

ESTABLISHING A LEGAL PRESENCE IN INDIA THROUGH UNINCORPORATED ENTITIES

For those foreign investors looking to set up a 'temporary presence' in India, there are three kinds of offices they may consider opening, namely:

1. Liaison Office - A liaison office, also commonly known as a representative office which acts as a channel of communication between its parent company abroad and parties in India. A liaison office is subject to several restrictions in India and cannot undertake any business activities or generate any income in India.

A license to establish a liaison office in India is valid of a term of three years. However, the license can be renewed every three years. However, for nonbanking financial companies or those companies engaged in the construction and development sectors, the validity period is only two years, and no extension for these sectors (excluding infrastructure development companies) are considered.

2. Branch Office - A branch office may carry on core activities as its parent company in India. A branch office may carry on trading activities in India. However, a branch office cannot be directly engage in manufacturing activities in India.

No specific period of validity prescribed by law for the branch office license. However, in practice, generally such licenses are valid for a period of two to three years.

3. Project Office - A project office may be set up by those parent foreign companies that have validly secured a contract from an Indian company to execute a project in India. Such project offices are prohibited from undertaking any business activity other than the activities in relation to the execution of a project for which such office is established.

A project office remains valid for the entire tenure of the project (till the project is completed or wound up).