

**RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI-400001**

RBI/2004/17/

A.P (DIR Series) Circular No.58

January 16 , 2004

To

All Authorised Dealers in Foreign Exchange

Madam / Sirs,

Establishment of Branch Offices/Units in Special Economic Zones

Attention of Authorised Dealers is invited to A. P. (DIR Series) Circulars Nos. 28 dated March 30, 2001, 91 dated April 1, 2003 and 29 dated October 18, 2003, extending various facilities to units in Special Economic Zones.

2. It has been decided to grant General Permission to foreign companies to establish Branch Offices/Units in Special Economic Zones to undertake manufacturing and service activities, subject to the following conditions:

- i. such units are functioning in those sectors where 100% FDI is permitted,
- ii. such units comply with part XI of the Companies Act (Section 592 to 602),
- iii. such units function on a **stand-alone basis**,
- iv. in the event of winding-up of business and for remittance of winding-up proceeds, the branch/unit shall approach an Authorised Dealer with the following documents prescribed under Regulation 6 (1) (iii) of Notification No. FEMA 13/2000-RB dated 3rd May 2000, viz.
 - Auditor's certificate,-
 - i) Indicating the manner in which the remittable amount has been arrived and supported by a statement of assets and liabilities of the applicant, and indicating the manner of disposal of assets;
 - ii) Confirming that all liabilities in India including arrears of gratuity and other benefits to employees etc. of the branch/office have been either fully met or adequately provided for;
 - iii) Confirming that no income accruing from sources outside India (including proceeds of exports) has remained unrepatriated to India;
 - No-objection or Tax clearance certificate from Income-Tax authority for the remittance; and
 - Confirmation from the applicant that no legal proceedings in any Court in India are pending and there is no legal impediment to the remittance.

“Stand alone basis” means such branch offices would be isolated and restricted to the Special Economic Zone alone and no business activity/transaction will be allowed outside the Special Economic Zones in India, which includes branches/subsidiaries of its parent office in India.

3. Necessary amendments to the Foreign Exchange Management (Establishment in India of Branch or Office or other Place of Business) Regulations, 2000 notified vide Notification No.FEMA.22/2000-RB dated May 3, 2000, have been issued vide Notification No. FEMA 102/2003-RB dated October 3, 2003 (copy enclosed).

4. Authorised Dealers may bring the contents of this Circular to the notice of their constituents concerned.

5. The directions contained in this circular have been issued under Sections 10 (4) and 11 (1) of the Foreign Exchange Management Act 1999 (42 of 1999).

Yours faithfully,

Grace Koshie

Chief General Manager

Encl : As above