

Comparative analysis of liaison, branch, project offices and companies:

	Liaison Office	Branch Office	Project Office	Company
Meaning	'Liaison Office' means a place of business to act as a channel of communication between the Principal place of business or Head Office by whatever name called and entities in India but which does not undertake any commercial /trading/ industrial activity, directly or indirectly, and maintains itself out of inward remittances received from abroad through normal banking channel.	Branch Office' in relation to a company means- (a) any establishment described as a branch by the company, or (b) any establishment carrying on either the same or substantially the same activity as that carried on by the head office of the company, or (c) any establishment engaged in any production, processing or manufacture, but does not include any establishment specified in any order made by the Central Government.	'Project Office' means a place of business to represent the interests of the foreign company executing a project in India but excludes a Liaison Office.	An incorporated entity formed and registered under the Companies Act, 1956. It is a distinct legal entity, apart from its shareholders.
Permitted Activities	i) Representing in India the parent company/group companies. ii) Promoting export import from/to India. iii) Promoting technical/financial collaborations between parent/group companies and companies in India. iv) Acting as a communication channel between the parent company and Indian companies.	i) Export/Import of goods ii) Rendering professional or consultancy services. iii) Carrying out research work, in which the parent company is engaged. iv) Promoting technical or financial collaborations between Indian companies and parent or overseas group company. v) Representing the parent	A foreign Company may be permitted to open a Project Office/s in India provided it has secured from an Indian company, a contract to execute a project in India. Project Office shall not undertake or carry on any other activity other than the activity relating and incidental to execution of	As per its 'main objects' stipulated in the Memorandum & Articles of Association. However under the foreign direct investment ("FDI") policy of the Government of India foreign investment in the following industries is prohibited 1. Retail trading (except

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		<p>company in India and acting as buying/selling agent in India.</p> <p>vi) Rendering services in Information Technology and development of software in India.</p> <p>vii) Rendering technical support to the products supplied by parent/group companies.</p> <p>viii) Foreign airline/shipping company.</p>	the project.	<p>single brand product retailing)</p> <p>2. Atomic Energy</p> <p>3. Lottery business</p> <p>4. Gambling & Betting.</p> <p>However in the following activities the foreign investor shall require prior government approval:</p> <p>1. Proposals in which the foreign collaborator has an existing financial/technical/trademark arrangement in the 'same field' as per Press Note 1 of 2005 Series read with Press Note 3 of 2005 Series.</p> <p>2. Proposals where more than 24% foreign equity is proposed to be inducted for manufacture of items reserve for the Small Scale Sector.</p>
Permitted Incomes	Only receipt of inward remittance from the Principal / Head Office through normal banking channels.	The entire expenses of the Branch Office in India will be met either out of the funds received from abroad through normal banking channels or through income generated by it in India.	Only receipt of inward remittance from the Principal / Head Office through normal banking channels.	All income arising out of its business activities.

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<p>Remittance outside of India</p>	<p>None, except upon closure of the liaison office</p>	<p>A branch Office in India may remit outside India the profit of the branch net of applicable Indian taxes, on production of the following documents, and establishing the net profit or surplus, as the case may be, to the satisfaction of the authorized dealer through whom the remittance is affected.</p> <p>a) certified copy of the audited balance sheet and profit and loss account for the relevant year;</p> <p>b) a Chartered Accountant's certificate certifying, -</p> <p>i) the manner of arriving at the remittable profit,</p> <p>ii) that the entire remittable profit has been earned by undertaking the permitted activities, and</p> <p>iii) that the profit does not include any profit on revaluation of the assets of the branch.</p>		<ol style="list-style-type: none"> 1. Dividends 2. Royalties 3. Fees towards technology knowhow 4. Remittances under Supply Contracts (subject to limitation of matters of 'Related Party transactions')
<p>Indian Income tax</p>	<p>Since a liaison office is not meant to earn any income in India, it is generally not liable to pay any income tax.</p>	<p>Since a branch office of a foreign company is taxed as a foreign company in India @ 41.82%. It is required to file a tax return in</p>		<p>Any Indian company is taxed @ 33.66%. It is required to file a tax return in India.</p>

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	Where an LO becomes a Permanent Establishment in India, it will be taxed as a foreign entity at the rate of 40%.	India.		
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