Formation of Liaison Office in India

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Introduction

Liaison office means a place of business to act as a channel of communication between the head office and entities in India. Since the liaison office cannot earn any income, it does not need to pay corporate tax in India. Tax returns, annual audited accounts and an activity report will however have to be calculated and presented before the regulatory authority.

Features of Liaison Office

- A liaison office cannot carry business of its own or import goods of its own.
- A liaison office can not raise invoices of behalf of parent company.
- All sales proceeds generated by the liaison office must be directly paid to the parent company through proper banking channels.
- A liaison office cannot incriminate any commission from Indian customer for providing any liaison services.
- All expenses incurred by the liaison office must be met by the inward remittances from parent company; as a result, the Liaison office needs to open a special QA22C account that only permits inflows from abroad.

Main activities of liaison office

- Representing parent company in India.
- Promoting Import/Export in India.
- Promoting technical / financial collaborations between the parent companies and companies in India
- Acting as a communication channel between the parent company and Indian companies.

The Reserve Bank of India, the apex bank grants permission to open a Liaison office. The entire process, can take anywhere from a few weeks to a few months depending on the industry and India's relations with the nationality of the parent company. Approval is generally granted for a period of one to three years, upon expiry of which the foreign company can apply for a renewal.

Documents to be submitted to the RBI for permission to set up a Liaison Office:

1. Three copies of Form FNC1 obtained from the RBI need to be signed, sealed and delivered back to the RBI.

2. English version of the certificate of incorporation / Registration or Memorandum & Articles of Association attested by Indian Embassy/ Notary Public in the country of Registration.

3. Latest Audited Balance Sheet of the applicant entity.

4. Letter from the Director / CEO of the Company to the Reserve Bank of India stating its intention to set up a Liaison office in India. (English) (On the Company letterhead).

5. Bankers report from the Company's banker showing the number of years the company has had banking relations with the bank.

6. Letter of authority from the parent company in favor of the local representative.

7. Details of activities / services proposed to be undertaken / rendered by the proposed Liaison office in India.

8. Residence proof and passport copies of the authorized personnel.

9. A covering letter to open the bank account in India.

Once the above documents are duly notarized, signed and submitted to the RBI, the apex board will send the relevant papers to the ministry of external affairs, ministry of finance and the Home ministry for their approval. Once permission to establish a liaison office is granted by these three ministries, an approval letter will be sent to the company, allowing the foreign entity to operate as a Liaison Office in India.

Post Incorporation Procedure:

Once the foreign entity has received the no objection certificate from the RBI, tax and customs registration procedures can commence. The Liaison office will then have to apply for a permanent Account Number (PAN) and Tax deduction and Collection Account Number

(TAN) as well as register with the Customs department. Visa's for foreign staff will also need to sought at this time and company bank accounts can also be opened hereafter.

File with Registrar of Companies the following documents within 30 days of establishment of place of business-

1. Form 44 of the Companies (Central Govt.'s) General Rules & Forms, 1956.

2. Demand draft of Rs 5000/- as filling fee.

3. RBI permission to establish Liaison office in India

4. Notarized or consularised copy of the certificate of incorporation and MOA and AOA of the Foreign Company. (English Translation of these documents required if they are in any other language.)

5. Notarized or consularised copy of the Power of Attorney in favor of a person resident in India, authorizing him to accept on behalf of a company service of process and any notices or other documents required to be served on the company.

6. A list of directors of the Company notarized or consularised, containing particulars regarding name & surname in full, his usual residential address, nationality, business occupation and if he has no business occupation but holds any other directorships, particulars of that directorship or of some one of those directorships.

7. A list of secretary(s) of the Company notarized or consularized, containing particulars regarding name & surname in full, his usual residential address.

8. Notarized or consularized copy of the extracts of Board Resolutions of the Foreign Company

9. Documentary Proof of Establishment of office (E.g.: – Rent agreement, lease deed etc.)

10. Certified True Copy of Certificate of change in object/name etc. of the Foreign Company.

Thank You