



## Name Guidelines

Subsidiary of foreign Company, may use the same name as that of foreign holding Company with addition of word India or name of Indian City or State.

Name shall not be permitted if

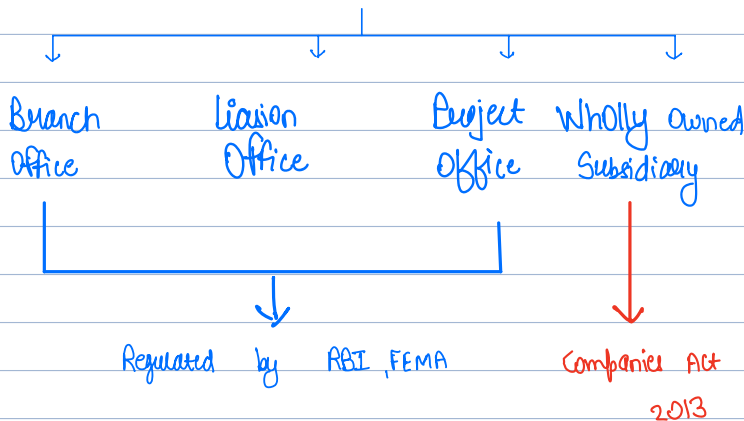
- Association with foreign embassy or Consulate
- Contain name of enemy country

## #2 Entry into India through Branch Office, Project Office, Liaison Office

To register Branch, Liaison or Project Office in India, approval from RBI is required.

- FEMA (Foreign Exchange Management Act), 1999 and regulations made there under governs establishment of BO, PO, LO.
- BO/PO/LO are considered as foreign Company s/s 2(142) of Companies Act, 2013. Hence they need to comply with all provisions from section 379 to 393.

How to enter into India?



## Branch Office

- Meaning - Temporary extension of foreign Company in India.
- undertake (perform) similar activities to its parent Company.

Example - Tech world INC US Based software Company, wants to offer IT services to Indian clients, without setting up new Company in India. It opens a Branch office in Bangalore. This office performs similar services, what Tech world offers globally.

## #1 Entry into India through Company

A foreign entity may enter into India by incorporating a Company in India, either as

- wholly owned Subsidiary, OR
- through joint Venture

A Company incorporated in India will be treated as Indian Company, even if it is 100% foreign owned. All provisions of CA 2013 shall be applicable.

Primarily foreign entity may incorporate either:

- A private limited Company [usually preferable], OR
- A public limited Company

## Eligibility

- Must be a body corporate incorporated outside India.
- Branch office must have same name as per parent.
- BO must have net worth of atleast US\$ 1,00,000.\*
- Parent Company must have profit making record for preceding 5 years.\*

\* If financial criteria are not met, letter of Comfort from Parent Company is required.

Imp:

### Permitted Activities for Bo in India

1. Export / Import of goods
2. Rendering professional or consultancy service
3. Carrying out research work in which parent is engaged.
4. Promoting technical or financial collaboration between Indian Companies and overseas Companies.
5. Representing Parent Company in India and acting as buying / selling agent in India.
6. Rendering IT services or software development
7. Technical support to product supplied by parent to.
8. Representing foreign airline / shipping company.

2 Activities are not permitted  
 ↳ Retail Trading  
 ↳ Manufacturing (except in SEZ)

### Funding Options for Bo

- Parent Company to inject capital into Branch through issue of equity share capital, preference or debenture.

### Liaison Office

Meaning : Liaison means to communicate between two or more people.

Liaison Office means place that acts as communication channel between Principal place of business abroad and Indian Entity.

Example: Global Pharma Ltd., UK based Company wants to explore opportunities for expansion and create awareness. It sets up a liaison office in Mumbai to meet Indian Pharma Companies, coordinate with authorities and promote parent Company. This office doesn't sell products, doesn't generate revenue or profit.

### Eligibility

- Must be a body corporate incorporated outside India.
- Liaison office must have same name as per parent.
- LO must have net worth of atleast US\$ 50,000.\*
- Parent Company must have profit making record for preceding 3 years.\*

\* If financial criteria are not met, letter of comfort from Parent Company is required.

### Permitted activity for LO in India

1. Promoting Export / Import of goods
2. Promoting technical or financial collaboration between Indian Companies and overseas Companies.
3. Representing Parent Company in India
4. Acting as Communication channel between parent Company and Indian Business.

### Prohibited Activities

1. Foreign entity can't open LO for practicing law in India.
2. No Commercial, trading or industrial activity.

### Validity for LO

- Foreign entities may establish LO for three years.
- For extension, apply to concerned Authorized Dealer category - I bank, for further 3 years.

- In case of Construction / Development Sectors i.e NBFC, LO valid for 2 years, with no extension allowed.

### Difference between Bo and liaison office

Basis	Branch Office	Liaison Office
Track Record of profit	Profit making track of last 5yr	Profit making track of last 3yr
Net Worth	Atleast \$ 1,00,000	Atleast \$ 50,000
Permissible Activity	<ul style="list-style-type: none"> <li>- Export / Import</li> <li>- Representing parent Co. as buyer / seller agent</li> <li>- Promote collaboration</li> <li>- Consultancy work</li> <li>- Research work</li> <li>- IT / software services</li> <li>- Technical support</li> <li>- Foreign Airline / Shipping Company</li> </ul>	<ul style="list-style-type: none"> <li>- Promoting export / import</li> <li>- Representing parent Co.</li> <li>- Promote collaboration</li> <li>- Act as communication channel</li> </ul>

## Project Office

A project office (Po) is place of business in India established

- to:
- Represent interest of foreign company
  - Execute specific project in India

Project Office excludes liaison office.

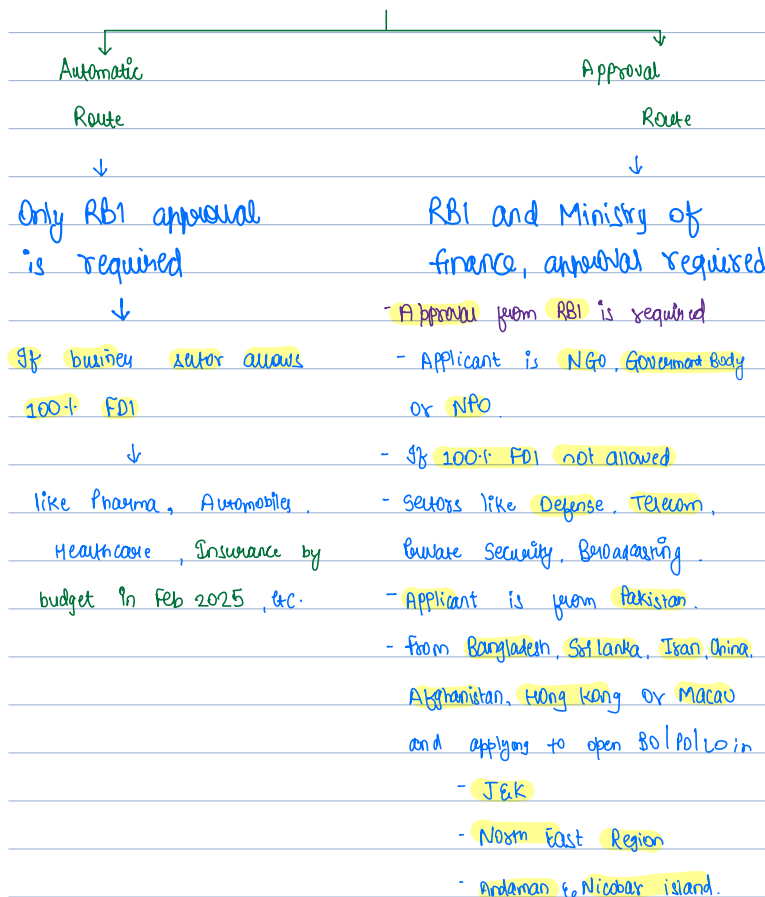
Ex: A German company named Siemens AG wins a contract from Indian Railway to build metro line in Indore. To manage this, it opens a project office in city without setting up permanent branch in India.

### Eligibility / Parameter to open project office

A foreign company may establish a Po if it has secured contract from Indian company and meets one of following condition:

1. Budget is funded by Inward remittance.
2. Budget funded by bilateral or multilateral international financing agency (eg: World Bank, IMF)
3. Budget approved by appropriate authority in India.
4. Indian company awarding contract has received a term loan from public financial institution or bank in India.

### Route for Bo | Po | Lo Establishment



## Bank Account Rules for Bo | Lo | Po

- Bo and Lo can open bank account for operational expenses, tax / security refunds, profit remittance.
- In case of Po, may open bank account without RBI approval, except for Pakistan based entities.

### Procedure for establishing Bo | Po | Lo

1. Submit form FNC with required documents to designated AD Category - I Bank, with required documents.
  - (a) Parent Company's Certificate of Incorporation
  - (b) Board Resolution for branch establishment
  - (c) Documents for branch's incorporation in India
  - (d) Latest Audited Financial Statement of Parent.
  - (e) Details of proposed activity.
  - (f) Proof of registered office in India.
  - (g) KYC of authorized signatory
  - (h) Details of local representatives
2. AD Bank forward application to RBI, which issues VIN (Unique Identification Number).
3. Once VIN is received, AD bank issues approval.
4. Validity Period: LO: 3 years (2 yrs in case of NBFC, Construction)  
Po: Duration of project
5. Intimate AD Bank of office setup date
6. If delay in office setup, AD bank may grant 6 month extension.
7. For foreign bank and Insurana company, applications directly handled by RBI or IRDA.

### Application for Additional office

- Request for additional Bo | Lo can be submitted in fresh FNC form.
- If number of office exceeds limit, approval from RBI required.
- Designate one office as Nodal office to coordinate all activities in India.
- For shift in existing office to another city, prior approval from AD - CAT 1 bank is needed.

### Application for Additional Activity

- Request to undertake additional activity can be submitted to RBI via AD - Category 1 bank.

## Registration with Police Authority

Applicants from Pakistan, Bangladesh, Sri Lanka, Iran, China, Afghanistan, Hong Kong or Macau must register with state police authority before opening BO/LO/PO in India.

## Remittance of Profit / Surplus

### Branch Office

- Permitted, net of taxes
- Following documents to be submitted to AD-CAT 1 bank
  - Copy of audited balance sheet and P&L
  - Certificate by Chartered Accountant certifying:
    - Manner of arriving at remittable profits
    - Remittable profit earned by undertaking permitted activities
    - Profit do not include profit on revaluation of asset.

### Project Office

- Intermittent (Intermediate) remittance permitted pending winding up or completion of project.
- Following documents to be submitted to AD-CAT 1 bank
  - (i) CA certificate confirming that sufficient provision has been made to meet liabilities in India including Income Tax.
  - (ii) Undertaking that remittance will not affect completion of the project in India and that any shortfall of funds for meeting any liability in India will be met by inward remittance from abroad (Parent).

Liaison Office: Can't remit profit as not allowed to conduct business activity.

## Annual Activity Certificate

Annual Activity Certificate shall be submitted within 6 months as at end of 31<sup>st</sup> March each year to AD CAT 1 bank + Director General of Income Tax in case of BO/LO and only to AD CAT I Bank in case of PO by:

↓	↓
Concerned BO/LO/PO in case of sole BO/PO/LO	Nodal office in case of multiple BO/LO

In the event of any adverse finding, it will be reported to RBI by AD CAT I Bank.

## Closure of BO/PO/LO

Application for closure of BO/PO/LO should be submitted to AD-Category 1 bank.

The application for winding up may be submitted along with following documents:

- Copy of RBI / AD-Category I bank approval for establishment.
- Auditor certificate confirming remittable amount, disposal of assets and settlement of liabilities including gratuity and employee benefit.
- Confirmation that no pending legal proceedings exist against the office in India.
- A report from Registrar regarding compliance.
- Confirmation that office has filed its Annual Activity Certificate (AAC).
- Any additional document, as specified by RBI / AD CAT 1 bank.

Once all closure requirements are met, the AD-CAT 1 bank can allow the remittance of winding up proceeds after obtaining approval from regulator.