

FEMA ke FUNDAE

**Establishment of
Liaison/ Branch/Project Office in India
(Part 1 of 5)**

#FamiliarwithFEMA

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Jain Shrimal & Co.



Rose

Hi Mr. FEMA Gyani! I have a Construction business in US and since the Indian Market is blooming with new ages and innovative Architectural structures I am planning to test the waters and may expand my business to India. Can you tell me how can I do the same?

Hello Rose!! Yes you can expand your business to India by opening a company in India.



The FEMA Gyani



Rose

Okay Mr. FEMA Gyani! Since I am not sure about the Indian market, so I don't want to open a company. Are there any other options available ?

Yes, you can consider opening a Branch Office, Project Office or a Liaison Office. Let me explain you all of them in detail.



The FEMA Gyani

LIAISON OFFICE

It is an office that facilitates close working relationships between the parent company situated abroad and the business parties in India

LO is opened to act like a medium of communication by way of promoting the business of its parent company in India, etc.

It cannot undertake any commercial, trading, industrial activity either through itself or through any other entity.

The role of such offices is, therefore, limited to collecting information about possible market opportunities and providing information about the company and its products to the prospective Indian customers.



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BRANCH OFFICE



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A branch office mirrors the function of a parent company

Branch offices can carry on substantially the same business as the parent company.

The branch office can undertake only the following activities in India including Providing professional or consultancy services, Promote export from or import to India, Performing research work in which the parent company is engaged etc.



PROJECT OFFICE



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Project Office' means a place of business to represent the interests of the foreign company executing a project in India but excludes a Liaison Office.

Foreign companies engaged in turnkey construction or installation normally set up a project office for their operations in India.

The project office can only undertake the activity relating and incidental to the project.





Rose

Okay Mr. FEMA Gyani! I have one more doubt that a Branch Office, Project Office or a Liaison Office can perform all the activities in India ?

No, Rose!! A Branch Office, Project Office or a Liaison Office cannot perform all the activities there are only certain permitted activities which are to be performed by them . Let me explain each of them



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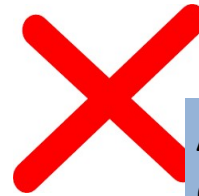


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Activities permitted for Liaison Office

- To represent the parent or group companies in India
- To engage in activities which are in the nature of promotion of Import or Export
- To promote technical or financial collaborations between parent/group company or companies in India.
- To act as a channel of communication between the parent company and the Indian Company.



Activities not permitted for Liaison Office

A Liaison Office cannot earn any income in India & cannot engage in any kind of Business activity.
They have to meet expenses from inward remittances.



Activities permitted for Branch Office

- Export and Import Activities
- Professional or Consultancy Services, subject to sectoral regulators policy or approval.
- To carry on research work for the areas where the parent company is engaged
- To engage in activities which promote technical or financial collaboration between Indian companies and parent or overseas group company
- To act as a buying or selling agent in India or to represent the parent/group company
- To engage in any business or technical activities for software development or for the rendering of any service related information technology.
- To provide technical support services to the clients in India for the goods or services supplied by parent/group company
- To act as an authorised representative for a foreign shipping or airline company in India

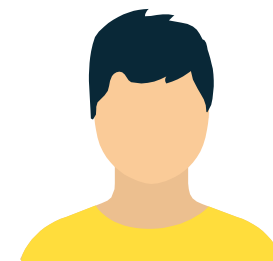


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Activities not permitted for Branch Office

A Branch office is not allowed to engage in Manufacturing, Processing or any Retail Trading activities of any nature in India, directly or indirectly, except BO in SEZ.

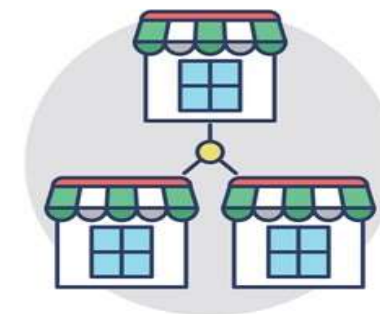


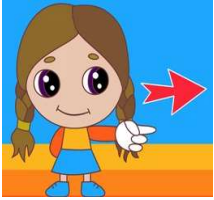
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Activities permitted for Project Office

- To execute a contract/project in India secured from an Indian company and activities related to execution of the project.
- To render service during the warranty period and after sales service as per the contract terms.
- A project office can only engage in activities for the execution of project, which is for a fixed duration till the contract is fully executed.





In the next part, we will cover the **Criteria, procedure for LO/BO/PO and opening of bank account by LO/BO/PO.**

**To be continued next
WEDNESDAY...**



Thank You!

Let's meet every
Wednesday.

To make you more familiar with FEMA,
we are happy to listen to your

Comments

Feedbacks

Suggestions



The FEMA Gyani

Jain Shrimal & Co.



<https://www.linkedin.com/company/jsco>
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