

State Bank of Pakistan raises freelancing payment limit up to \$25,000

KARACHI: State Bank of Pakistan (SBP) has raised the payment limit for information technology (IT) related freelance and other services from \$5,000 to \$25,000/individual a month to encourage business-to-customer transactions via official home remittance channels, it said on Wednesday.

"The enhancement in limit will facilitate freelancers to route greater value of funds through a more economical and efficient channel of home remittances and help in receiving foreign exchange flows through formal banking channels in the country," the SBP said in a statement.

This would also enable freelancers to expand their business/operations and engage new freelancers to join the workforce, the central bank said adding that this move was expected to create employment opportunities and increase foreign exchange earnings of the country.

"While export of services has been growing in double digits, (10.5 percent rise registered in January, 2020), this enhancement of limits for freelancers will further accelerate growth in export of services in the months ahead," it said.

In November 2019, the central bank had allowed freelancers to receive foreign payments of up to \$5,000/individual per month with an aim to receive additional workers' remittances of at least \$1.2 billion per year.

Before that the limit for such foreign payments was capped at \$1,500/individual per month for freelancers providing services in computer and information systems and other services to their clients abroad.

There are around 300,000 freelancers working mainly in country's information technology sector. Despite the increasing size as well as the potential of the industry, receiving payments in the name of services export proceeds and as commercial payments remains cumbersome and complicated.

These hurdles lead to majority of freelancers not to bring the foreign exchange into the country, but spend it overseas. It is estimated that freelance payments worth billions of dollars may still be stuck in foreign bank accounts.

In October 2018, after repeated appeals from the industry, the government permitted the freelance service providers to receive their commercial payments as workers' remittances for the first time.

Remittances from overseas Pakistani workers increased 3.31 percent to \$11.394 billion in the first six months of the current fiscal year of 2019/20, central bank data showed last month.