

## **Establishment of Liaison Office in India by Foreign Entities**

### **Liaison Office/ Representative office:**

Liaison office/ Representative office acts a channel of communication /facilitator of trade between the foreign parent company and the market in India. It promote import/export and also facilitate collaborations between parent company and companies in India.

### **Permissible Activities:**

A Liaison Office can undertake the following activities in India:

- i. Representing in India the parent company / group companies.
- ii. Promoting export / import from / to India.
- iii. Collecting market information and providing information about the products to Indian customer
- iv. Promoting technical/financial collaborations between parent/group Companies and companies in India.
- v. Acting as a communication channel between the parent company and parties in India.

### **Governing Authority:**

For establishing a Liaison Office in India, approval of **Reserve Bank of India (RBI)** is required. The application in prescribed form for seeking permission to establish Liaison Office shall be forwarded to Reserve Bank India through an AD Category - I Bank.

### **Governing Law:**

- Foreign Exchange Management Act, 1999 regulated by Reserve Bank of India
- Master circulars issued by the Reserve Bank of India from time to time

### **Establishment of Liaison Office:**

Liaison Office can be established in India with the permission of Reserve Bank of India (RBI). Permission is initially granted for a period of 3 years and may be extended from time to time. Application in Form FNC is made to obtain permission from the Reserve Bank under provisions of FEMA 1999. Permission can be given under two routes:

➤ **Reserve Bank Route**

Where 100 per cent Foreign Direct Investment (FDI) is permissible under the automatic route, application is considered under this route.

➤ **Government Route**

Where 100 per cent FDI is not permissible under the automatic route and applications from Non - Government Organizations / Non - Profit Organisations / Government Bodies / Departments are considered by the Reserve Bank in consultation with the **Ministry of Finance, Government of India**.

**Eligibility Criteria:**

- A profit making track record during the immediately preceding three financial years in the home country.
- Net worth not less than USD 50,000 or its equivalent

(Net worth means total of paid-up capital and free reserves less intangible assets as per the latest audited Balance Sheet or Account Statement certified by a Certified Public Accountant or any Registered Accounts Practitioner by whatever name)

- Applicants who do not satisfy the eligibility criteria and are subsidiaries of other Companies can submit a Letter of Comfort from their parent company in the prescribed format subject to the condition that the parent company satisfies the eligibility criteria as prescribed above.

**Other Conditions**

After receiving the permission for setting up of Liaison Office, Designated AD Category- I Bank will be informed as to the date on which the Liaison Office has been established.

**Registration with Registrar of Companies:**

Every Liaison Office registered with RBI shall get itself registered with the Registrar of Company, Ministry of Corporate Affairs (MCA). It is a registration by the liaison office as a establishment of foreign company in India. On such registration a CIN i.e., Corporate Identity Number is allotted by the Registrar of Companies.

**Time Period required for establishment:**

Normally it takes 1- 3 months for getting approval for establishment of branch office

**Documents required:**

The following documents are required to open a branch office in India:

- Request letter from the principal officer of the Parent company to RBI
- Letter of authority from the parent company in favor of Local Representative
- Resolution from parent company for setting up liaison office in India.
- English version of the Certificate of Incorporation (attested by Indian Embassy/ Notary Public in the Country of Registration) or
- English version of Memorandum & Articles of Association (attested by Indian Embassy / Notary Public in the Country of Registration)
- Audited Balance Sheet of the applicant entity duly translated and notarized for the last five years
- Bankers' Report from the applicant's banker in the host country / country of registration
- Latest identity and address proof of all the Directors duly authenticated
- List of Directors/ Secretaries of parent company

**Post Incorporation requirement**

The Liaison Office shall also obtain Permanent Account Number (PAN)/ Tax Deduction number (TAN) from the Income Tax Authorities, open the bank account on setting up the offices in India and report the same in the Annual Activity Certificate.

**Annual Compliance**

Filing of Annual Activity Certificate (taken from the Chartered Accountant) every year with designated AD Category -I bank as well as Director General of Income Tax (International Taxation), New Delhi along audited Financial Statements.

**Extension of validity of the approval of Liaison Office:**

Request for extension of time for LOs may be submitted before the expiry of the validity of the approval to the AD Category-I bank. Extension may be granted for a period of 3 years from the date of expiry of the original approval/extension granted as the case may be. Extension will be granted subject to the following conditions:

- The Liaison Office has submitted the Annual Activity Certificates for the previous years

- The account maintained with the designated AD Category – I bank is being operated in accordance with the terms and conditions stipulated in the approval letter.

### **Additional Activities and Offices**

For establishing additional office, a fresh application duly signed by authorized signatory of the foreign entity is filed to Reserve Bank of India with a justification to open additional office and one of the offices is identified as nodal office to co-ordinate the activities of all offices.

### **Closure of Liaison Office**

For closure of Liaison office, request is required to be made to Reserve Bank of India through AD Category -1 Bank with the following documents:

- Copy of the Reserve Bank's permission/ approval for establishing the Liaison office
- Auditor's certificate
- Confirmation from the parent company that no legal proceedings in India are pending
- A report from the Registrar of Companies regarding compliance with the provisions of the Companies Act, 2013
- Any other document/s, specified by the Reserve Bank while granting approval.