



**G S P U & ASSOCIATES**  
CHARTERED ACCOUNTANTS

# COMPANY FORMATION INDIA

## LIAISON OFFICE



+91-8590790111  
+91-9847236982



[gspuca.com](http://gspuca.com)



[gspuindia@gmail.com](mailto:gspuindia@gmail.com)

# LIAISON OFFICE

Liaison Office is the most primary Business Structure for a Foreign Company in India under RBI. The main factor behind the establishment of Foreign Companies in India is to promote their business by expanding the presence of their products and digging out new exciting opportunities. With the permission from Insurance Regulatory Development Authority of India and with their prescribed constraints Foreign insurance companies can establish a liaison office in India.

## Permitted Activities of a Liaison Company

- 1.Promote exports & imports from/to India
- 2.Promote technical /financial collaborations between parent/group companies and companies in India
- 3.Represent the parent/group companies in India.
- 4.Act as a medium of communication between parent/group companies and companies in India.

## Not Permitted Activities of a Liaison Company

- 1.Own any type of Income
- 2.Perform any industrial, trading or commercial activity
- 3.Accept any agreement representing the Head office.
- 4.Borrow/lend money for any commercial tasks.
- 5.Propose any fee/commission or receive any earnings with respect of the liaison activities carried on in India.

### **Steps of Approval**

The application submitted to the RBI takes 3 to 4 weeks for approval. If the application is directed to the administrative ministry considering the Government of India for its comments, then the processing time may be longer.

### **Income and Outcome**

A liaison office cannot earn any income in India (except for interest on surplus funds lying in its local bank account subject to certain conditions). So the expenses must be dealt with out of inward remittances from the head office. Balance in the liaison office account will be repatriated, at the time liaison office closure.

### **TAX payments**

Liaison offices are not permitted to carry on any industrial, trading or commercial activities, or to earn any income in India, but under sec 139(1) state that all companies to furnish a return of income. Thus liaison offices must also file Income Return in India.

### **Closure**

Closure takes a time period of 5-6 weeks. A closure application along with required documents is submitted to regional office of RBI.