

***ESTABLISHMENT OF LIASION  
OFFICE / OTHER PLACE OF  
BUSINESS BY A PERSON  
RESIDENT OUTSIDE INDIA-  
FEMA REGULATIONS.***



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# Basic Concepts

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- No Person resident outside India shall, without the prior approval of the RBI, establish in India a branch, or a liaison office or other place of business by whatever name called.
- No permission is required for
  - A banking company
  - A branch in SEZ
  - An insurance company.



# Basic concepts- contd.

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- Branch
- Foreign company
- Liaison office
- Project office
- Site office
- Other place of business

# Branch



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- Branch office in relation to a company means any establishment:
  - Described as a branch by the company
  - Carrying on the same or substantially the same activity as carried on by the head office
  - Engaged in any production, processing or manufacture (section 2(9) of the Companies Act)



# Foreign company

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- Means a body corporate incorporated outside India and includes a firm or other association of individuals.



# Liaison office

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- Means a place of business which
  - Acts as a channel of communication between the principal place of business or head office by whatever name called and entities in India.
  - Does not undertake any commercial, trading or industrial activity, directly or indirectly.
  - Maintains itself out of inward remittances received from abroad through normal banking channel.



# Project and site office

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- Project office means a place of business to represent the interests of a foreign company executing a project in India but excludes a liaison office.
- Site office means a sub office of the project Office established at the site of a project but does not include a liaison office.



# Establishes a place of business

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- Not defined.
- “Establishes” -
  - Permanence
  - Regularity
  - continuity.
- “place of business” -
  - Recognisability
  - activity of industrial, trading or commercial nature.





# PERMITTED ACTIVITIES - LIAISON OFFICE

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- REPRESENTING IN INDIA THE PARENT COMPANY.
- PROMOTING EXPORT IMPORT FROM / TO INDIA.
- PROMOTING TECHNICAL / FINANCIAL COLLABORATIONS.
- ACTING AS A COMMUNICATION CHANNEL.



# PERMITTED ACTIVITIES - BRANCH

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- EXPORT / IMPORT OF GOODS
- PROFESSIONAL / CONSULTANCY SERVICES
- CARRYING OUT RESEARCH WORK
- PROMOTING TECHNICAL / FINANCIAL COLLABORATIONS
- REPRESENTING THE PARENT COMPANY IN INDIA
- RENDERING SERVICES IN IT / SOFTWARES
- RENDERING TECHNICAL SUPPORT
- FOREIGN AIRLINE / SHIPPING COMPANY



# Application to RBI

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- Applies only for Branch, liaison office or other place of business.
- Project offices generally permitted w.e.f. 2-7-2003 provided certain conditions met. (except for citizen and companies incorporated in Pakistan, Bangladesh, Srilanka, Afganistan, Iran and China)
- Form FNC1 to be filed with RBI Mumbai.



# Project office -conditions

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- Foreign company has secured a contract to execute a project in India from an Indian company.
- The project is funded by inward remittance, or a bilateral or multilateral international finance agency or a term loan by bank/public financial institution in India
- Cleared by an appropriate authority
- Not to carry on any activity other than the one relating to and incidental to Project.

# Reports etc to be filed with RBI



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- A foreign company to file a report with the Regional office of the RBI in whose jurisdiction the project office is set up giving the following details:
- Name and address of the company
- Reference no. and date of contract
- Address, tenure and nature of project



# Annual report-liaison office

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- An annual activity report to be filed.
- Giving a brief report of the activities undertaken.
- A CA certificate that all the expenses have been paid out of remittances from abroad.
- An audited balance sheet and income and expenditure account.



# Annual report etc – for remitting profits of Branch/project

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- A branch can remit its annual profits by filing with AD
- Certified copy of the audited balance sheet and P & L account
- A CA certificate certifying:
  - The manner of arriving at the remittable profits & that the remittable profit has been earned by permitted activities
  - That profit does not include profit on revaluation.



# For remitting profits on completion of the project

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- File with the AD.
- Certified copy of the audited accounts.
- A CA certificate showing the manner of arriving at the remittable surplus.
- Proof for payment of taxes or a CA certificate that adequate funds have been set aside.
- Auditor's certificate that no statutory liabilities are outstanding.





# Thank you

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