

FEMA Ke Fundae

#FamiliarwithFEMA

Acquisition of Immovable
Property in India by Foreign
Company

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Pranjal
(Director of Fashion Inc.)

Hi Mr FEMA Gyani! I have a Garment Manufacturing Company named Fashion Inc. . The Company is doing good in USA and is receiving a lot of orders from India. For the purpose of simplifying the business operations we would require a place of business in India as well. Can we acquire property for the purpose of business in India ?

Hi Pranjal! Yes, you can acquire property in India for the purpose of carrying on business by establishing either Branch Office or Liaison Office. Let me explain you in detail.



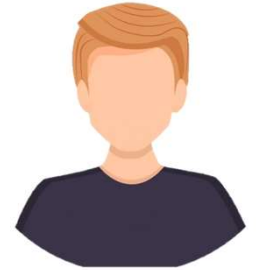
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LIAISON OFFICE

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

BRANCH OFFICE

Branch Office means, a branch office **mirrors the function** of a parent company.



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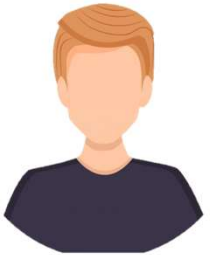
Since, you are acquiring a place of business in India for the purpose of expansion it will be considered as **opening of Branch office**.



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Okay! Is there any regulation which I need to comply with?

If you have acquired Immovable property which is incidental for carrying on business activities, then the compliance is as follows:



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1

The payment for acquiring such a property should be made by way of **foreign inward remittance** through proper **banking channel**.

2

A declaration should be filed with Reserve Bank within **ninety days** from the date of acquiring the property.

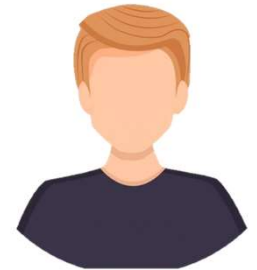


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Okay! I understood about the provisions but I have one query, I have a friend residing in **Hong- Kong** who carries the same business and he also wants to expand his business to India, can he also opt for establishing his place of business in India?

No Pranjal! He **cannot** expand his business into India. Let me explain you why.



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Acquisition of immovable property in India by persons who are citizens of **Pakistan, Bangladesh, Sri Lanka, Afghanistan, China, Iran, Nepal, Bhutan, Macau, Hong Kong and Democratic People's Republic of Korea** cannot acquire an immovable property without prior permission of the Reserve Bank of India.

LIAISON OFFICE

It cannot acquire immovable property. In such cases, Liaison Offices can take property by way of lease **not exceeding 5 years**.

BRANCH OFFICE

With the prior approval of RBI they can acquire property for the purpose of establishing Branch Office.



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Okay one last question, if suppose my business doesn't work well in India and I want to wind up, then can I take my money back to USA or I need to comply with any provisions?

Yes Pranjal, On **winding up** of the business, the **sale proceeds** of such property can be **repatriated** only with the **prior approval of Reserve Bank**.



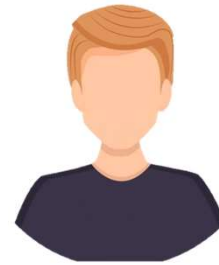
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Pranjal
(Director of Fashion Inc.)

Okay! Got it, Thankyou Mr FEMA gyani for your valuable insights.

Thank You



The FEMA Gyani

Comments

Feedbacks

Suggestions



<https://in.linkedin.com/company/jscoa>

WEBSITE

<https://jainshrimal.com/>



International Tax Gyan
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