



# SETTING UP OF LIAISON OFFICE/BRANCH OFFICE/PROJECT OFFICE



## BACKGROUND

The purpose of this presentation is to highlight the brief procedure of setting up of Liaison Office/Branch Office/Project office as per the Master Directions issued by Reserve Bank of India (“RBI”) and relevant sections of Companies Act, 2013 along with the other initial registrations as per various statutory laws as applicable in India.

# OVERVIEW

- A Liaison Office (“LO”) is only permitted to undertake liaising/ representative activities and cannot undertake commercial/ trading/ industrial activities.
- A Branch Office (“BO”) is an extension of foreign company and set up to undertake activities permitted by Indian exchange control regulations not undertake retail trading, manufacturing and processing activities in India.
- A Project Office (“PO”) is an extension of foreign company set up for undertaking a specific project in India and it wound up after completion of the project. The PO cannot undertake commercial/ trading/ industrial activities, other than execution of respective project.

## Setting up of LO

To set up a LO in India, a foreign company should have a profit making track record during the immediately preceding three financial years in its home country and net worth of not less than USD 50,000 or its equivalent.

In case an applicant is not financially sound and is a subsidiary of another company may submit a Letter of Comfort (LOC) from its parent company, subject to the condition that the parent company satisfies the prescribed criteria for net worth and profit.

## Setting up of PO

To set up a PO in India, a foreign company should have secured a contract from an Indian company to execute a project in India. Also, the project must have secured the necessary regulatory clearances and is funded directly by inward remittance from abroad or the project is funded by a bilateral or multilateral International Financing Agency or a company or entity in India awarding the contract has been granted Term Loan by a Public Financial Institution or a bank in India for the Project.

## Setting up of BO

To set up a BO in India, a foreign company should have a a profit making track record during the immediately preceding five financial years in the home country and net worth of not less than USD 100,000 or its equivalent.

In case an applicant is not financially sound and is a subsidiary of another company may submit a Letter of Comfort (LOC) from its parent company, subject to the condition that the parent company satisfies the prescribed criteria for net worth and profit.





# PROCEDURE FOR SETTING UP OF LO IN INDIA

# Steps for setting up of LO in India

## **Step 1- PAN of Authorized Representative of LO**

*First step is to obtain Permanent Account Number (“PAN”) of the proposed Authorized Representative (“AR”) of the proposed LO. The AR should have a PAN allotted by the Income Tax Authorities for which the application needs to be filed with them after collating the requisite documents.*

## **Step 2- Digital Signature Certificate (“DSC”)**

*For digitally signing forms, the AR should have a valid Pan based DSC issued by the Certifying Authorities for which the application needs to be filed with them for obtaining DSC.*

## **Step 3- Documentation**

*Next step is collation of information and documents (e.g. charter documents of foreign company etc.) and preparation of application documents in prescribed formats along with necessary documents in relation to setting up of LO based on the information as provided in the sheet as linked below :*

*[..\Incorporation\Initial Information sheet for LO BO PO.xlsx](#)*

## **Step 4- Execution and Signing**

*The drafts documents to be shared for further execution and signing.*

*All the documents related to incorporation of LO executing and signing outside India, needs to be notarized and apostilled.*



# Steps for setting up of LO in India

## **Step 5- Filing and Registration**

*Once all the documents are executed, the signed application along with other documents needs to be submitted with Authorized Dealer (“AD”) Bank for approval of setting up of LO.*

*The AD Bank scrutinizes the application and documents and if found in order, they shall issue the approval letter for setting up of LO.*

## **Step 6- Certificate of Establishment (“COE”)**

*Once the approved letter is issued by the AD Bank, respective e-form needs to be filed with Registrar of Companies (“ROC”) within 30 days from the date of approval from AD Bank for obtaining the COE and to register the LO in the records of ROC.*

*ROC scrutinizes the form and if found in order, the COE shall be issued by ROC.*

## **Step 7- PAN/TAN**

*The LO is required to obtain following registrations from Income tax authorities:*

*PAN and Tax Deduction and Collection Account Number (“TAN”)*

*Application forms are to be signed by AR of the LO*



# Steps for setting up of LO in India

## Step 8- Opening of bank account

*Documents required to be submitted with the bank for opening of bank account documents include board resolution, ultimate beneficiary form, bank application form, signed PAN copy etc. (Requirements differs from bank to bank).*

*Once all documents are submitted, bank undertakes their KYC requirements and opens bank account.*

*The LO cannot maintain more than one bank account at any given time without the prior permission of RBI. The permitted credits and debits to the account shall be:*

- Credits:**
- a) Funds received from its foreign company for meeting expenses of LO;*
  - b) Refund of security deposits paid from LO's account or directly by the foreign company;*
  - c) Refund of taxes, duties etc. received from tac authorities paid from LO's account.*
  - d) Sale proceeds of assets of the LO.*

**Debits:** *Only for meeting the local expenses of the office.*







# PROCEDURE FOR SETTING UP OF BO IN INDIA

# Steps for setting up of BO in India

## **Step 1- PAN of Authorized Representative of BO**

*First step is to obtain PAN of the proposed AR of the proposed BO. The AR should have a PAN allotted by the Income Tax Authorities for which the application needs to be filed with them after collating the requisite documents.*

## **Step 2- Digital Signature Certificate (“DSC”)**

*For digitally signing forms, the AR should have a valid Pan based DSC issued by the Certifying Authorities for which the application needs to be filed with them for obtaining DSC.*

## **Step 3- Documentation**

*Next step is collation of information and documents (e.g. charter documents of foreign company etc.) and preparation of application documents in prescribed formats along with necessary documents in relation to setting up of BO based on the information as provided in the sheet as linked below :*

[..\Incorporation\Initial Information sheet for LO BO PO.xlsx](#)

## **Step 4- Execution and Signing**

*The drafts documents to be shared for further execution and signing.*

*All the documents related to incorporation of BO executing and signing outside India, needs to be notarized and apostilled.*



# Steps for setting up of BO in India

## **Step 5- Filing and Registration**

*Once all the documents are executed, the signed application along with other documents needs to be submitted AD Bank for approval of setting up of BO.*

*The AD Bank scrutinizes the application and documents and if found in order, they shall issue the approval letter for setting up of BO.*

## **Step 6- Certificate of Establishment (“COE”)**

*Once the approved letter is issued by the AD Bank, respective e-form needs to be filed with ROC within 30 days from the date of approval from AD Bank for obtaining the COE and to register the BO in the records of ROC.*

*ROC scrutinizes the form and if found in order, the COE shall be issued by ROC.*

## **Step 7- PAN/TAN**

*The BO is required to obtain following registrations from Income tax authorities:*

*PAN and Tax Deduction and Collection Account Number (“TAN”)*

*Application forms are to be signed by AR of the BO*



# Steps for setting up of BO in India

## Step 7- PAN/TAN

*The BO is required to obtain following registrations from Income tax authorities:*

*PAN and Tax Deduction and Collection Account Number (“TAN”)*

*Application forms are to be signed by AR of the BO*

## Step 8- Opening of bank account

*Documents required to be submitted with the bank for opening of bank account documents include board resolution, ultimate beneficiary form, bank application form, signed PAN copy etc. (Requirements differs from bank to bank).*

*Once all documents are submitted, bank undertakes their KYC requirements and opens bank account.*

*The permitted credits and debits to the account shall be:*

**Credits:** a) *Funds received from its foreign company for meeting expenses of BO;*

b) *Any legitimate receivables arising in the process of its business operations.*

**Debits:** *The expenses incurred by the BO and towards remittance of profit/winding up proceeds.*





# PROCEDURE FOR SETTING UP OF PO IN INDIA

# Steps for setting up of PO in India

## **Step 1- Project in India**

*First step for setting up of PO in India is to secure a contract from an Indian company to execute a project in India. Also, the project must have secured the necessary regulatory clearances.*

## **Step 2- PAN of Authorized Representative of PO**

*Next step is to obtain PAN of the proposed AR of the proposed PO. The AR should have a PAN allotted by the Income Tax Authorities for which the application needs to be filed with them after collating the requisite documents.*

## **Step 3- Digital Signature Certificate (“DSC”)**

*For digitally signing forms, the AR should have a valid PAN based DSC issued by the Certifying Authorities for which the application needs to be filed with them for obtaining DSC.*

## **Step 4- Documentation**

*Next step is collation of information and documents (e.g. charter documents of foreign company etc.) and preparation of application documents in prescribed formats along with necessary documents in relation to setting up of PO based on the information as provided in the sheet as linked below :*

*[..\Incorporation\Initial Information sheet for LO BO PO.xlsx](#)*



# Steps for setting up of PO in India

## **Step 5- Execution and Signing**

*The drafts documents to be shared for further execution and signing.*

*All the documents related to incorporation of PO executing and signing outside India, needs to be notarized and apostilled.*

## **Step 6- Filing and Registration**

*Once all the documents are executed, the signed application along with other documents needs to be submitted AD Bank for approval of setting up of PO.*

*The AD Bank scrutinizes the application and documents and if found in order, they shall issue the approval letter for setting up of PO.*

## **Step 7- Certificate of Establishment (“COE”)**

*Once the approved letter is issued by the AD Bank, respective e-form needs to be filed with ROC within 30 days from the date of approval from AD Bank for obtaining the COE and to register the PO in the records of ROC.*

*ROC scrutinizes the form and if found in order, the COE shall be issued by ROC.*



# Steps for setting up of PO in India

## Step 8- PAN/TAN

*The PO is required to obtain following registrations from Income tax authorities:*

*PAN and Tax Deduction and Collection Account Number (“TAN”)*

*Application forms are to be signed by AR of the PO*

## Step 9- Opening of bank account

*Documents required to be submitted with the bank for opening of bank account documents include board resolution, ultimate beneficiary form, bank application form, signed PAN copy etc. (Requirements differs from bank to bank).*

*Once all documents are submitted, bank undertakes their KYC requirements and opens bank account.*

*Each PO can open two foreign currency accounts, usually one denominated in USD and other in home currency of the project awardee, provided both are maintained with the same AD bank.*

*The permitted credits and debits to the account shall be:*

**Credits:** a) *Funds received from its foreign company or bilateral / multilateral international financing agency.*

b) *Foreign currency receipts from the Project Sanctioning Authority.*

**Debits:** *Payment of project related expenditure*





## Other consideration

- An application from for opening of a BO/LO/PO in India shall require prior approval of RBI who shall process the applications in consultation with the Government of India, in the following cases:
- The applicant is a citizen of or is registered/incorporated in Pakistan;
- The applicant is a citizen of or is registered/incorporated in Bangladesh, Sri Lanka, Afghanistan, Iran, China, Hong Kong or Macau and the application is for opening a BO/LO/PO in Jammu and Kashmir, North East region and Andaman and Nicobar Islands.
- The validity period of an LO is generally for 3 years and can be renewed further for 3 years;
- The validity period of an PO is for the tenure of the project;
- The approval granted by the AD bank should include a proviso that in case the BO/LO/PO for which approval has been granted is not opened within 6 months from the date of the approval letter, the approval shall lapse. In cases where it is not able to open the office within the stipulated time frame due to reasons beyond its control, the AD bank may consider granting extension of time for a further period of six months for setting up the office. Any further extension of time shall require the prior approval of RBI in this regard.

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