

GIFT City - IFSC

- *Key Tax Considerations*
- *Setup process*

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Jaiman Patel
Partner, GIFT City
EY India



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A hand is shown pointing at a digital financial chart. The chart features glowing lines in purple and blue, and several vertical orange bars. The background is dark with blurred blue and purple lights, suggesting a high-tech or data center environment. The overall aesthetic is futuristic and analytical.

*Synopsis of key
tax considerations*

An Overview - Tax considerations

Income-tax

- ▶ Income tax holiday is available for 10 consecutive years out of 15 years.
- ▶ MAT is payable at a reduced rate of 9%, and the same is not applicable if the entity opts for the new tax regime.
- ▶ Concessional withholding tax rate of 10% on dividend paid to non-resident shareholders
- ▶ Indian parent is eligible for deduction of dividend received from GIFT city entity while declaring dividend to shareholders

Custom, GST & Stamp Duty

- ▶ No Customs Duty on goods imported in IFSC from outside India
- ▶ No GST on services imported in IFSC from outside India or within IFSC or from India
- ▶ No Stamp Duty and registration fees for real estate agreements

Amendments proposed in Budget 2025

- ▶ No deemed dividend for listed foreign corporate entity having presence in GIFT IFSC
- ▶ Exemption from Capital Gains on transfer of equity shares of a ship leasing entity set up in GIFT IFSC
- ▶ Exemption on payment of dividend by company being unit of IFSC engaged in ship leasing to a unit of IFSC engaged in ship leasing
- ▶ Extension of sunset clauses as mentioned in ensuing slide

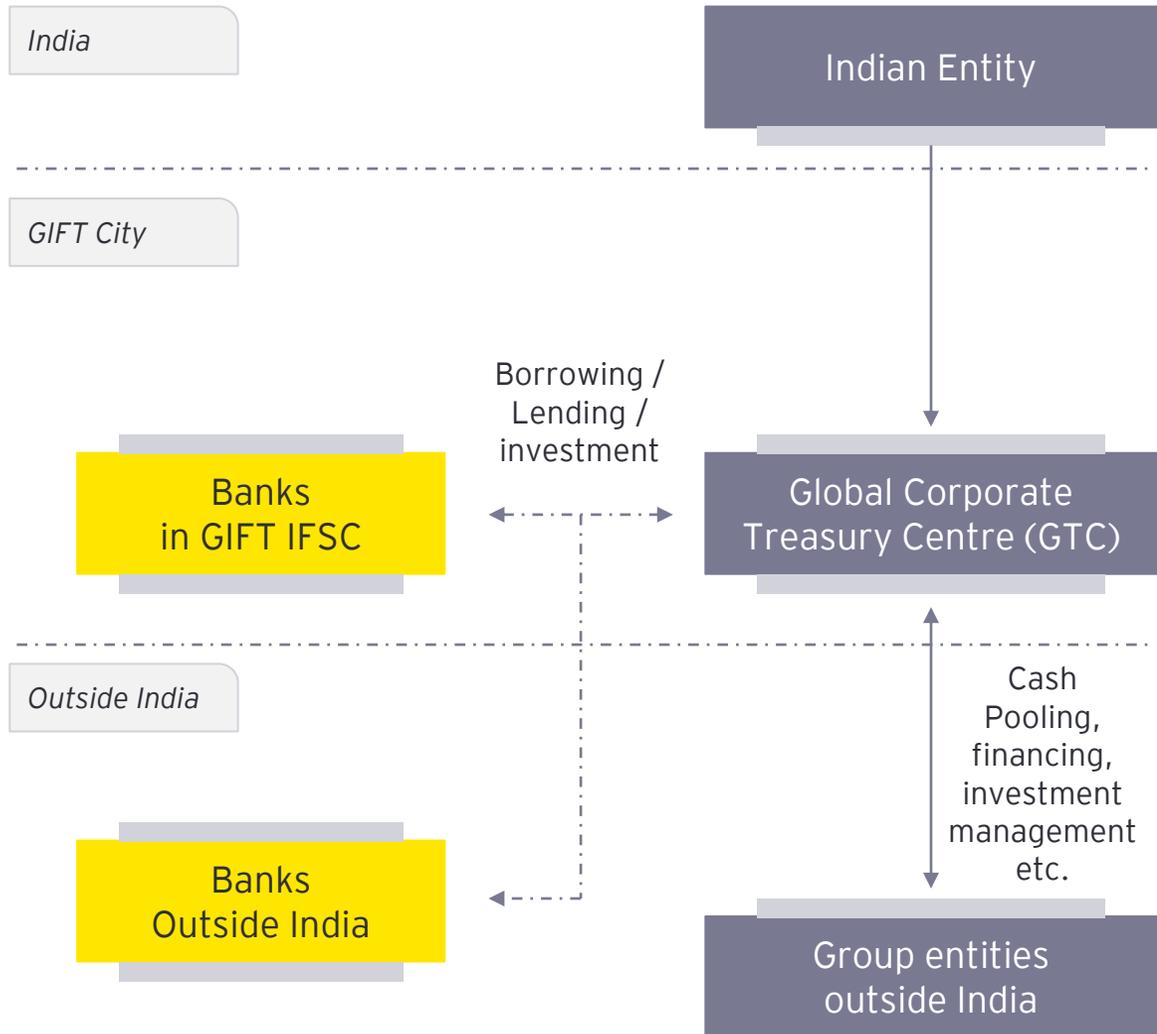
Compliance Requirements

- ▶ Filing a form to begin claiming 10 year tax holiday
- ▶ Transfer pricing provisions applicable for transactions between GIFT IFSC based entity and non-residents
- ▶ Exemption from tax withholding for specified payments to IFSC based entities subject to a form filing
- ▶ No requirement to file any forms prior to remittance to non-residents where income is not chargeable to tax - only quarterly statement prescribed

Extension of sunset clauses

Section of Income Tax Act, 1961	Applicable to	Deduction/ benefit available	Sunset clause
10(4D)	Investment Division of non-resident IBU	Income from foreign securities, capital gains from Indian securities (other than equity shares), capital gains from securities listed on IFSC exchanges, business income from securitisation trust.	The sunset clause for commencement of investment operations by such IBUs has been extended from 31 March 2025 to 31 March 2030
10(4F)	Non-residents leasing aircraft/ship to IFSC unit	Income of a non-resident by way of royalty or interest on account of lease of an aircraft/ship paid by a unit of an IFSC is exempt from tax.	The sunset clause for commencement of operations of such aircraft/ship leasing IFSC units for the purpose of this exemption has been extended from 31 March 2025 to 31 March 2030
10(4H)	Capital gain tax exemption for non-resident	Capital gain tax exemption for a non-resident shareholder or unit of an IFSC engaged primarily in aircraft leasing, from the transfer of equity shares of domestic company, being an IFSC Unit engaged primarily in aircraft leasing	The sunset clause for commencement of operations of such aircraft leasing IFSC units for the purpose of this exemption has been extended from 31 March 2026 to 31 March 2030
80LA	Aircraft / Ship leasing companies in IFSC	Income arising from transfer of a leased aircraft or ship by an IFSC unit is exempt from tax.	The sunset clause for commencement of operations of such aircraft/ship leasing IFSC units for the purpose of this exemption, has been extended from 31 March 2025 to 31 March 2030
9A	Fund managers in IFSC	Fund management activities carried out by an eligible fund manager in IFSC for on behalf of an eligible investment fund shall not constitute business connection in India	The sunset clause for commencement of operations of such IFSC fund manager for the purpose of this exemption, has been extended from 31 March 2025 to 31 March 2030
47(viiad)	Tax neutral relocation of funds to IFSC	Income from transfer of assets from an offshore fund to a resultant fund in IFSC has been exempted from tax	The sunset clause for transfer of assets for the purpose of this exemption, has been extended from 31 March 2025 to 31 March 2030

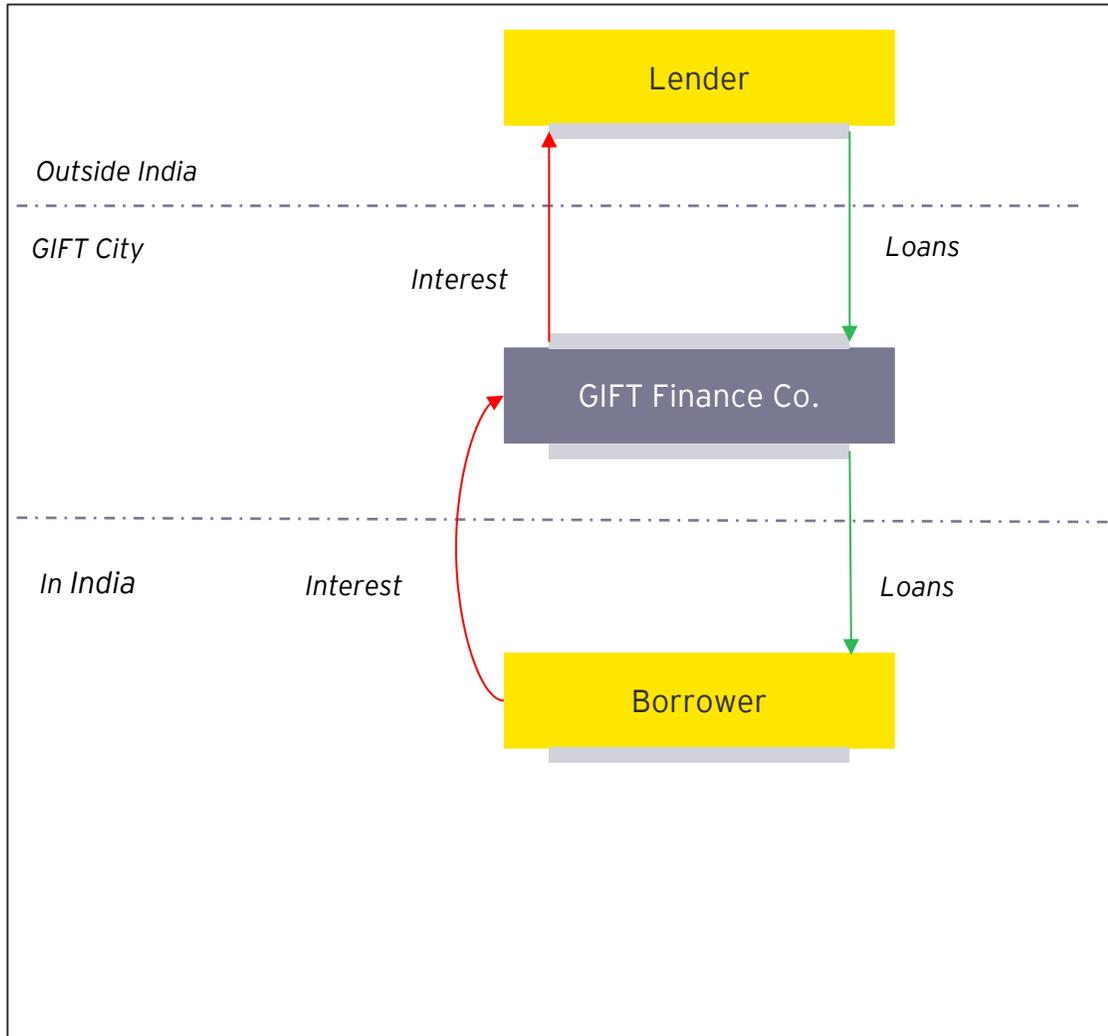
Global / Regional Treasury from GIFT IFSC



Key considerations

- ▶ Interest paid to non-residents exempt from tax in India
- ▶ Interest received on monies lent enjoys benefit of tax holiday
- ▶ In the period outside tax holiday, tax payable only on the net profits
- ▶ Risk of creating 'place of effective management' not applicable since operations are in India
- ▶ No deemed dividend for listed foreign corporate entity having presence in GIFT IFSC
- ▶ Thin capitalisation norms relaxed for finance company in GIFT IFSC

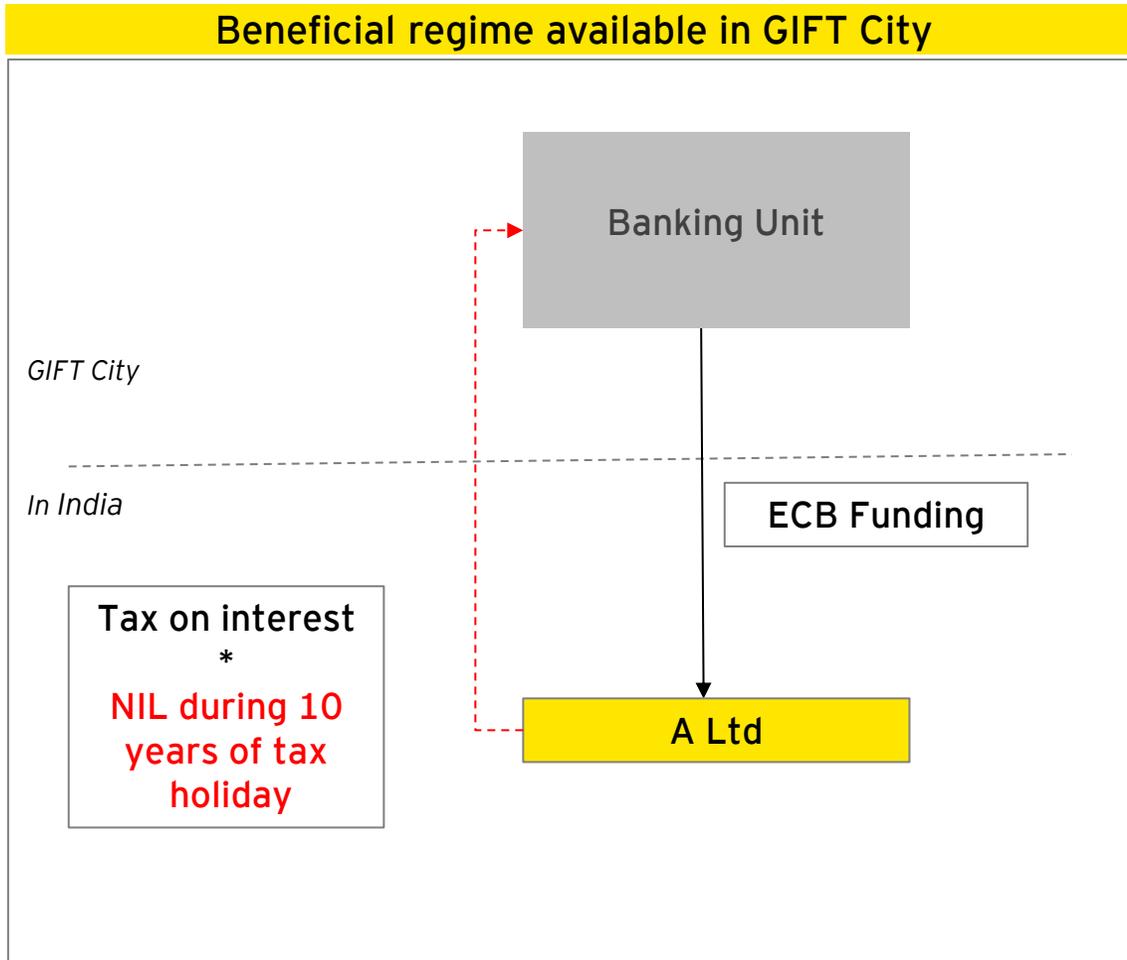
Captive Finance Company In GIFT IFSC



Key considerations

- ▶ Interest payment to GIFT Finance Co. should enjoy tax holiday
- ▶ Interest payment by GIFT Finance Co. to non resident lender should be exempted

Banking from GIFT IFSC



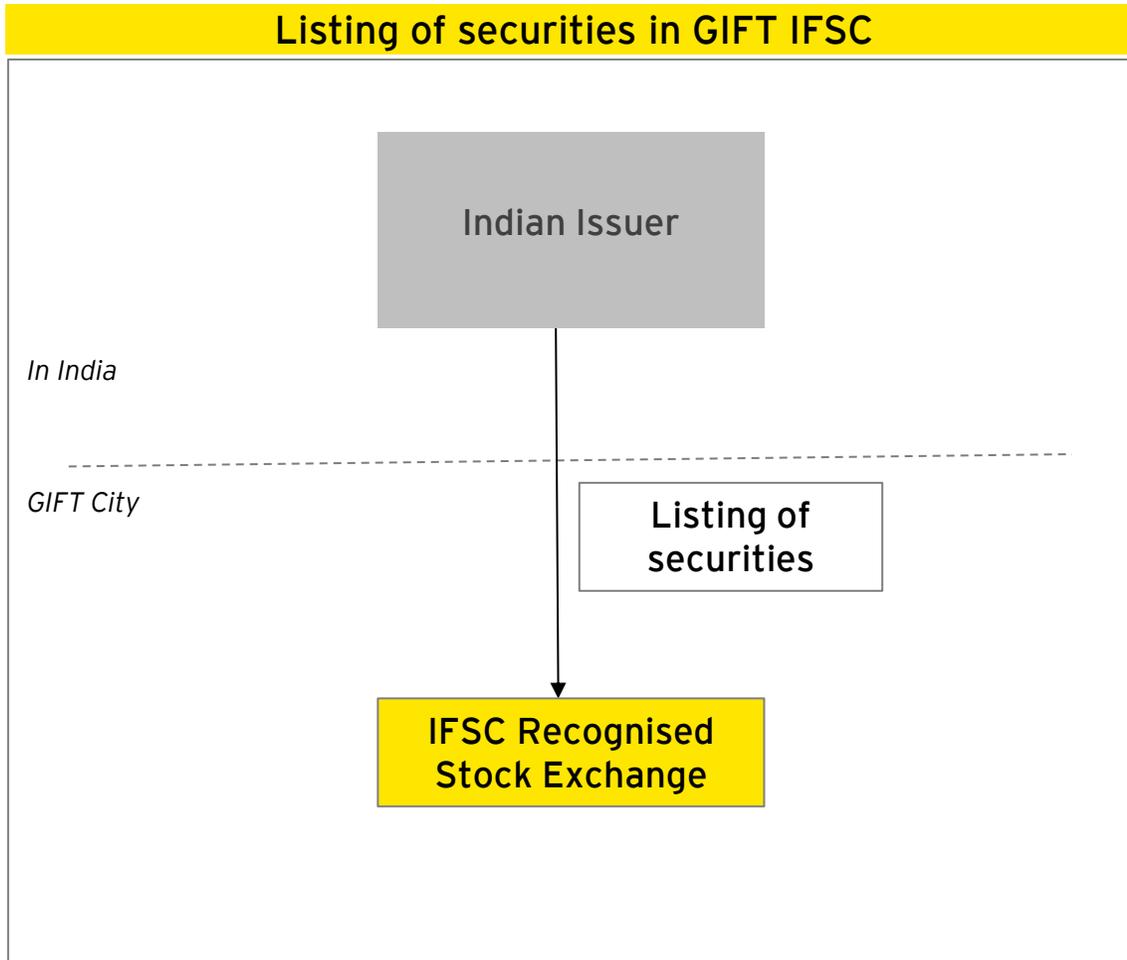
Key considerations

- ▶ Interest income on ECB lending from GIFT IBU to Indian Resident is exempt during 10 year tax holiday period

Other tax advantages for GIFT IBU

- ▶ Interest on deposits paid to non-residents exempt from tax in India
- ▶ Payments made to non-residents on transfer of OTC derivatives exempt from tax in India

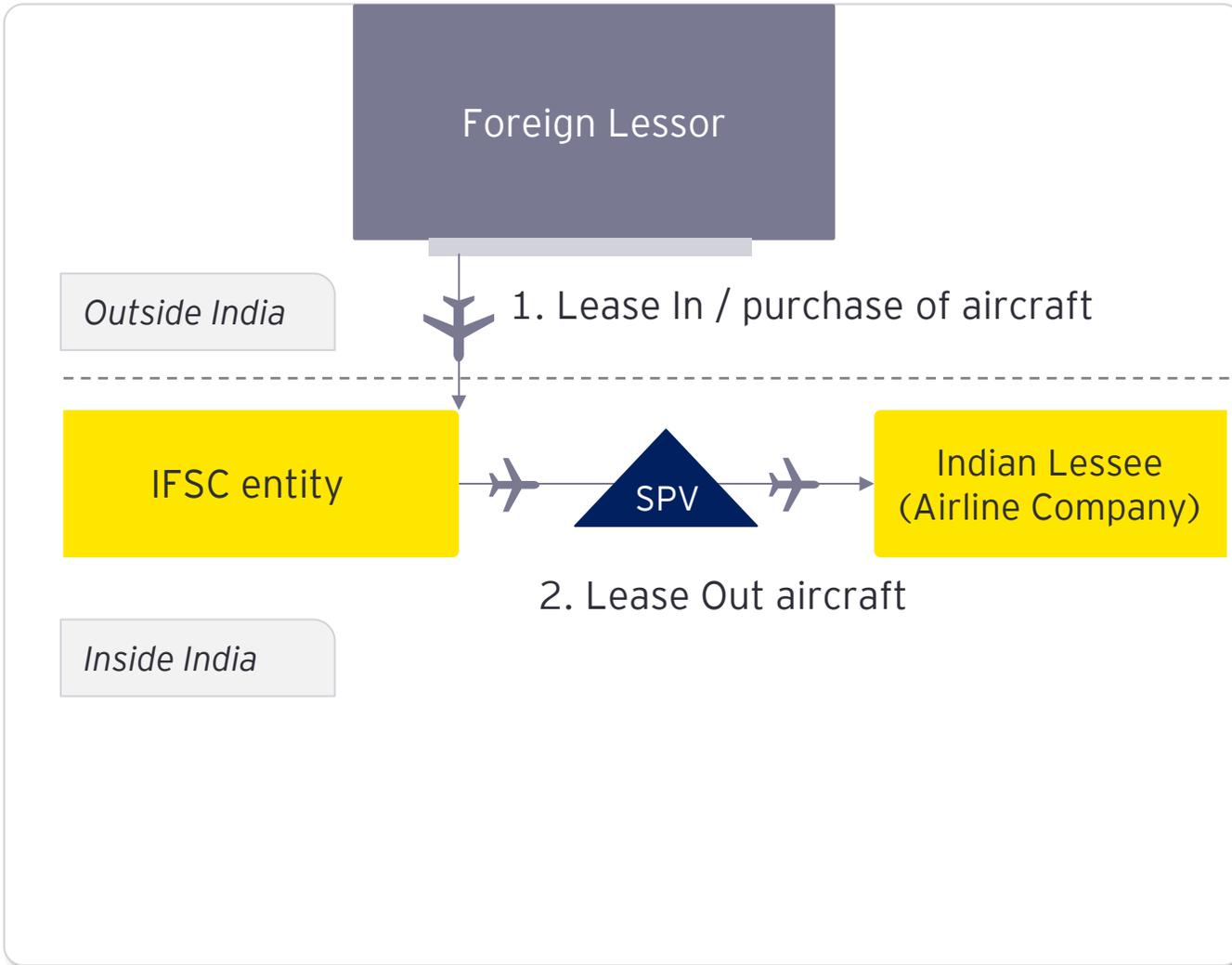
Listing of securities by Indian issuers



Key considerations

- ▶ Investments in specified securities listed on the GIFT IFSC stock exchange is exempt from capital gains tax for non-residents
- ▶ Interest income on bonds listed on recognised stock exchanges in GIFT IFSC taxable at 9% (plus surcharge and cess)
- ▶ No STT, CTT, Stamp duty and GST on transactions carried out on GIFT IFSC exchanges

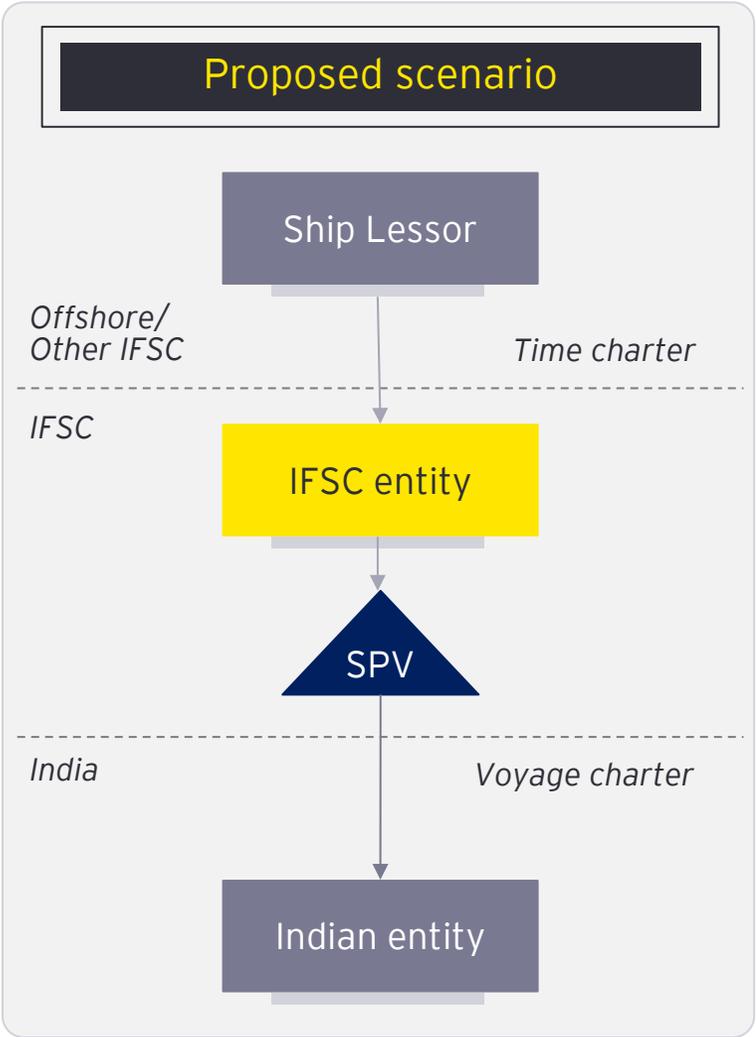
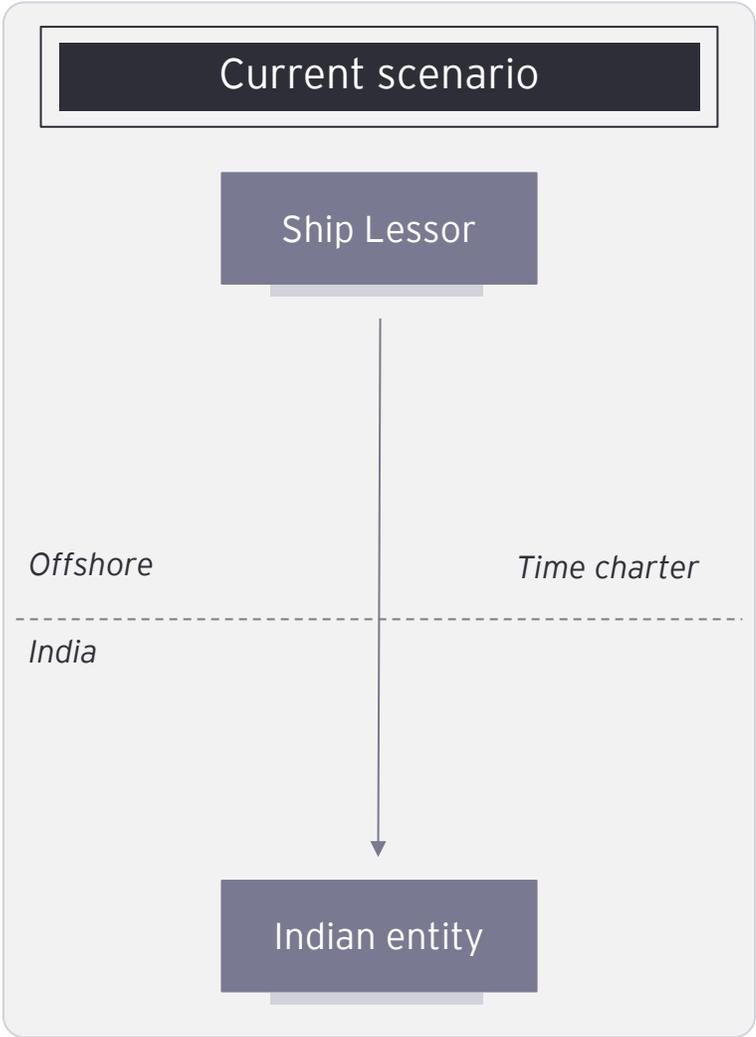
Aircraft Leasing from GIFT IFSC



Key considerations

- ▶ Royalty and interest earned by non-resident lessor from IFSC unit exempt
- ▶ Income on disposal of leased aircraft eligible for tax holiday
- ▶ Capital gains arising to a non-resident or an IFSC unit from transfer of shares of an IFSC company engaged in aircraft leasing exempt from tax subject to conditions
- ▶ Customs Duty and GST (on forward charge basis) applicable on aircraft leased by GIFT IFSC to Indian airline operators

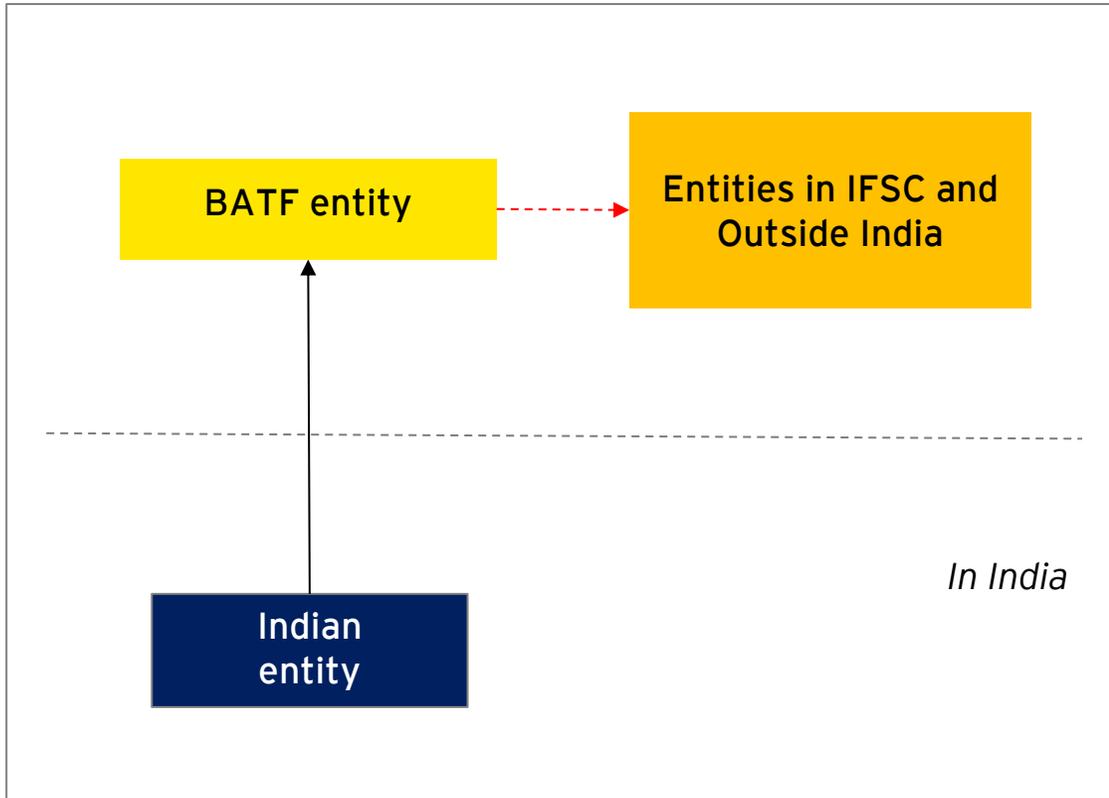
Ship Leasing from GIFT IFSC



- Key considerations**
- ▶ Tax holiday for 10 consecutive years out of 15 years on income earned by entity in IFSC
 - ▶ No WHT on lease payments by Indian entity to IFSC entity
 - ▶ No BCD and IGST on import of ships

BATF from GIFT IFSC

Book-keeping, Accounting, Taxation and Financial Crime Compliance Services (BATF)



Key considerations

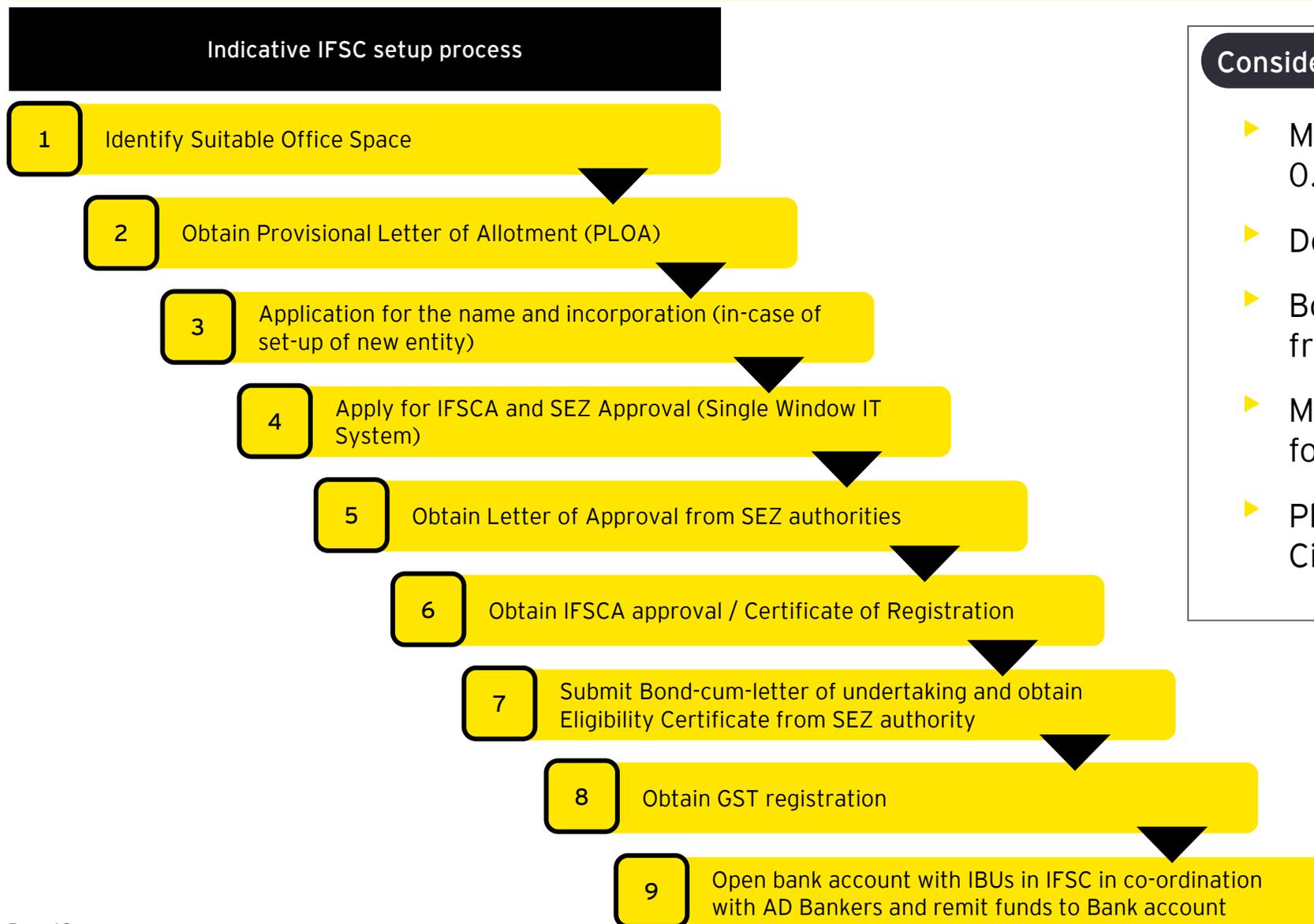
- ▶ Tax holiday on income earned
- ▶ Capex Support - One time reimbursement upto 30% of eligible Capex
- ▶ Opex Support - Upto 15% of annual eligible opex
- ▶ Special incentives like Employment Generation Incentives (EGI), Employee Provident Fund (EPF), etc.
- ▶ Total Capex, OpEx incentive and special incentives shall be capped upto 75% of eligible Gross Fixed Capital Investments



Set up Process



Application Process / Step Plan



Considerations

- ▶ Minimum fund requirements USD 0.2 million to USD 3 million
- ▶ Develop a business plan/Roadmap
- ▶ Board approved Governance framework
- ▶ Minimum two employees required for treasury support services
- ▶ Physical office required in GIFT City

Our Offices

Ahmedabad

22nd Floor, B Wing, Privilon
Ambli BRT Road, Behind Iskcon Temple
Off SG Highway, Ahmedabad - 380 059
Tel: + 91 79 6608 3800

8th Floor, Building No. 14A
Block 14, Zone 1
Brigade International Financial Centre
GIFT City SEZ
Gandhinagar - 382 355, Gujarat
Tel + 91 79 6608 3800

Bengaluru

12th & 13th Floor
"UB City", Canberra Block
No.24 Vittal Mallya Road
Bengaluru - 560 001
Tel: + 91 80 6727 5000

Ground & 1st Floor
11, 'A' wing
Divyasree Chambers
Langford Town
Bengaluru - 560 025
Tel: + 91 80 6727 5000

3rd & 4th Floor
MARKSQUARE
#61, St. Mark's Road
Shantala Nagar
Bengaluru - 560 001
Tel: + 91 80 6727 5000

1st & 8th Floor, Tower A
Prestige Shantiniketan
Mahadevapura Post
Whitefield, Bengaluru - 560 048
Tel: + 91 80 6727 5000

Bhubaneswar

8th Floor, O-Hub, Tower A
Chandaka SEZ, Bhubaneswar
Odisha - 751024
Tel: + 91 674 274 4490

Chandigarh

Elante offices, Unit No. B-613 & 614
6th Floor, Plot No- 178-178A
Industrial & Business Park, Phase-I
Chandigarh - 160 002
Tel: + 91 172 6717800

Chennai

6th & 7th Floor, A Block,
Tidel Park, No.4, Rajiv Gandhi Salai
Taramani, Chennai - 600 113
Tel: + 91 44 6654 8100

Delhi NCR

Aikyam
Ground Floor
67, Institutional Area
Sector 44, Gurugram - 122 003
Haryana
Tel: + 91 124 443 4000

3rd & 6th Floor, Worldmark-1
IGI Airport Hospitality District
Aerocity, New Delhi - 110 037
Tel: + 91 11 4731 8000

4th & 5th Floor, Plot No 2B
Tower 2, Sector 126
Gautam Budh Nagar, U.P.
Noida - 201 304
Tel: + 91 120 671 7000

Hyderabad

THE SKYVIEW 10
18th Floor, "SOUTH LOBBY"
Survey No 83/1, Raidurgam
Hyderabad - 500 032
Tel: + 91 40 6736 2000

Jaipur

9th floor, Jewel of India
Horizon Tower, JLN Marg
Opp Jaipur Stock Exchange
Jaipur, Rajasthan - 302018

Kochi

9th Floor, ABAD Nucleus
NH-49, Maradu PO
Kochi - 682 304
Tel: + 91 484 433 4000

Kolkata

22 Camac Street
3rd Floor, Block 'C'
Kolkata - 700 016
Tel: + 91 33 6615 3400

6th floor, Sector V,
Building Omega, Bengal Intelligent
Park, Salt Lake Electronics
Complex, Bidhan Nagar
Kolkata - 700 091
Tel: + 91 33 6615 3400

Mumbai

14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (W), Mumbai - 400 028
Tel: + 91 22 6192 0000

5th Floor, Block B-2
Nirlon Knowledge Park
Off. Western Express Highway
Goregaon (E)
Mumbai - 400 063
Tel: + 91 22 6192 0000

3rd Floor, Unit No.301
Building No.1, Mindspace-Gigaplex
IT Park, MIDC, Plot No. IT-5
Airoli Knowledge Park
Airoli West,
Navi Mumbai - 400 708
Tel: + 91 22 6192 0003

18th Floor, Altimus
Pandurang Budhkar Marg
Worli, Mumbai - 400 018
Tel: + 91 22 6192 0503

Pune

C-401, 4th Floor
Panchshil Tech Park, Yerwada
(Near Don Bosco School)
Pune - 411 006
Tel: + 91 20 4912 6000

10th Floor, Smartworks
M-Agile, Pan Card Club Road
Baner, Pune - 411 045
Tel: + 91 20 4912 6800



Jaiman Patel

Partner, Financial Services - Tax
& Regulatory services, EY India
Email - jaiman.patel@in.ey.com
Mobile - 9833071413

8th Floor, Building No. 14A, Block 14, Zone 1
Brigade International Financial Centre, GIFT City
SEZ Gandhinagar - 382 355, Gujarat.



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