
KrayMan

Demystifying Complexities

KrayMan Consultants LLP

Newsletter – June 2016

**Establishing Liaison Office / Branch Office / Project Office in India:
New guidelines**



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***Establishing Liaison Office / Branch
Office / Project Office in India:
New guidelines***

- ❖ As another step towards encouraging foreign investment in India, the Government of India has last month revised the existing regulations in respect of setting up of Liaison office (LO), Branch office (BO), Project office (PO) in India by foreign companies.
- ❖ The key changes are mainly by way of relaxation of procedural requirements, aimed at reducing time and efforts to set up a LO/BO/PO in India by foreign entities looking forward to entering the Indian market.
- ❖ The revised guidelines are applicable from 31st March, 2016. It is indeed a welcome step by the Government.



S. No.	Particulars	Old Regulations	New Regulations	Impact
1	Delegation of Power to AD (Authorised Dealer) Banks for approval of application to set up LO / BO in India (subject to exceptions)	Earlier the approving authority for setting up LO / BO in India, was the Reserve Bank of India (RBI)	<p>The power to approve new applications has been delegated to AD Banks, subject to following exceptions where prior approval of RBI is required:-</p> <ul style="list-style-type: none"> – Principal business of the applicant falls in any of the 4 sectors, viz. Defense, Telecom, Private Security, Information and Broadcasting – Applicant belongs to Pakistan, Bangladesh, China etc. – Application is for opening office in Jammu & Kashmir, North East India or Andaman and Nicobar Islands. – Applicant is an NGO/ Non-Profit Organisation, Body/ Agency/ Department of a foreign government <p>Authority to approve application for additional LOs/BOs have also been delegated to AD banks. However, power to approve any other activity (in addition to those permissible or permitted by RBI) still vests with RBI.</p>	<p>Although per-se the power to approve application for LO / BO has been delegated to the AD Bank, the Bank is required to forward a copy of the application to RBI for allotment of UIN (Unique Identification No.) to each LO / BO. Only after the allotment of UIN can the approval be issued by the AD Bank.</p> <p>So, effectively a wait-&-watch situation for the industry to see how much of meaningful reduction is achieved in terms of time!</p>

New guidelines cont'd

S. No.	Particulars	Old Regulations	New Regulations	Impact
2	Validity for LOs of (i) Entities engaged in construction-development business, and (ii) Non-banking finance companies (NBFCs)	<p>No specific time-line prescribed.</p> <p>In general, term of LO valid for 3 years for all entities.</p>	<p>Entities engaged in construction - development business and NBFCs are permitted to open LO for maximum 2 years.</p> <p>No further extension would be granted.</p>	<p>Upon expiry of the validity period, the LOs shall have to either close down or be converted into a Joint Venture / Wholly Owned Subsidiary</p>
S. No.	Particulars	Old Regulations	New Regulations	Impact
3	Requirement to set up LO / BO within 6 months of RBI approval	<p>No specific / express requirement as per Master Circular issued by RBI.</p> <p>However, generally 1 of the conditions subject to which RBI approval used to be granted.</p>	<p>Specific requirement as per new Guidelines</p> <p>In case the BO/LO is not set-up within 6 months, the RBI approval shall lapse.</p>	<p>In cases where LO / BO could not be set up within 6 months due to reasons beyond applicant's control, AD bank may consider granting extension of another 6 months.</p> <p>Any further extension however shall require prior approval of RBI.</p>

New guidelines cont'd

S. No.	Particulars	Old Regulations	New Regulations	Impact
4	Shifting of office of LO / BO	<p>No specific / express requirement as per Master Circular issued by RBI.</p> <p>However, Prior approval of RBI was required in case of shifting office to another city. Intimation to AD Bank & RBI required in case of shifting within the city.</p>	<p>AD banks authorized to grant approval to BO/LO to shift office to another city in India.</p> <p>No approval required if change of office is within the same city; only an intimation of new address needs to be filed with the AD bank.</p>	Change of office made easy

S. No.	Particulars	Old Regulations	New Regulations	Impact
5	Annual Activity Certification (AAC) by Auditor for POs	No specific / express requirement as per Master Circular issued by RBI, though practically AAC was required for POs too (similar to LO/BO)	Specific clause / format prescribed for Annual Activity Certification of POs.	Appears to be more of a clarificatory requirement.

New guidelines cont'd

S. No.	Particulars	Old Regulations	New Regulations	Impact
6	Change in name of LO / BO	No specific regulation prescribed for change in name of LO / BO	AD bank may permit change in name of LO/BO only in case of change in name of foreign company without change in Ownership. Where change in name of LO / BO is sought due to merger / acquisition / change in ownership of foreign entity, the new entity is required to close the existing LO / BO and apply afresh	Change in name of LO / BO made easy in cases where there is no change in ownership of foreign company.

S. No.	Particulars	Old Regulations	New Regulations	Impact
7	Change in top management of LO/BO/PO	No specific regulation prescribed in relation to change in management of LO / BO	No prior approval of RBI required for change in top management. Only an intimation required to be filed with AD bank.	Change in top management of LO / BO made easy.

About KrayMan

Who we are

KrayMan

KrayMan was founded by professionals from consulting and industry experience with a vision to set up a distinctive accounting services Firm.

Our forte lies in demystifying the complex Indian regulatory compliance environment thereby making it easy for our Clients.

We service diverse Client mix of multinationals, domestic companies, non-corporate entities and expatriates.

We advise and hand-hold foreign companies in establishing their operations in India and partner in their growth story.



Setting up India operations

- Assessment of legal entity options for entry into India
- Setting up of presence in India and other start-up services
- Simplifying the procedures and addressing the bottlenecks
- Strategic, Governance & Management advisory services
- On-going tax & regulatory advisory & compliance services
- Virtual CFO services

Audit

- Statutory Audit, Tax Audit, Internal audit
- Review of financial statements
- Risk assessment / advisory
- Certification & Attestation
- Internal control reviews, reporting requirements, physical verification of assets
- Documentation, Testing and Implementation of Internal Financial Controls (IFCs)
- Audit support on behalf of management / management letters

Accounting & Payroll

- Accounting & Financial Reporting
- Preparation of financial statements
- Accounting system implementation
- Forecasting and projections
- Financial analysis of reports
- Payroll processing of salary

Tax & Regulatory

- Tax planning & Advisory
- Direct tax compliances: Corporate tax, Withholding tax, Expatriate tax, Transfer Pricing
- Indirect tax compliances: Sales tax, Value added-tax, Service tax
- Litigation management support
- Company law & Exchange control advisory & compliances

Virtual CFO	Corporate Secretarial	Advisory	HR Advisory
<ul style="list-style-type: none">▪ Design and implementation of best practice framework for internal governance▪ Setting up standard operating procedures (proper authority for transactions, internal compliance processes, adequacy of documentation, filing system & record keeping)▪ Evaluation of internal controls and monitoring results▪ Timely and accurate adherence with legal requirements	<ul style="list-style-type: none">▪ Preparing & maintaining statutory registers as per companies law▪ Conducting directors' and shareholders' meetings as per secretarial standards▪ Preparation of agenda, notices, minutes and resolutions of directors' and shareholders' meetings▪ Preparation & filing of Annual Return including Balance Sheet, Profit & Loss account & other documents▪ Preparation and filing of forms with Registrar of Companies	<ul style="list-style-type: none">▪ Mergers & Acquisitions▪ Due diligence▪ Compliance health-check▪ Valuation▪ Business structuring▪ Outsourcing▪ Accounting advisory services▪ Corporate finance	<ul style="list-style-type: none">▪ Building HR infrastructure for start ups.▪ HR policy/ manual design▪ Talent Acquisition and Induction policies/ programs▪ Role defining and Competency framework▪ Employee Engagement/ communication policies and programs▪ Performance Management System

- KrayMan is founded by ex-EY (Ernst & Young), BMW & Grant Thornton professionals. The Firm comprises of Business Consultants, Chartered Accountants, Company Secretaries & MBA's.
- We are a team of around 15 professionals having diverse skill set, work experience and specialization.
- We are a team of young and energetic professionals committed to adding value to our stakeholders.
- Each individual gets an equal opportunity to learn, grow and add value to the Firm.
- We are confined together by a set of certain values and believe in keeping up a good work environment with a lively work culture to shape and define us.



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