

**ESTABLISHMENT OF BUSINESS
ENTITY IN INDIA**

Foreign Companies can enter into the business in India either as a foreign company in the form of a liaison office/ representative office, a project office and a branch office by registering themselves with Registrar of Companies (ROC), New Delhi or as an Indian Subsidiary Company in the form of a Joint Venture and wholly owned subsidiary. For opening of the foreign company specific approval of Reserve Bank of India is required



WE HELPS YOU EXPAND UP TO MAXMUM

We assist foreigner companies to set up their Offices in India, Statutory Compliance, Reserve Bank of India Issues, Registrar of Companies Compliances, Foreign Exchange Management Compliances, Accounting, Payrolls, DTAA, Transfer Pricing and on other Taxation issues.

[WE PROVIDE HASSLE FREE SINGLE WINDOW SEVICES TO OUR FOREIGNER CLIENTS IN INDIA](#)

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CPA/CA SERVICES

**LIAISON OFFICE
BRANCH OFFICE
PROJECT OFFICE
INDIAN SUBSIDIARY**



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☰ Liaison Office in India



- Foreign Companies may establish liaison/representative in India after obtaining prior approval from RBI.
- Generally, initial permission is granted for three years subsequent extensions are possible.
- Liaison office can undertake only liaison and related activities on behalf of its parent entity like:
 - * Parent representation in India
 - * Channel of communication between its parent and companies in India.
 - * Collection and providing business information to its parent.
 - * Promotion export/import from/to India.
 - * Promotion Financial/Technical collaboration between parent and Indian companies.

- Expenses of liaison office are to be met by foreign remittances from the head office outside India.
- Liaison office is treated as an extension of foreign companies but not liable to pay Income Tax in India.
- It can not enter into any commercial/business activities in India.
- Normally Transfer Pricing (TP) regulation are not applicable.
- Liaison office is required to submit au-



- dited annual accounts and activity report from its Chartered Accountants to RBI.
- A liaison office is require to register with ROC and to compliance with procedural formalities as prescribed by Companies Act, 1956.
- Foreign Insurance Companies can open liaison office in India after obtaining necessary approval from Insurance Regula-

- tory & Development Authority of India. Such Companies enjoy general permission under RBI rules.
- To open a Liaison office, the parent company has to apply to the Reserve Bank of India and is normally granted permission within 4 - 6 weeks.
- At the time of closure of the Liaison Office, RBI grants permission to repatriate the balance in the Indian bank account to the parent company.
- It can neither borrow, nor lend money in India.
- It must maintain a non interest bearing account (Known as QA22C) with the bank. This is a special account that only allows inflows from abroad.





Project Office in India

- A Foreign Company may open a project office in India to execute a contract work awarded to it by a Indian Company.
- Project Office can be open under RBI permission (Direct Route) subject to certain conditions. In all other cases RBI Prior Approval is mandatory.
- It can only execute that specific project for which permission is granted. It can not undertake any other activities or any other projects.
- Transaction between head office and project office are subject to Transfer Pricing regulations.
- Mandatory to get registered with ROC and comply with Companies Act, 1956 regulations.
- Subject to Income Tax rules and payments of Taxes as applicable on foreign companies.



- It can remit its profit to head office and required to submit its activity report with RBI.
- Funding is possible from the parents company receipts and from the project.
- It has advantages like easy operations, simple formalities with easy exit route.
- Formation time 4 - 6 weeks.



GENERAL INFORMATIONS

- Proprietor and Partnership Concerns set up abroad are not allowed to open Branch of Liaison Office in India.
- Unlike Subsidiaries others have simple exit route.
- Foreign Entities are required to appoint their representative in India to receive



notices and other communication from the Government and other agencies.

- Subsidiaries enjoy greater flexibility and operational freedom.
- Liaison, Branch and Project Offices are allowed to open non interest bearing current accounts in India.
- PO can open non interest bearing current accounts in India, subject to specific rules.
- Transfer of assets by Branch/Liaison Offices to Subsidiary or other Branch/Liaison Offices are allowed subject to RBI prior approval.
- Inter Project transfers are also allowed, subject to certain Rules.



Branch Office in India

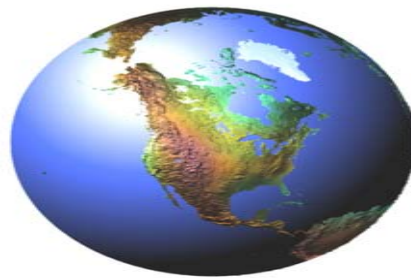
- Companies incorporated outside India are engaged in manufacturing and trading activities are allowed to set up their branch offices in India with specific approval of RBI.
- Branch offices are permitted to represent parent Group/Companies and undertake the following activities:
- Export/Import of Goods, procurement of goods for export and sale of goods after import are allowed only on



wholesale basis.

- Rendering of professional and consultancy services.
- Carrying out of research work in the areas in which parent company is engaged.
- To act as buying and selling agent in India.

- Promoting financial and technical collaborations between parent company and Indian companies.
- Rendering technical support to the product supplied by the parent company.
- Branches are not allowed to take any retail trading activities in India.
- A branch office can not carry out any manufacturing and processing activities in India, directly or Indirectly.
- A foreign entity cannot undertake any



activity without specific approval of RBI in India.

- Branch offices are required to registered with ROC and comply with the certain procedures as prescribed by the Companies Act, 1956.
- Foreign Companies have general permission to establish branch /unit in SEZ

(Special Economic Zone) to undertake manufacturing or service activities, subject to certain rules.

- Foreign Bank don't require FEMA Approval, if such Bank has obtained necessary RBI approval under the Banking Regulation Act, 1949.
- Profits earned by the Branches can be freely remitted from India, subject to payment of applicable taxes.
- Branch office are liable to pay applica-



ble taxes on the profit attributable to it.

- Transaction between Head Office and Branch Office are Subject to Transfer Pricing Provisions.
- Funding is possible from head office receipts and from business operations in India.
- Filling activity and CA report with RBI.
- Formation time 4-6 weeks.



Indian Subsidiary Company



- Foreign Companies may set up subsidiary companies in India, which can be public or private limited with or without limited liability.
- Companies are incorporated and regulated to The Companies Act, 1956 in India
- And are subject to certain procedures under the said Act.
- The liability of the member can be limited by shares or guarantee to a certain amount or it can be unlimited as decided by at the time of Incorporation.
- Subsidiary can either be wholly owned or in joint venture with some Indian Partner, as per RBI (FDI) Rules.
- Except in few sectors, where Foreign Direct Investment Cap is applicable, foreign entity can have 100% Subsidiaries.



- It can undertake all type of business activities as its charter permitted.
- No RBI approval is required, where 100% FDI is permissible.
- It is treated as Indian Domestic Company under Indian Income Tax Law and is eligible for all the Tax deductions and benefits provided to Indian Companies.
- Individual Directors are required to obtain Director Identification Number (DIN) from Ministry of Companies Affairs.
- Funding can be in the form of Share Capital, loans and business operations.
- Transactions between the Parent and Subsidiary Company are subject of Transfer Pricing Regulations.
- Formation time 2 - 3 weeks.



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