 January 2024. • a deferral of IFRS 7 <i>Financial Instruments: Disclosures</i> for banks and other financial institutions regulated by the SBP till further notice. The disclosure requirements for financial instruments are set out by the SBP in their prescribed format for financial statements. • a deferral of IAS 40 <i>Investment Property</i> for banks and other financial institutions regulated by the SBP till any further notice. Companies account for investment properties in accordance with IAS 16 <i>Property, Plant and Equipment</i> or IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>, as appropriate. The SBP prescribes a format for the disclosure requirements in the financial statements. <p>The exemptions and deferrals allowed by the SECP include:</p> <ul style="list-style-type: none"> • an exemption from IFRS 2 <i>Share-based Payments</i> granted to a few government-owned companies and all companies for the accounting of 'Benazir Employee Stock Option Schemes'. • a deferral of IFRS 9 <i>Financial Instruments</i> until 30 June 2024 for non-banking finance companies and modarabas.

- a deferral of IFRS 9 requirements related to expected credit loss models until December 2024 for companies holding financial assets due from the government of Pakistan in respect to circular debt.
- exemptions for companies that have executed power purchase agreements before 1 January 2019 from applying:
 - IFRS 16 *Leases* to power purchase agreements executed before the effective date of IFRS 16.
 - IAS 21 *The Effects of Changes in Foreign Exchange Rates* to the capitalisation of foreign exchange differences. Companies that capitalise foreign exchange differences are not permitted to recognise the embedded derivatives in accordance with IFRS 9.
- an exemption from IFRS 10 *Consolidated Financial Statements* requirements related to consolidation for investments held by companies in mutual funds established under a Trust structure.
- an exemption from IFRIC 12 *Service Concession Arrangements* for all companies.
- an exemption from IFRS 16 *Leases* for companies and modarabas that use interest-free modes of finances. Companies and modarabas instead apply the SBP's IFAS 2 *Ijarah*.

ICAP's Accounting Standards Board in 2023 completed its project on 'Elimination of Departures from International Financial Reporting Standards' and submitted a report to the SECP. The report contained suggested steps and recommendations to eliminate exemptions and departures from IFRS Accounting Standards. The SECP is considering the proposals in the report.

If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Accounting Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Accounting Standards in the jurisdiction.

Not applicable.

EXTENT OF IFRS APPLICATION

For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Accounting Standards in their consolidated financial statements?

Corporate law prescribes the financial reporting framework for companies.

Domestic companies whose securities trade in a public market are required to prepare statutory financial statements in accordance with the IFRS Accounting Standards as adopted in Pakistan and the Companies Act 2017.

Pakistan has adopted all effective IFRS Accounting Standards, except IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The SECP and SBP have granted few exemptions from or deferrals to the adopted IFRS Accounting Standards. Companies preparing statutory financial statements in accordance with IFRS Accounting Standards as adopted in Pakistan are not permitted to assert compliance with 'IFRS Standards', but they are permitted to assert compliance with 'IFRS Standards as adopted in Pakistan'. More information is available in the 'IFRS Endorsement' section of this Profile.

Under corporate law, all domestic companies, including companies whose securities trade in a public market, can opt to prepare their statutory financial statements in accordance with the IFRS Accounting Standards as issued by the IASB.

If YES, are IFRS Accounting Standards REQUIRED or PERMITTED?

IFRS Accounting Standards as adopted in Pakistan and the Companies Act 2017 are required. Full compliance with IFRS Accounting Standards issued by IASB is permitted.

Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?

All.

Are IFRS Accounting Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?

Yes. See below.

For instance, are IFRS Accounting Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?

Yes. See below.

For instance, are IFRS Accounting Standards required or permitted for companies whose securities do not trade in a public market?

In the Companies Act 2017, the SECP prescribed financial reporting frameworks for companies registered in Pakistan.

Classification criteria	Applicable framework	Relevant schedule of Companies Act 2017 (disclosure requirement in addition to applicable framework)
Listed company	IFRS Accounting Standards as adopted in Pakistan	Fourth schedule

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Classification criteria	Applicable framework	Relevant schedule of Companies Act 2017 (disclosure requirement in addition to applicable framework)
<p>Public-interest non-listed company, which is:</p> <p>(a) public-sector as defined in the Companies Act 2017.</p> <p>(b) registered and/or licensed under the administered legislation or rules, or regulations made thereunder. These companies include:</p> <ul style="list-style-type: none"> (i) non-banking finance companies (NBFCs), which are asset management companies, pension fund managers, REIT management companies and deposit-taking NBFCs; (ii) modaraba companies; (iii) insurers; (iv) securities exchanges; (v) commodity exchanges; (vi) central depositories; and (vii) clearing houses. <p>(c) registered, notified and/or licensed under the Banking Companies Ordinance, 1962 (LVII of 1962) or Microfinance Institutions Ordinance, 2001 (LV of 2001). These companies include:</p> <ul style="list-style-type: none"> (i) banking companies, including foreign banking companies; (ii) microfinance banks; (iii) development finance institutions; and (iv) all companies engaged in the production and sale of sugar. 	IFRS Accounting Standards as adopted in Pakistan	Fifth schedule

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Classification criteria	Applicable framework	Relevant schedule of Companies Act 2017 (disclosure requirement in addition to applicable framework)
Large-sized non-listed company with paid-up capital of at least 200 million Pakistani rupees, or annual turnover greater than 800 million Pakistani rupees, or at least 750 employees.	IFRS Accounting Standards as adopted in Pakistan	Fifth schedule
Large-sized foreign company with turnover of at least 1 billion Pakistani rupees.	IFRS Accounting Standards as adopted in Pakistan	Fifth schedule
Large-sized non-listed company licensed or formed under sections 42 or 45 of the Companies Act 2017 with annual gross revenue (grants, income, subsidies and/or donations), including other income/revenue, of at least 200 million Pakistani rupees.	IFRS Accounting Standards as adopted in Pakistan and Accounting Standard for Not-for-Profit Organisations (NPOs) as issued by the ICAP and notified by the SECP	Fifth schedule
Medium-sized non-listed public company with paid-up capital of less than 200 million Pakistani rupees, and annual turnover up to 800 million Pakistani rupees, and fewer than 750 employees.	<i>IFRS for SMEs</i> Accounting Standard	Fifth schedule
Medium-sized private company with paid-up capital greater than 10 million Pakistani rupees but less than 200 million Pakistani rupees, annual turnover greater than 150 million Pakistani rupees but not exceeding 800 million Pakistani rupees, or more than 250 employees but less than 750.	<i>IFRS for SMEs</i> Accounting Standard	Fifth schedule
Medium-sized foreign company with turnover of less than 1 billion Pakistani rupees.	<i>IFRS for SMEs</i> Accounting Standard	Fifth schedule

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Classification criteria	Applicable framework	Relevant schedule of Companies Act 2017 (disclosure requirement in addition to applicable framework)
Medium-sized non-listed company licensed or formed under sections 42 or 45 of the Companies Act 2017 with annual gross revenue (grants, income, subsidies and/or donations), including other income/revenue, of less than 200 million Pakistani rupees.	<i>IFRS for SMEs</i> Accounting Standard, and Accounting Standard for NPOs as issued by the ICAP and notified by the SECP	Fifth schedule
Small-sized private entity with paid-up capital up to 10 million Pakistani rupees, turnover not exceeding 150 million Pakistani rupees, and not more than 250 employees.	Revised Accounting and Financial Reporting Standards for Small-Sized Entities as issued by ICAP	Fifth schedule

Further, the Companies Act 2017 also allows companies to opt to use a higher financial reporting framework. For example:

- a medium-sized company can prepare statutory financial statements in accordance with the IFRS Accounting Standards as adopted in Pakistan; and
- a small-sized company can prepare statutory financial statements in accordance with either the *IFRS for SMEs* Accounting Standard or IFRS Accounting Standards as adopted in Pakistan.

Under the Companies Act 2017, all companies can also opt to prepare statutory financial statements in accordance with IFRS Accounting Standards as issued by the IASB.

If the jurisdiction currently does NOT require or permit the use of IFRS Accounting Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Accounting Standards for such companies in the future?

Not applicable.

For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Accounting Standards in their consolidated financial statements?

If YES, are IFRS Accounting Standards REQUIRED or PERMITTED in such cases?

Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?

Foreign companies whose securities trade in a public market in Pakistan are required to prepare their statutory financial statements in accordance with the IFRS Accounting Standards as adopted in Pakistan and the Companies Act 2017. Such companies can also opt to prepare their statutory financial statements in accordance with the IFRS Accounting Standards as issued by the IASB.

IFRS Accounting Standards as adopted in Pakistan and the Companies Act 2017 are required. Full compliance with IFRS Accounting Standards as issued by the IASB is permitted.

All.

IFRS ENDORSEMENT

Which IFRS Accounting Standards are required or permitted for domestic companies?

Pakistan has adopted all IFRS Accounting Standards, except for IFRS 1 *First-time Adoption of International Financial Reporting Standards*. In addition, the effective date of IFRS 17 *Insurance Contracts* has been deferred in Pakistan until 1 January 2026 for companies engaged in insurance, takaful, re-insurance, and re-takaful activities. The SECP and SBP have granted exemptions from and deferrals of the adopted IFRS Accounting Standards.

In accordance with the Companies Act 2017, listed and other public-interest companies and large-sized companies are required to prepare statutory financial statements in accordance with:

- IFRS Accounting Standards as issued by the IASB; or
- IFRS Accounting Standards as adopted in Pakistan, and the Companies Act 2017.

The auditor's report and/or the basis of presentation footnote states that financial statements have been prepared in conformity with:

The accounting and reporting standards as applicable in Pakistan and required by the Companies Act 2017

Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Accounting Standards and the jurisdiction's GAAP)?

Yes.

Are IFRS Accounting Standards incorporated into law or regulations?

Yes.

If yes, how does that process work?

The Companies Act 2017 empowers the SECP to adopt an IFRS Accounting Standard by notification in the *Official Gazette of Pakistan*. After an IFRS Accounting Standard has been notified, it has the authority of law.

If no, how do IFRS Accounting Standards become a requirement in the jurisdiction?

Not applicable.

Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Accounting Standards (including Interpretations) in place?

Yes.

If yes, what is the process?

Adoption of an IFRS Accounting Standard involves five steps:

- Step one—the Accounting Standards Board (ASB) of ICAP carries out the due process for adoption of an IFRS Accounting Standard. The due process involves stakeholder outreach, consultation and awareness on the new Standard.
- Step two—the ASB considers whether to make any amendments to local legislation to ensure the effective implementation of the IFRS Accounting Standard for adoption.
- Step three—the ASB recommends adoption of the IFRS Accounting Standard to the ICAP Council.
- Step four—the ICAP Council recommends the adoption of the IFRS Accounting Standard to the SECP for notification. The decision to adopt rests with the SECP.
- Step five—after the SECP notifies the IFRS Accounting Standard, it becomes part of IFRS Accounting Standards as adopted in Pakistan.

For details on the ASB's due process, refer to the ASB Handbook.

If no, how do new or amended IFRS Accounting Standards become a requirement in the jurisdiction?

Not applicable.

Has the jurisdiction eliminated any accounting policy options permitted by IFRS Accounting Standards and/or made any modifications to any IFRS Accounting Standards?

No.

If yes, what are the changes?

Not applicable.

Other comments regarding the use of IFRS Accounting Standards in the jurisdiction?

No.

TRANSLATION OF IFRS ACCOUNTING STANDARDS

Are IFRS Accounting Standards translated into the local language?

No.

If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Accounting Standards?

Not applicable.

APPLICATION OF THE IFRS FOR SMEs ACCOUNTING STANDARD

Has the jurisdiction adopted the *IFRS for SMEs* Accounting Standard for at least some SMEs?

Yes.

If no, is the adoption of the *IFRS for SMEs* Accounting Standard under consideration?

Not applicable.

Did the jurisdiction make any modifications to the *IFRS for SMEs* Accounting Standard?

No.

If the jurisdiction has made any modifications, what are those modifications?	Not applicable.
Which SMEs use the <i>IFRS for SMEs</i> Accounting Standard in the jurisdiction, and are they required or permitted to do so?	<p>Under the Companies Act 2017, medium-sized companies are required to prepare statutory financial statements in accordance with the <i>IFRS for SMEs Accounting Standard</i>. 'Medium-sized companies' are:</p> <ul style="list-style-type: none"> • non-listed public companies with paid-up capital of less than 200 million Pakistani rupees, annual turnover of up to 800 million Pakistani rupees and fewer than 750 employees; • private companies with paid-up capital exceeding 10 million Pakistani rupees but less than 200 million Pakistani rupees, or annual turnover exceeding 150 million Pakistani rupees but not exceeding 800 million Pakistani rupees, or more than 250 employees but fewer than 750; • foreign companies with turnover of less than 1 billion Pakistani rupees; and • non-listed companies licensed or formed under sections 42 or 45 of the Companies Act 2017 with annual gross revenue (grants, income, subsidies, donations), including other income/revenue, of less than 200 million Pakistani rupees. <p>All companies can opt to prepare statutory financial statements in accordance with a higher financial reporting framework. A company required to prepare statutory financial statements in accordance with the <i>IFRS for SMEs Accounting Standard</i> can opt to prepare financial statements in accordance with either IFRS Accounting Standards adopted in Pakistan or IFRS Accounting Standards as issued by the IASB.</p>
For those SMEs that are not required to use the <i>IFRS for SMEs Accounting Standard</i> , what other accounting framework do they use?	<p>Small-sized companies are required to prepare financial statements in accordance with Revised Accounting and Financial Reporting Standards for Small-Sized Entities (Revised AFRS for SSEs) as issued by ICAP. 'Small-sized entities' are:</p> <ul style="list-style-type: none"> • private entities with paid-up capital up to 10 million Pakistani rupees, turnover not exceeding 150 million Pakistani rupees and not more than 250 employees. <p>All companies can opt to prepare statutory financial statements under a higher financial reporting framework. Therefore, a small-sized company required to prepare statutory financial statements in accordance with Revised AFRS for SSEs can opt to prepare financial statements in accordance with:</p> <ul style="list-style-type: none"> • IFRS Accounting Standards adopted in Pakistan; • IFRS Accounting Standards as issued by the IASB; or • the <i>IFRS for SMEs Accounting Standard</i>.
Other comments regarding use of the <i>IFRS for SMEs Accounting Standard</i> ?	None.