

Gujarat International Finance Tec-City (GIFT City)



CA. Vipul Gandhi

Director – GIFT City
Khandhar Mehta & Shah

Contents



About GIFT City

International Financial Service Centre (IFSC)

Key Benefits of setting up units in GIFT IFSC

Framework for Ancillary Service Providers (Professionals)

Process for setting up unit in IFSC / GIFT City

Exit Clause

Budget 2023 - Highlights

Q & A Session

About GIFT City



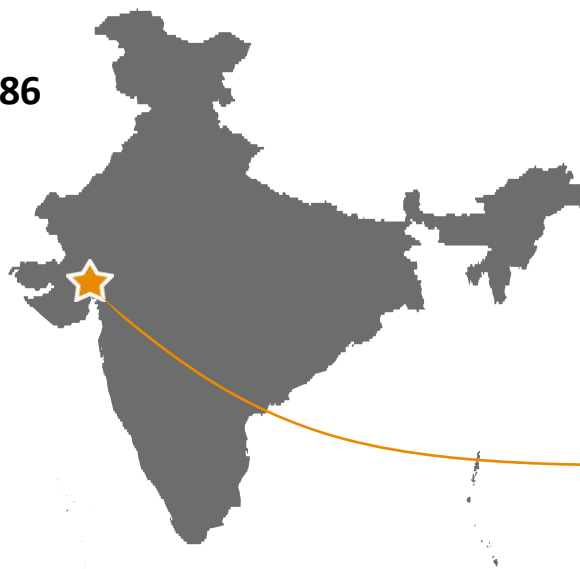
“Another special feature of GIFT City is that it is the main pillar of the tri-city approach. Ahmedabad, Gandhinagar and GIFT City, all three are just 30 minutes away from one another. And all three have their own special identity. Ahmedabad boasts of a glorious history. Gandhinagar is the centre for administration and the main hub of policy and decisions. GIFT City is the main centre of the economy. That is, if you go to any of these three cities, then you are only thirty minutes away from the past, present and future.

**- Hon'ble Prime Minister of India
Shri Narendra Modi**

A Greenfield Smart City developed on 886 Acres of land

Developed by Government of Gujarat and supported by Govt. of India

The financial gateway of India for inbound & outbound investment



“GIFT City IFSC– Gujarat, ranked 1st amongst top 15 Global Financial Centre that will become more significant and 1st in Reputational Advantage” based on the report issued by The Global Financial Centres Index, 28 September 2020 Issue

Government of India operationalized GIFT City as an IFSC in 2015



Global Benchmarking



Integrated Development



Strong Promoters



Central Business Hub



India's 1st IFSC



State of the Art Infrastructure



Strategic Location



Ease of Doing business

India's 1st Operational Smart City & IFSC



12 kms from Ahmedabad International Airport (8th Busiest in India).

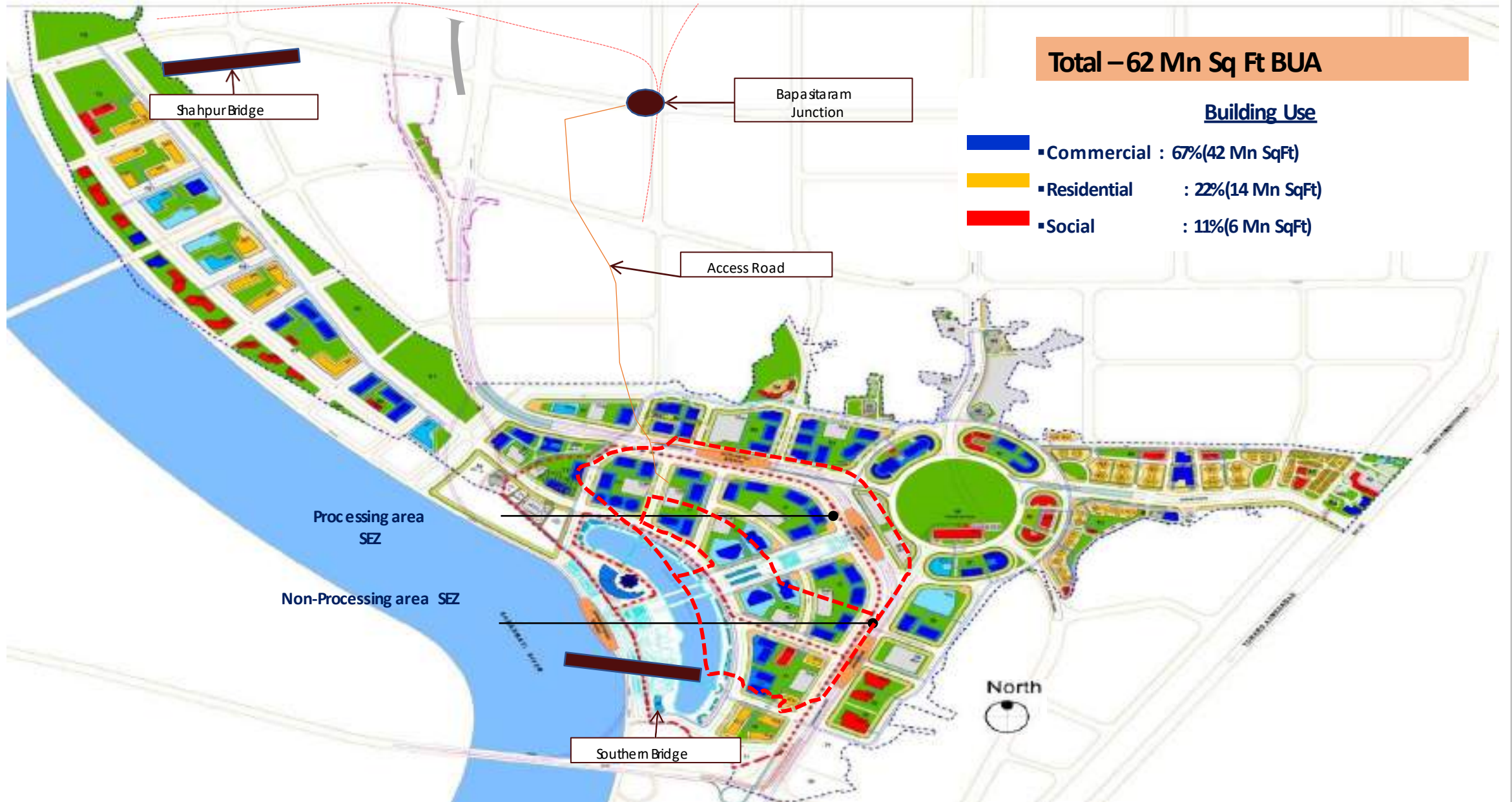
6 kms for Gandhinagar (Political capital of Gujarat)

On the banks of Sabarmati River.

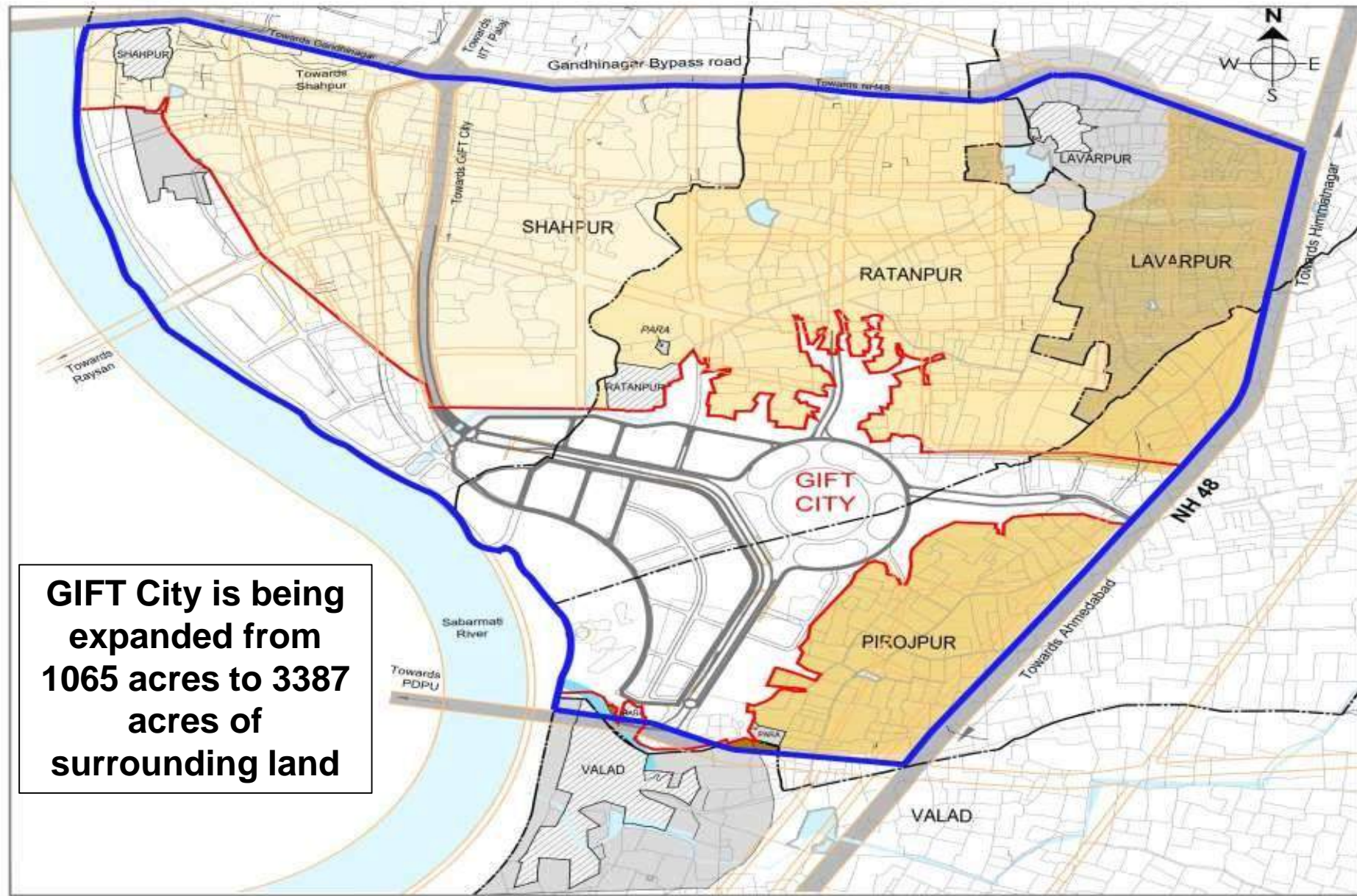
Along Delhi - Mumbai Industrial corridor.

Metro connectivity to Ahmedabad

Bullet Train connectivity between Ahmedabad - Mumbai.



GIFT City – Extended City limit (w.e.f 2-Nov-2022)



GIFT City is being expanded from 1065 acres to 3387 acres of surrounding land

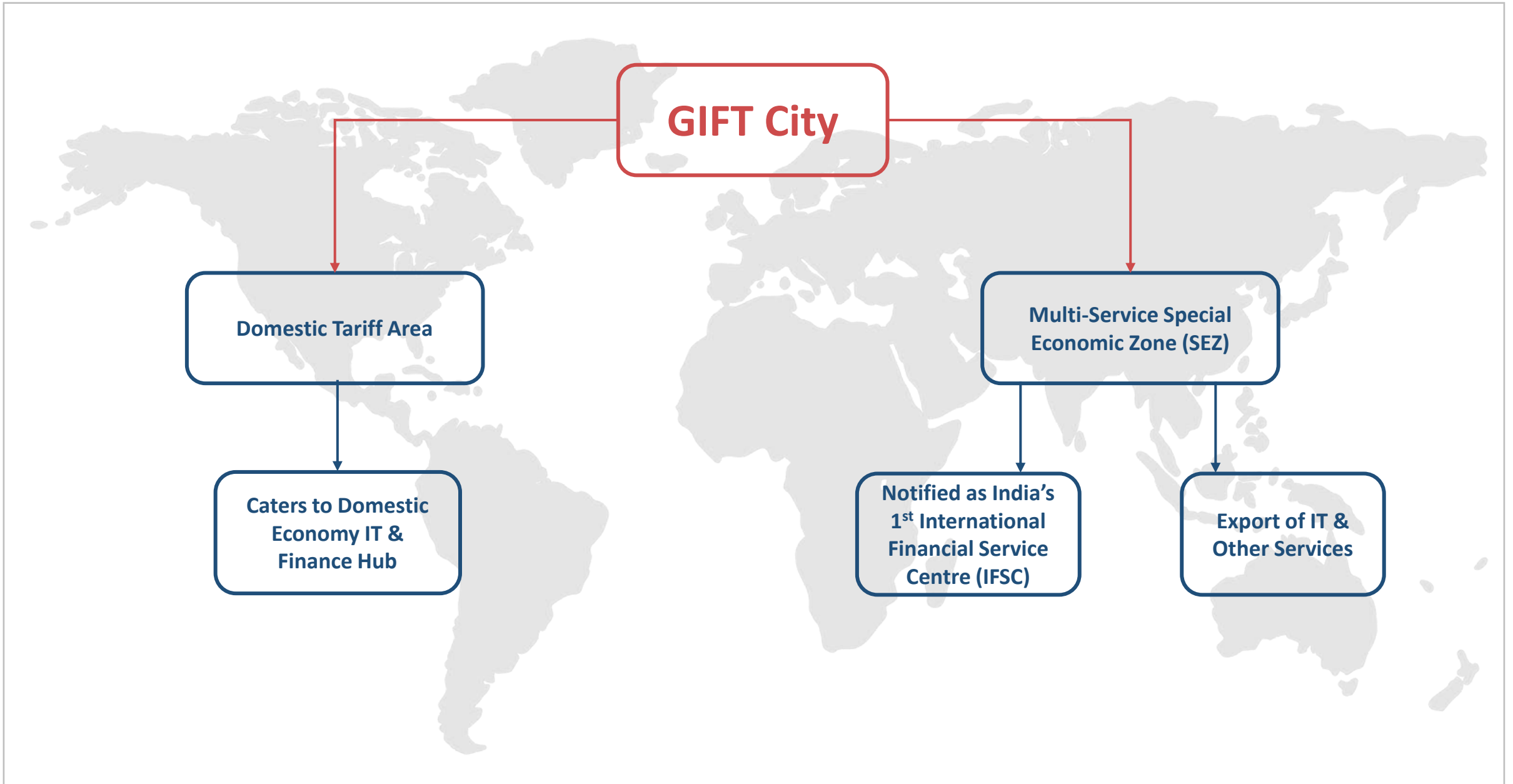
- Legend**
- GIFT Area & Expansion Zone Boundary
 - GIFT Area Boundary
 - - - Village Boundary
 - ▨ Gamtal
 - ▭ Natural growth of Gamtal
 - ▭ GUDA Existing Major Road
 - ▭ GUDA Proposed Internal Road
 - ▭ GIFT Existing Road
 - ▭ GIFT Proposed Road
 - ▭ Water bodies / Nala

Drawing Title :	GIFT Expansion Zone:
Date:	31.10.2022
Scale :	NTS

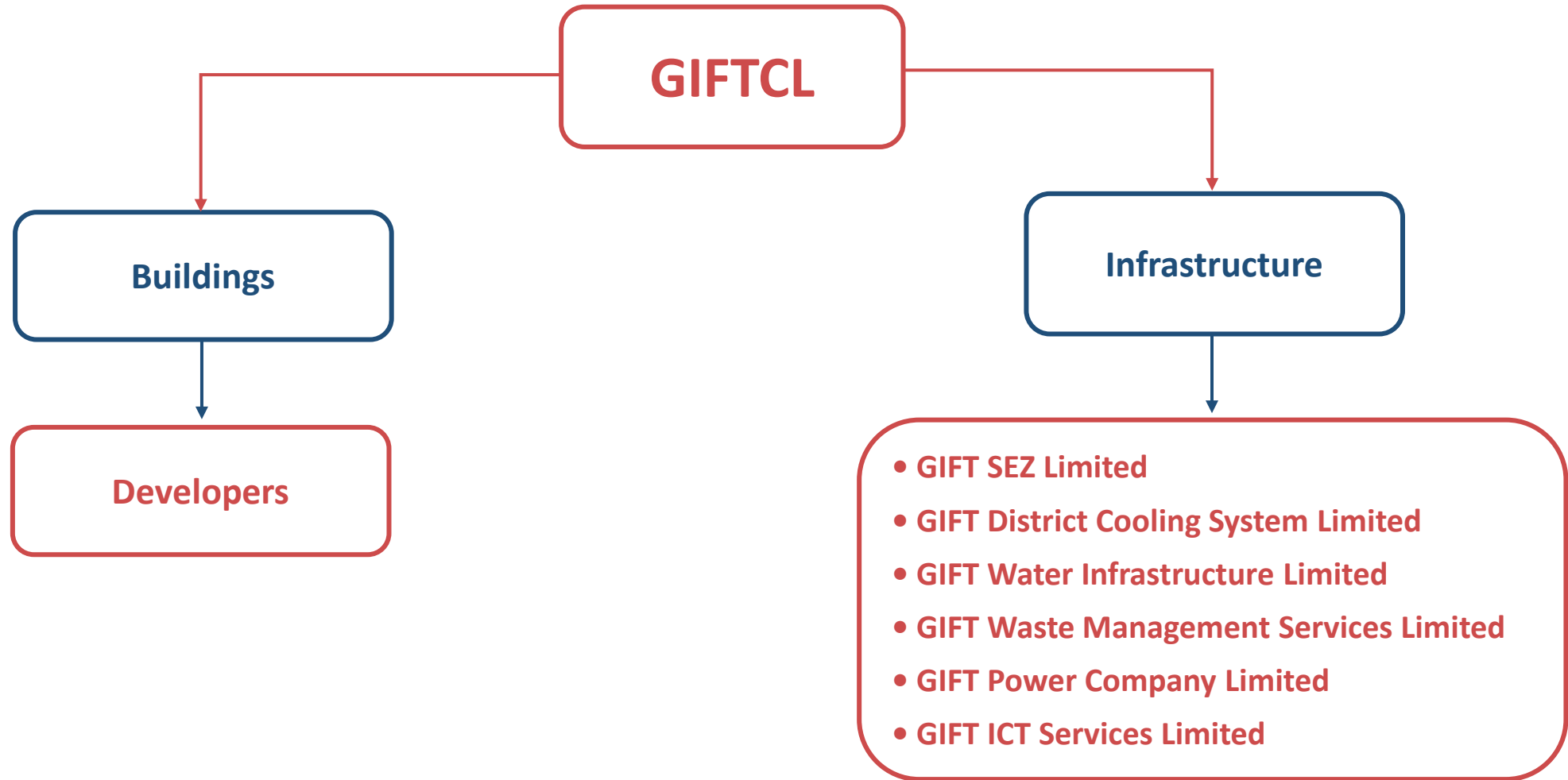
Why GIFT?

- Fast growing Business District
- India's first operational smart city
- India's first International Financial Services Centre
- Multi-Services Special Economic Zone (SEZ)
- GoG IT/ITeS Policy Incentives
- Unique infrastructure (first time in India)
- Substantial Reduction in Operational costs
- Talent availability

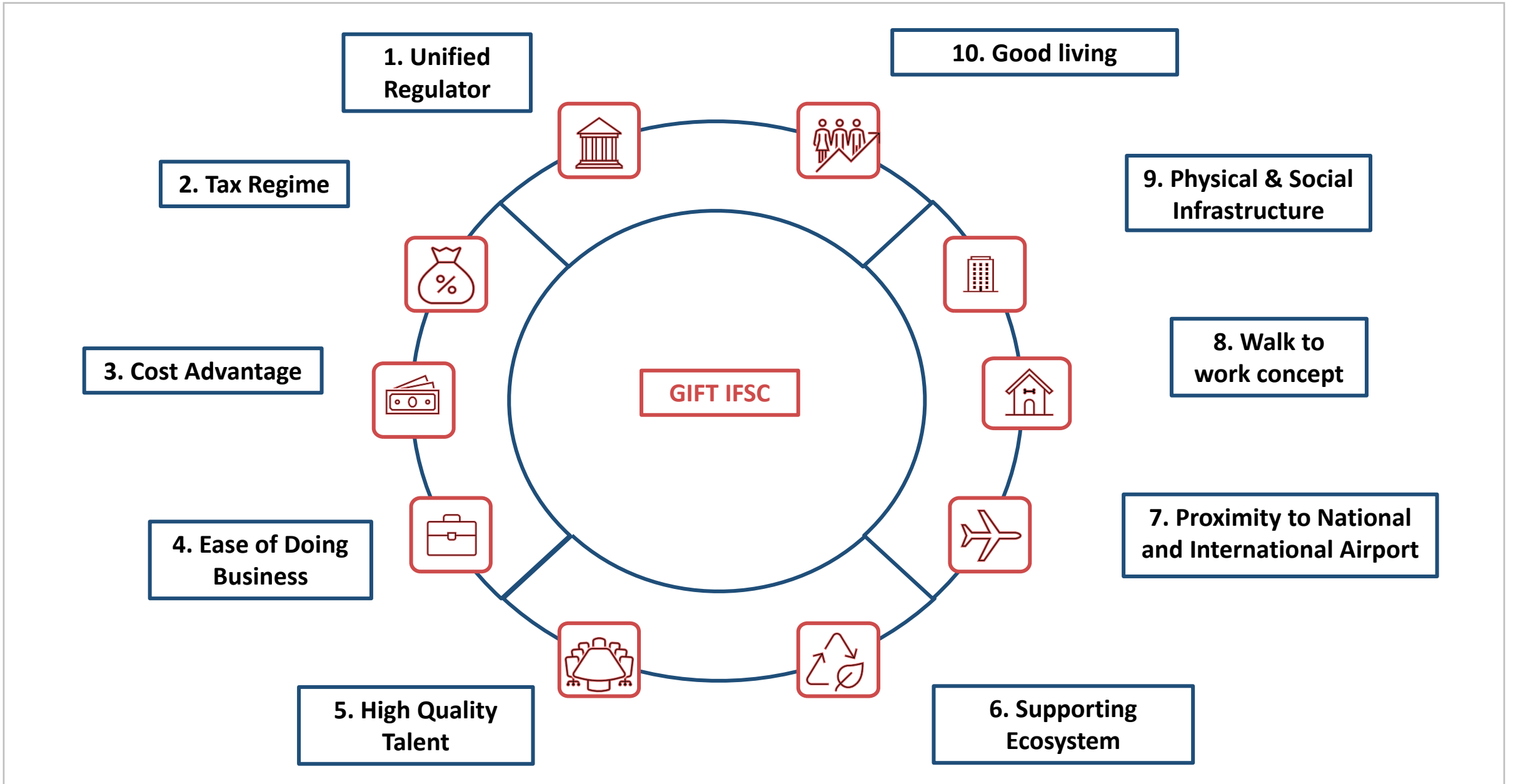
- Low attrition
- Skill Development & Training
- Integrated Development
(Commercial, Residential & Social)
- Walk to work concept
- Quality of life
- Single window clearance
- Strategic location







Key Benefits of having office at GIFT City



Business Opportunities

- Development of large real estate projects for commercial, residential and social facilities
- Setting up of Corporate office and Headquarters for domestic operations.
- Setting up of large IT/ITeS operations
- Setting up of registered and operating office for stock broking activities
- Investment opportunities in commercial and residential properties

Incentives

- Attractive IT/ITeS incentive policy of Govt. of Gujarat
 - Capex reimbursement- 25%
 - Opex reimbursement- 15% (for 5 years)
 - PF reimbursement
 - New employment generation incentive
- Reimbursement of Stamp Duty to stock brokers



Water Treatment Plant



District Colling Plant



Utility Tunnel



Automated Waste Collection & Segregation Plant







GIFT One Tower



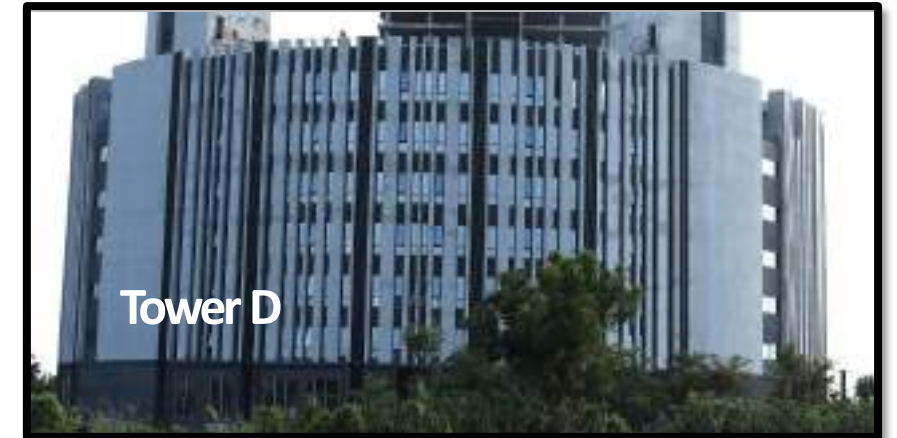
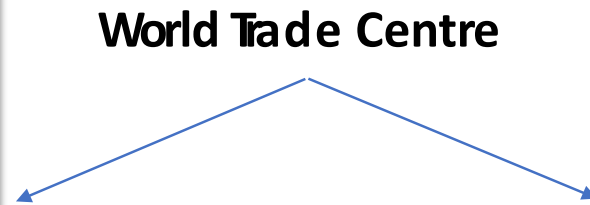
GIFT Two Tower



Prestige Tower



Tower A



Tower D



**Signature Tower by
Hiranandani Group**



Brigade Tower



**Pragya Tower
Savvy - ATSJV**



Brigade Group Hotel - 150 Rooms



GIFT City Business Club



Residential

Central Park is being developed under 28 acres of land



Jamnabai Narsee School ICSE Board - 1500 students



Lilavati Hospital



Development of **International Fintech Institute** in-principally approved by DEA and Detailed Project Report under preparation

- 750+ residential apartments under development
- Allotment to new 3000+ residential
- Allotment for Shopping mall, multi-speciality hospital and university
- 800 racks capacity data centre available, additionally allotment to new data centre

Business Club, Five Star Hotel, ICSE School and affordable housing fully functional





INTERNATIONAL FINANCIAL SERVICES CENTRE (IFSC)



- ❑ “To enable Indian firms **to compete on an equal footing with offshore financial centres**”
- ❑ **“Regulations comparable** to any other leading international finance centres”
- ❑ “To become **price setter** for at least few of the largest traded financial instruments in the world (commodities, currencies, equities....)”
- ❑ “Companies from Asia, Africa and Europe should be able to **raise funds from IFSC**”

Hon’ble Prime Minister of India

January 2017

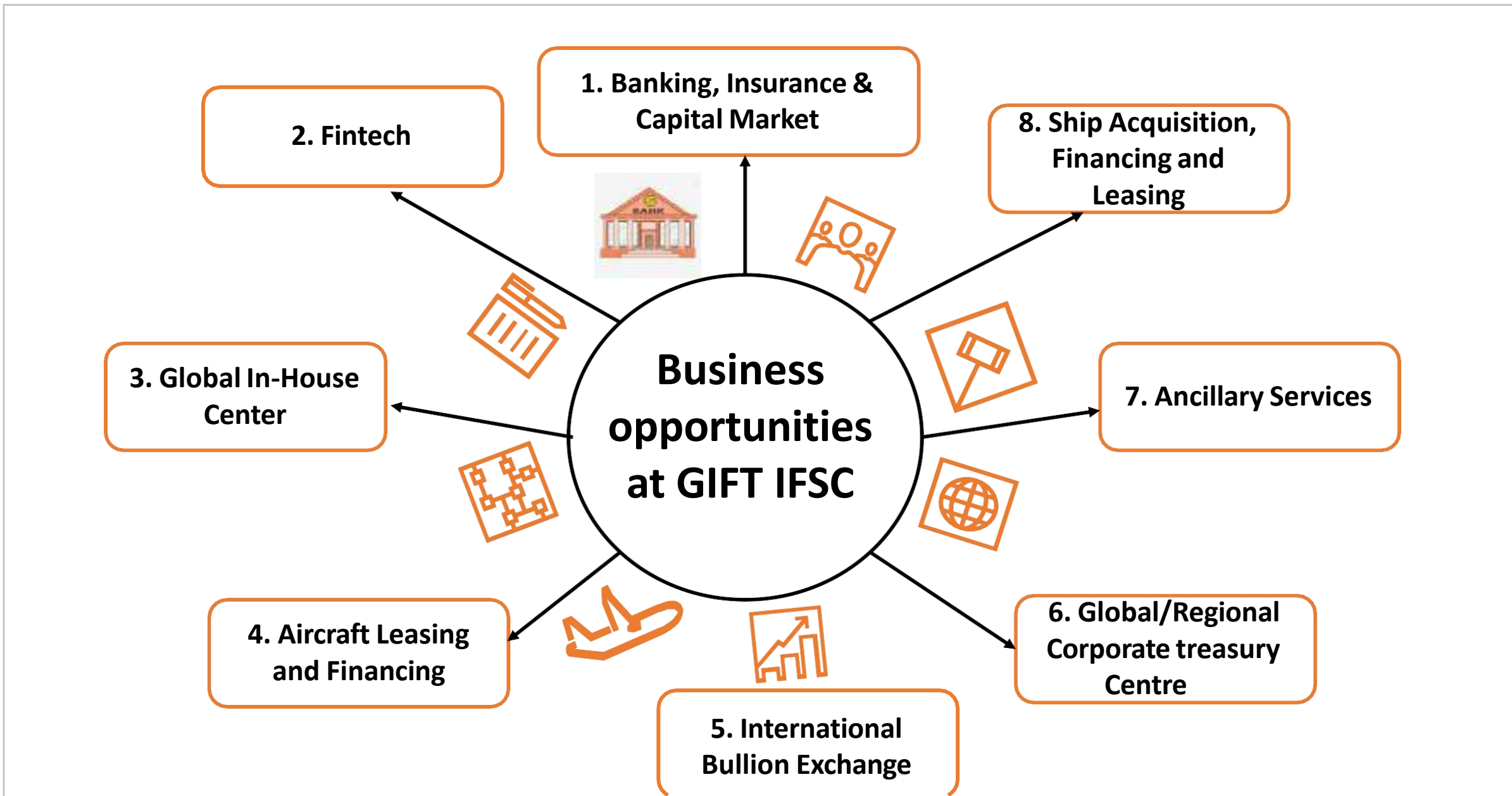
What is IFSC?

- An IFSC caters to the customers outside the jurisdiction of domestic economy. Such centers deal with the flow of finance, financial products and services across the borders.
- IFSC as envisaged under the Indian context “is a jurisdiction that provides financial services to non-residents and residents (Institutions), in any currency other than Indian Rupee (INR)”.
- IFSC is set-up to undertake financial services transactions that are currently carried on outside India by overseas financial institutions and overseas branches / subsidiaries of Indian financial institutions.

IFSC in India

- In India, an IFSC is approved and regulated by the Government of India under the Special Economic Zones Act, 2005.
- Government of India has approved GIFT City as a Multi Services Special Economic Zone (“GIFT SEZ”) and has also notified this zone as India’s IFSC.
- The launch of the IFSC at GIFT City is the first step towards bringing financial services transactions relatable to India, back to Indian shores.
- IFSC unit is treated as a non-resident under extant Foreign Exchange Management regulations.





Capital Markets

Activities :

- ▶ Listing and issuance of securities

Entities :

- ▶ Stock/Commodity Exchanges
- ▶ Clearing Corporation
- ▶ Depository
- ▶ Broker Dealer
- ▶ Trading Members
- ▶ Segregated Nominee Account Providers
- ▶ Clearing Corporations, Depositories, other intermediaries

Offshore Banking

Activities :

- ▶ Corporate Banking
- ▶ ECB Lending
- ▶ Servicing JV/WOS of Indian companies registered abroad
- ▶ Factoring / Forfaiting of export receivables

Entities :

- ▶ Indian banks
- ▶ Foreign banks
- ▶ Finance Cos and NBFCs

Offshore Insurance

Activities :

- ▶ General / Life Insurance
- ▶ Co-Insurance
- ▶ Reinsurance
- ▶ Captive Insurance

Entities :

- ▶ Indian Insurer
- ▶ Indian Reinsurer
- ▶ Indian Broker
- ▶ Foreign Insurer
- ▶ Foreign Reinsurer

Offshore Asset Management

Activities :

- ▶ Portfolio Management Services
- ▶ Wealth Management Services
- ▶ Custodial Services

Entities :

- ▶ Alternative Investment Funds
- ▶ Mutual Funds
- ▶ Investment Advisors
- ▶ Portfolio Manager

Emerging Activities

- ▶ Global Fintech Hub
- ▶ Global In-house Centres
- ▶ International Bullion Exchange
- ▶ Aircraft Leasing & Financing

Ancillary Services

- ▶ Legal services, Compliance & Secretarial Services
- ▶ Accounting, Auditing, Bookkeeping & Taxation Services
- ▶ Professional and Management Consulting Services
- ▶ Administration, Assets Management Support Services and Trusteeship Services

Sr No	Participants	Key business activities and features	Volume and No. of players
1	International Stock exchanges and Bullion Exchange	<ul style="list-style-type: none"> Dollar denominated products No transaction cost (other than brokerage) Trading - 22 hours 	<ul style="list-style-type: none"> India INX and NSE IFSC stock exchange Avg. Daily volume crossed USD 14 Bn+ Bullion vaults
2	IFSC Banking units	<ul style="list-style-type: none"> External Commercial Borrowing (ECB) Lending Loan syndication and trade finance 	<ul style="list-style-type: none"> 23 IBUs Banking Asset size - USD 22 Bn+
3	Brokers & Intermediaries	<ul style="list-style-type: none"> Broking services Proprietary trading 	<ul style="list-style-type: none"> 50+ brokers, Depository Clearing corporations, Custodian
4	Insurers & Intermediaries	<ul style="list-style-type: none"> Non-life, Reinsurance business Insurance intermediaries 	<ul style="list-style-type: none"> 20+ Insurance and Reinsurance Firms Sum insured - USD 30 Bn+
5	Ancillary Service providers	<ul style="list-style-type: none"> Legal & consultancy firm IT companies 	<ul style="list-style-type: none"> 30+ Accounting, Legal and Consultancy Firms
6	Leasing activities	<ul style="list-style-type: none"> Aircraft leasing 	<ul style="list-style-type: none"> 15+ Firms
7	Fund Management	<ul style="list-style-type: none"> Alternative Investment Funds 	<ul style="list-style-type: none"> 40+ AIF
8	IT	<ul style="list-style-type: none"> Fintech 	<ul style="list-style-type: none"> 20+ Fintech Entities

Dispute resolution -
Singapore International Arbitration Centre (SIAC)

Connectivity - 20 min.
from Ahmedabad Airport, well
connected thru public
transport

Social amenities –
Business club, school, hotels,
residential apartments, etc.

20000+ employees in
GIFT City

Unwrapping GIFT City

Business activity in India's offshore financial hub has surged after the IFSCA* took charge as its unified regulator in October 2020



*International Financial Services Centres Authority

Banking



Deutsche Bank



GIC

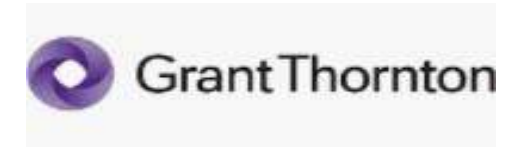


Alternative Investment Funds



Ancillary Services

International Exchange



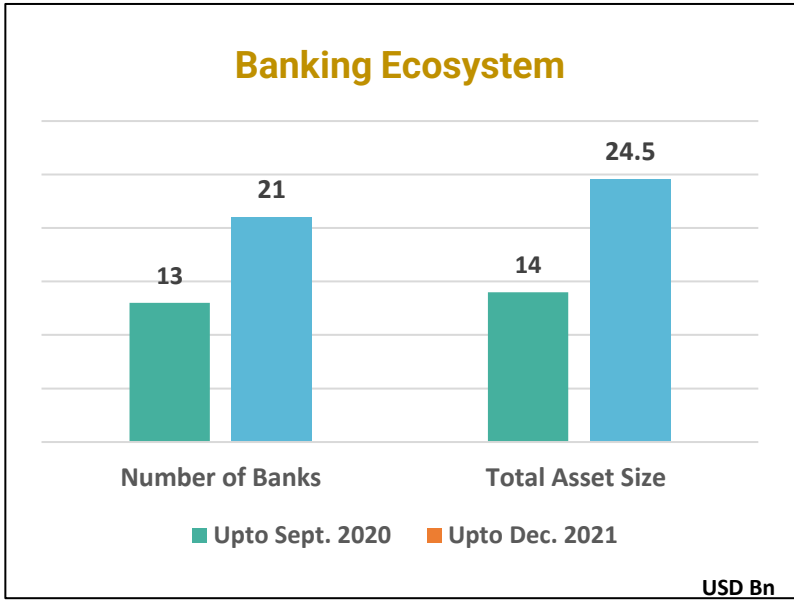
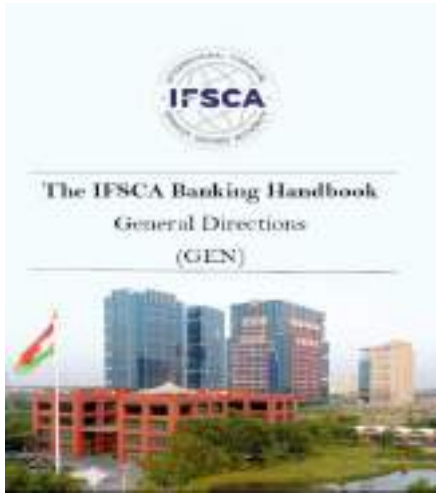
Aircraft leasing and financing



Banking Brochure



Banking Handbook



7 Foreign Banks

14 Indian Banks



We understand your world



Key Developments

1

Retail Indian Investors provided with opportunity to trade in select US Stocks on NSE IFSC platform via Unsponsored Depository Receipts



2

India INX Global Axis subsidiary of India INX has been granted approval to access all global markets through international brokers



3

NSE IFSC-SGX Connect:

- Potential to onshore \$ 4.9 Bn daily open interest
 - Market Data Connect established
- Expected to go live by 3rd July, 2023 after the transition of SGX Nifty derivatives to NSE IFSC



4

Multi-product Exchange: Equity, Currency, Commodity, Index and Debt Securities (operates for 22 Hrs/day)



Listing by Special Purpose Acquisition Company (SPACs)

Listing by SMEs and Start-Ups

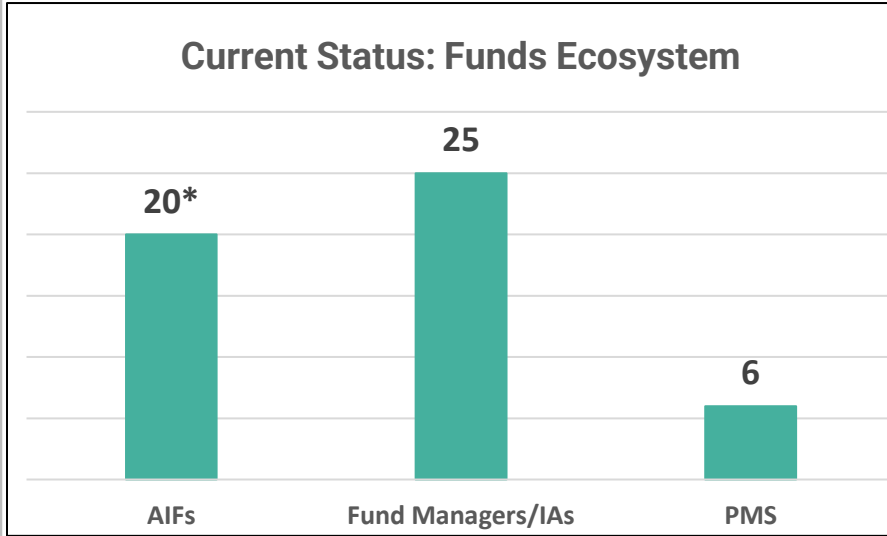
Initial Public Offering (IPO) by Indian & Foreign Cos

Issuance and Listing of Securities (Regulations) 2021

Environmental, Social, and Governance (ESG) Debt Securities

Listing of Debt Securities

Listing of Depository Receipts (DRs)

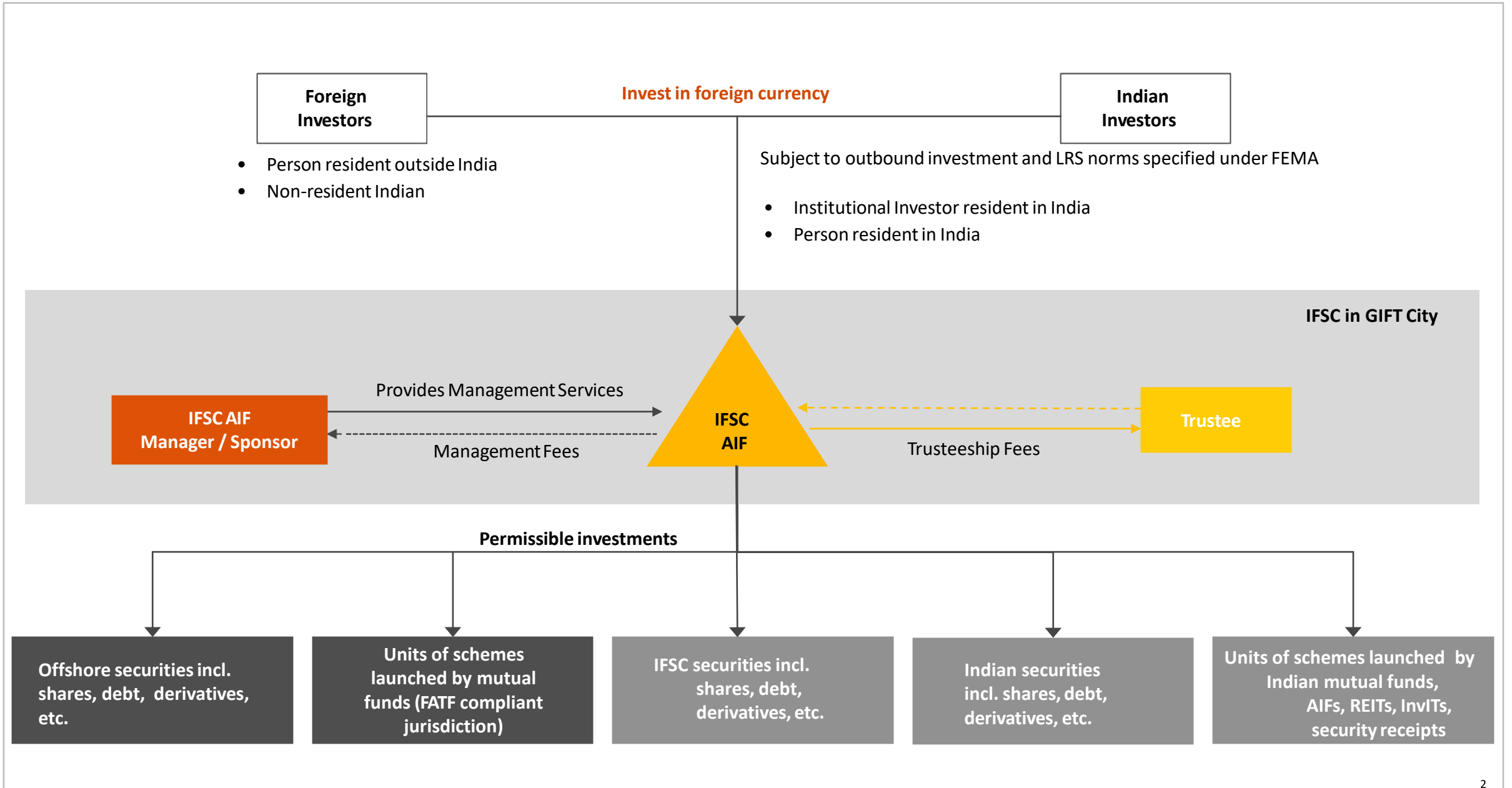


Dec. 2021



AIFs, PMS & Fund Managers

*Including entities who have either applied to IFSCA or obtained SEZ IFSC approval



AIFs in IFSC – Regulatory Relaxations

Borrowing and Leverage

- Permission to borrow funds and engage in leveraging activities subject to:
 - Consent of investors
 - Disclosure in PPM - Max. leverage, methodology for calculation of leverage
 - Comprehensive risk management framework appropriate to the size, complexity and risk profile of the AIF

Co-investment

- Co-investment through segregated portfolio by issue of separate class of units subject to:
 - Terms not to be more favorable than common portfolio of AIF
 - Disclosure in PPM regarding creation of segregated portfolio
- AIF in IFSC is permitted to invest in AIF registered with SEBI in India, alongside other permissible investments

Investment Diversification norms

- Restriction with respect to investment up to 10% in single investee company (for Cat III AIF) and 25% (for Cat I and Cat II AIF) to not apply provided:
 - Investments are in line with risk appetite of investors
 - Disclosure in PPM

Indian party making sponsor contribution under automatic route

Sponsor contribution under automatic route of RBI

- Recently, RBI has issued a circular permitting remittance by Indian party towards sponsor contribution to AIF in IFSC
- Any sponsor contribution from sponsor Indian Party to AIF in IFSC, as per the laws of host jurisdiction, shall be treated as ODI
- Accordingly, Indian Party can set up AIF in IFSC, under automatic route provided it complies with Regulation 7 of the ODI Regulation

Conditions prescribed under regulation 7 of the ODI Regulations

- Indian party has earned net profit during the preceding 3 financial years from financial services activities
- Indian party is registered with the regulatory authority in India for conducting financial services activities
- Indian party has obtained approval from regulatory authorities in India and abroad, for venturing into such financial sector activity
- Indian Party has fulfilled the prudential norms relating to capital adequacy as prescribed by the concerned regulatory authority in India

Other conditions like minimum corpus, investment, continuing interest

- Like domestic AIFs except that thresholds are designated in USD

Overseas Investment

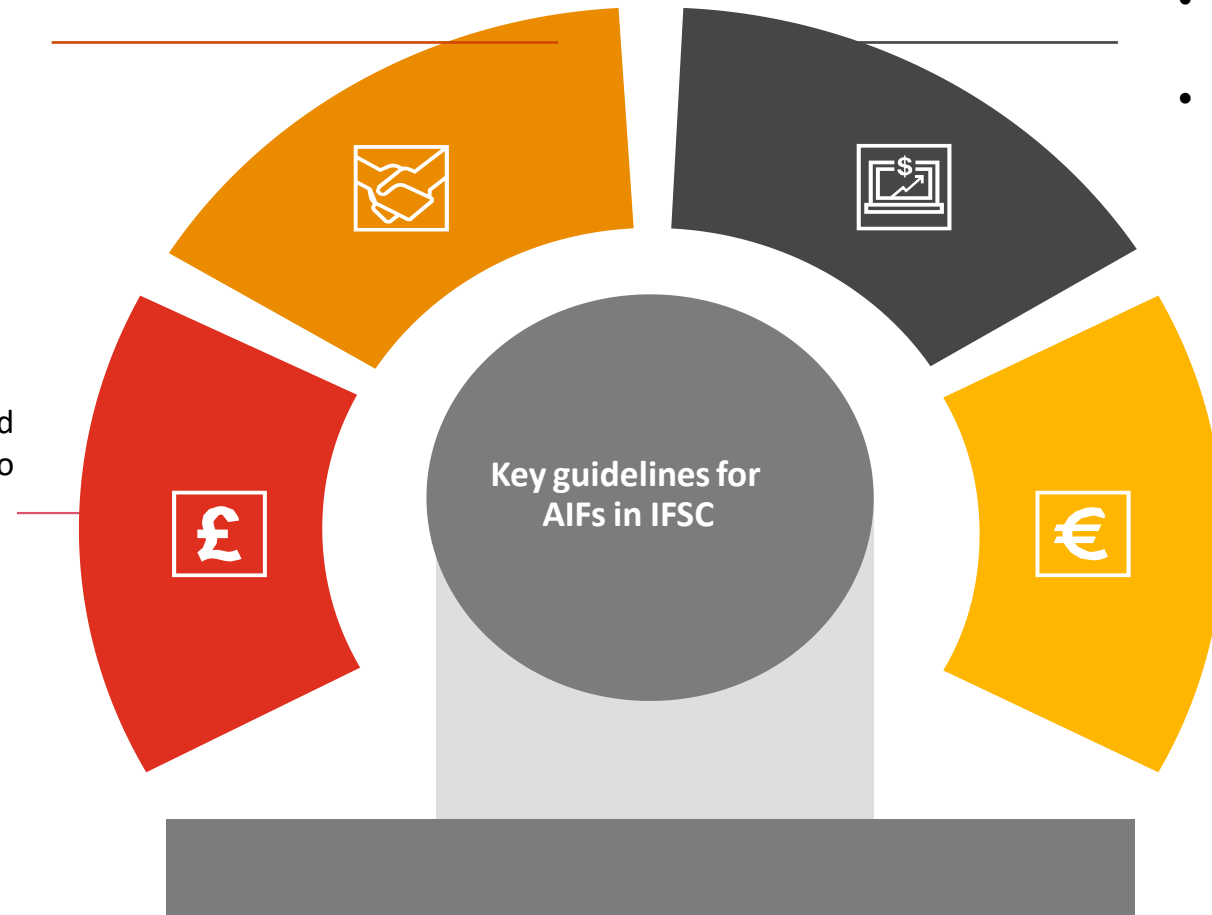
- Existing conditions on outbound investments by AIF not to apply to AIFs in IFSC

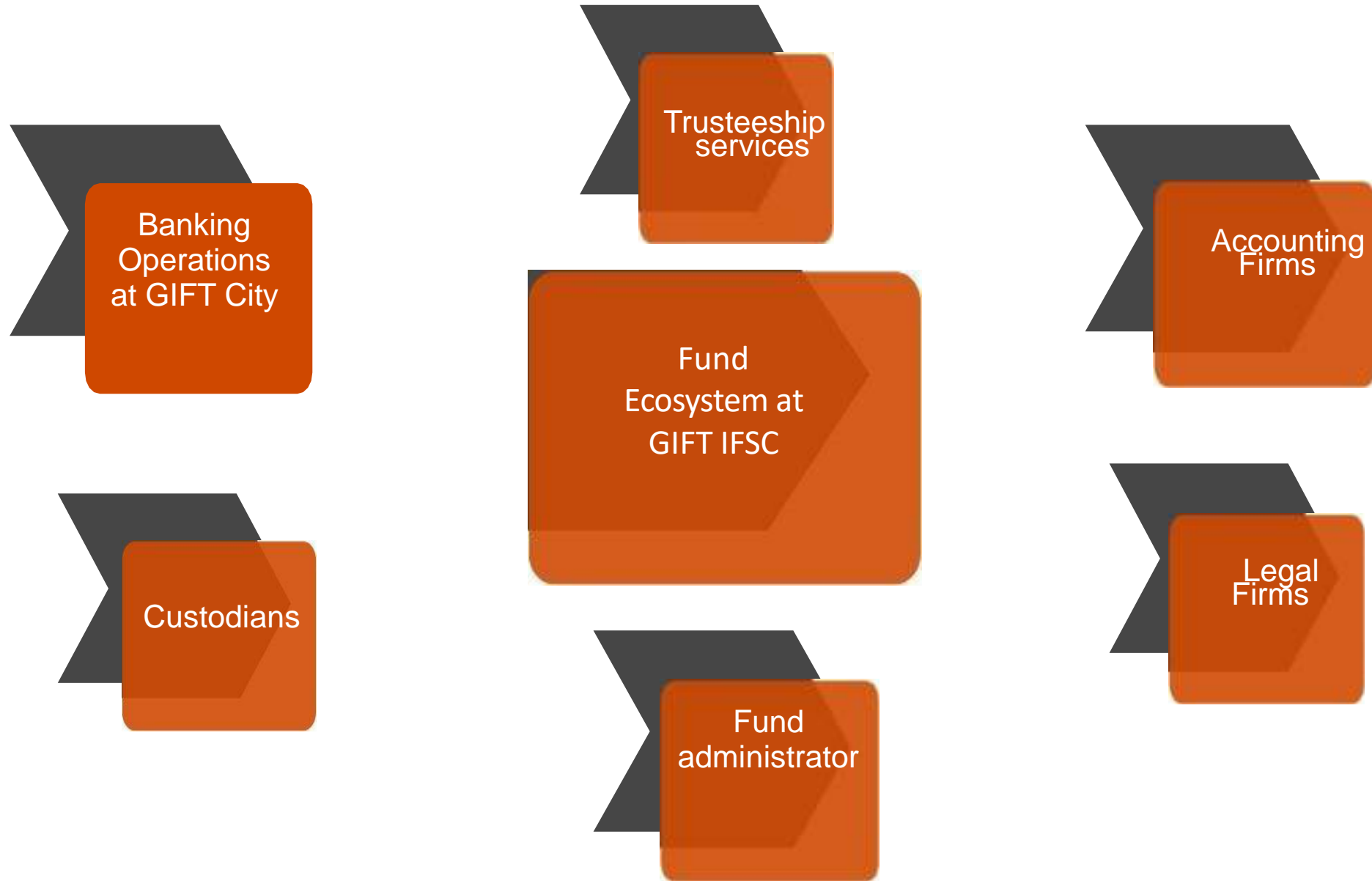
Registration Process

- AIF registration can be granted to Trust, Company, LLP, Body Corporate
- Existing sponsors / Manager can set up as a branch, company or LLP
- New sponsors / Manager need to set up a company or LLP

Investment Conditions

- FPI, FVCI or FDI routes permitted for investment in India
- Investments in units of other AIFs
- Any other securities in which a domestic AIF can invest





Aircraft Leasing Potential in India:

1. Aircraft leasing activity expected to generate annual lease financing opportunity of **\$ 5 Bn**
2. Leasing is a preferred choice in India - **80% of total fleet size**
3. India has the **3rd largest** aircraft order book globally

12 Aircraft Lessors*



Advance Stage



Akasa
Airlines

1st Aircraft Leased



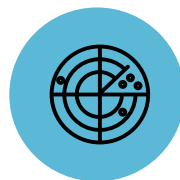
Brochure



Report
"Rupee Raftaar"
released by
MoCA



Finance Ministry
notifies "Aircraft
Lease" as a
Financial Product



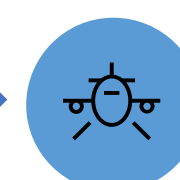
Budget
announcements on **tax
incentives** for the
aircraft leasing industry



IFSCA issues
"Framework for
Aircraft Operating
Lease"



India Aircraft
Leasing Summit
2021 held at New
Delhi



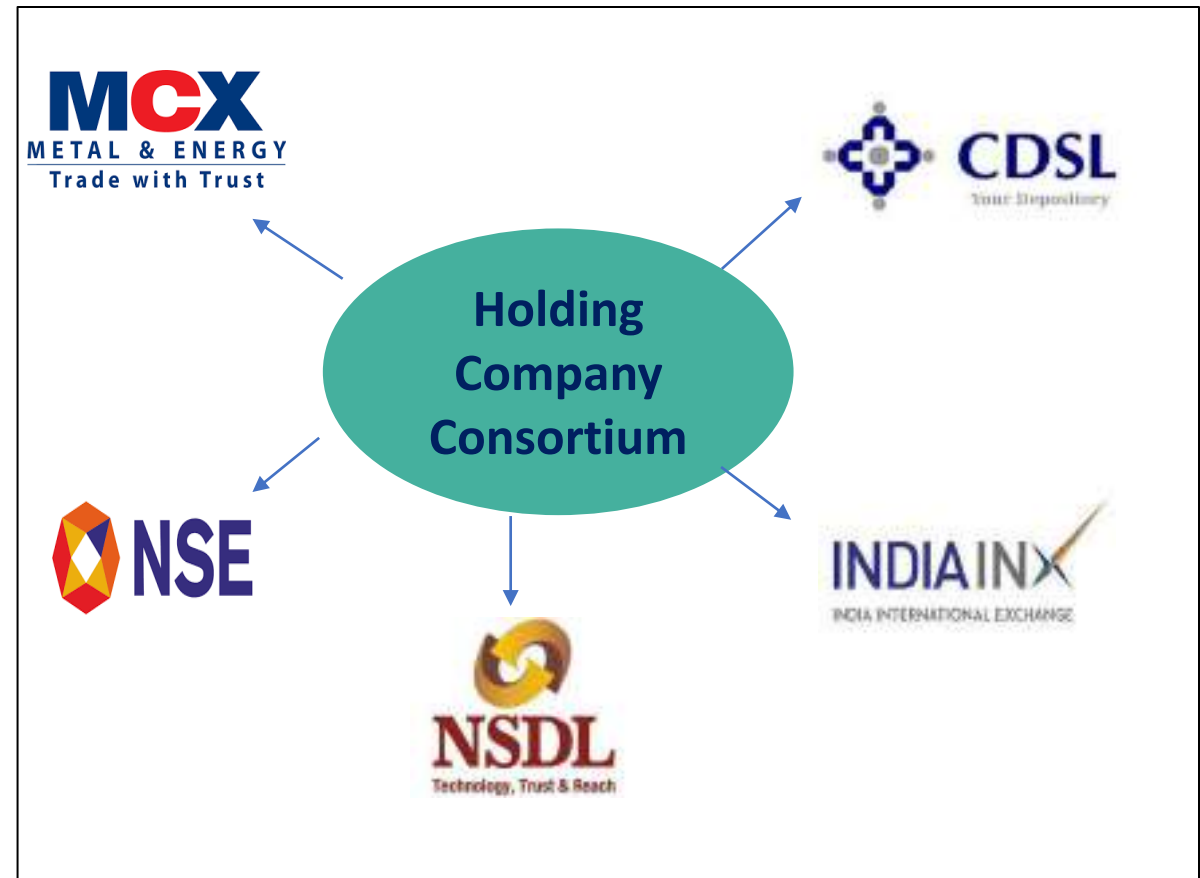
1st Aircraft
leased from
GIFT IFSC
arrives in India

Target: All Aircraft Leasing requirement of Indian Aviation to be met from GIFT IFSC in next 3 yrs. (Atma Nirbhar Bharat)

*Including entities who have either applied to IFSCA or obtained SEZ IFSC approval

1. **Bullion Exchange Regulations, 2020** notified
2. **Operating Guidelines** for Bullion MIs and Bullion Intermediaries issued
3. **Holding Company** for IBE incorporated
4. **Subsidiary Company** for exchange and clearing incorporated
5. **CDSL-IFSC**, designated as Bullion Depository
6. **Pilot run** for IBE conducted and IBE ready to go live
7. **Satellite vaulting in FTWZ** enabled
8. Import of Gold through IIBX by **Qualified Jewellers** notified
9. **Sequel Logistics** onboarded as Vault Manager
10. RBI has enabled remittance of Forex for import of Bullion through IIBX

The IBE to emerge as the “Gateway for Bullion Imports into India”



Key initiatives by IFSCA for Development of FinTech Hub:

1. **“Regulatory & Innovation Sandbox framework”** notified
2. **Eight entities** approved under the Regulatory Sandbox regime
3. 1st **FinTech Accelerator- Finx Labs** operational
4. **IFSCA-Bloomberg Lab** for FinTech innovators set up
5. **“I-Sprint’ 21”** Four FinTech Hackathons launched: **BankTech, Quant Camp, InsureTech & MarketTech.**
6. **IFSCA FinTech Incentive Scheme 2021**
7. IFSCA became member of **Global Financial Innovation Network (GFIN)**
8. **Inter-Regulatory Cooperation Agreement** (Dialogue with 11 Overseas regulators).
9. **IoRS-** IFSCA to become Principal Regulator
10. MoU with **Domestic FinTech Hubs** underway

Position IFSC as global laboratory for Next-Gen FinTech Innovation

Artificial Intelligence

Open Finance

GreenTech & RegTech

Blockchain & DTL

Flagship FinTech Event-2021

Partners

Countries:



UK



South Africa



Indonesia



INFINITY FORUM

India's beyond-boundaries FinTech event

The two-day event was successfully inaugurated by Hon'ble PM on 3rd Dec 2021 and witnessed more than 96,000 registrations from 70+ countries

- IFSCA issued **Ancillary Services Framework 2021** to enable Professional Services from IFSC
- GIFT IFSC is being developed as a regional hub for specialist Professional Service Providers on the lines of leading International Financial Centres like **UK, Dubai, Singapore and Qatar**
- Ancillary services include Legal Service, Asset Managers, Auditing & Accounting Firms, Management Consultancy Service, Trusteeship Services, Secretarial Services, etc.

Consulting Service*	Trustee Service	Asset/Fund Administration	Legal Services	Accounting Services

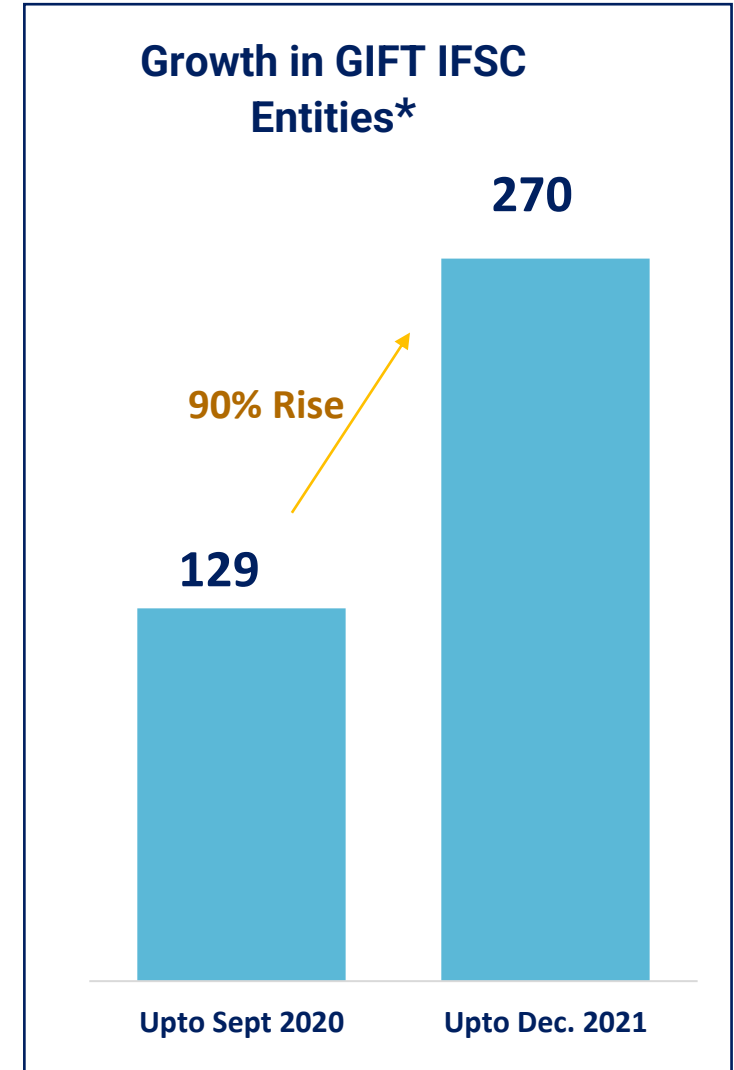
*Including entities who have either applied to IFSCA or obtained SEZ IFSC approval

\$5.9 Bn

Stock Exchanges Avg. daily trading volume in Dec 2021 compared to \$ 3.4 Bn in Sept. 2020

\$4.6 Bn

Total amount committed by **Alternative Investment Funds** (AIFs) till Dec. 2021



\$ 24.7 Bn

Total Banking Asset Size in Dec. 2021 compared to \$ 14 Bn in Sept. 2020

\$142 Bn

Cumulative Banking transactions till Oct. 2021 compared to \$ 45 Bn in Sept. 2020

\$173 Bn

Cumulative Derivative transactions by Banks till Dec. 2021 compared to \$ 22 Bn in Sept. 2020

4500+

Employment in GIFT SEZ in Dec. 2021 compared to 2500 + employment in Sept. 2020

*Including entities who have either applied to IFSCA or obtained SEZ IFSC approval

1. World Class Foreign University and Institutions will be allowed in the GIFT IFSC

Hon'ble FM Speech "World Class Foreign University and Institutions will be allowed in the GIFT IFSC to offer courses in Financial Management, FinTech, Science, Technology, Engineering and Mathematics, free from domestic regulations, except those by the IFSCA to facilitate availability of high-end human resources for financial services and technology"

2. International Arbitration Centre will be set up in GIFT IFSC

Hon'ble FM Speech "International Arbitration Centre will be set up in GIFT IFSC for timely settlement of disputes under international jurisprudence"

3. Making GIFT IFSC Sustainable and Climate Finance Hub

Hon'ble FM Speech "Services for global capital for sustainable and climate finance in the country will be facilitated in the GIFT IFSC"

Key Benefits of Setting up units in IFSC

- 100% Tax Exemption (for 10 out of 15 years)
- Minimum Alternate Tax* @ 9%
- No CTT**/STT**/GST**/Stamp Duty
- No Capital Gain Tax
- Withholding tax @4% on interest paid on Debt Instruments
- Competitive AIF Tax Regime

* MAT provisions not applicable for companies opting for concessional tax rate under Sec. 115 BAA of Income Tax Act, 1961

**CTT- Commodity Transaction Tax, STT- Securities Transaction Tax, GST- Goods and Service Tax

Units in IFSC

- 100% tax exemption for 10 years out of 15 years
- IFSC Unit has the flexibility to select any 10 years out of 15 years block
- MAT / AMT @ 9% of book profits applies to Company / others setup as a unit in IFSC – MAT not applicable to companies in IFSC opting for new tax regime
- Dividend paid to shareholders of company in IFSC: From 01 April 2020, dividend income distributed by Company in IFSC to be taxed in the hands of the shareholder.

Investors

- Interest income paid to non-residents on: (i) Money lent to IFSC units not taxable. (ii) Long Term Bonds and Rupee Denominated Bonds listed on IFSC exchanges taxable at a lower rate of 4%
- Transfer of specified securities* listed on IFSC exchanges by a non-resident not treated as transfer – Gains accruing thereon not chargeable to tax in India

Units in IFSC

- No GST on services:
 - (i) received by unit in IFSC.
 - (ii) provided to IFSC / SEZ units, Offshore clients.
- GST applicable on services provided to Domestic Tariff Area

Investors

- No GST on transactions carried out in IFSC exchanges

Units in IFSC

- State Subsidies – Lease rental, PF contribution, electricity charges

Investors

- Exemption from Security Transaction Tax (STT), Commodity Transaction Tax (CTT), stamp duty in respect of transactions carries out on IFSC exchanges.

Exemption from currency control regulations to IFSC Units

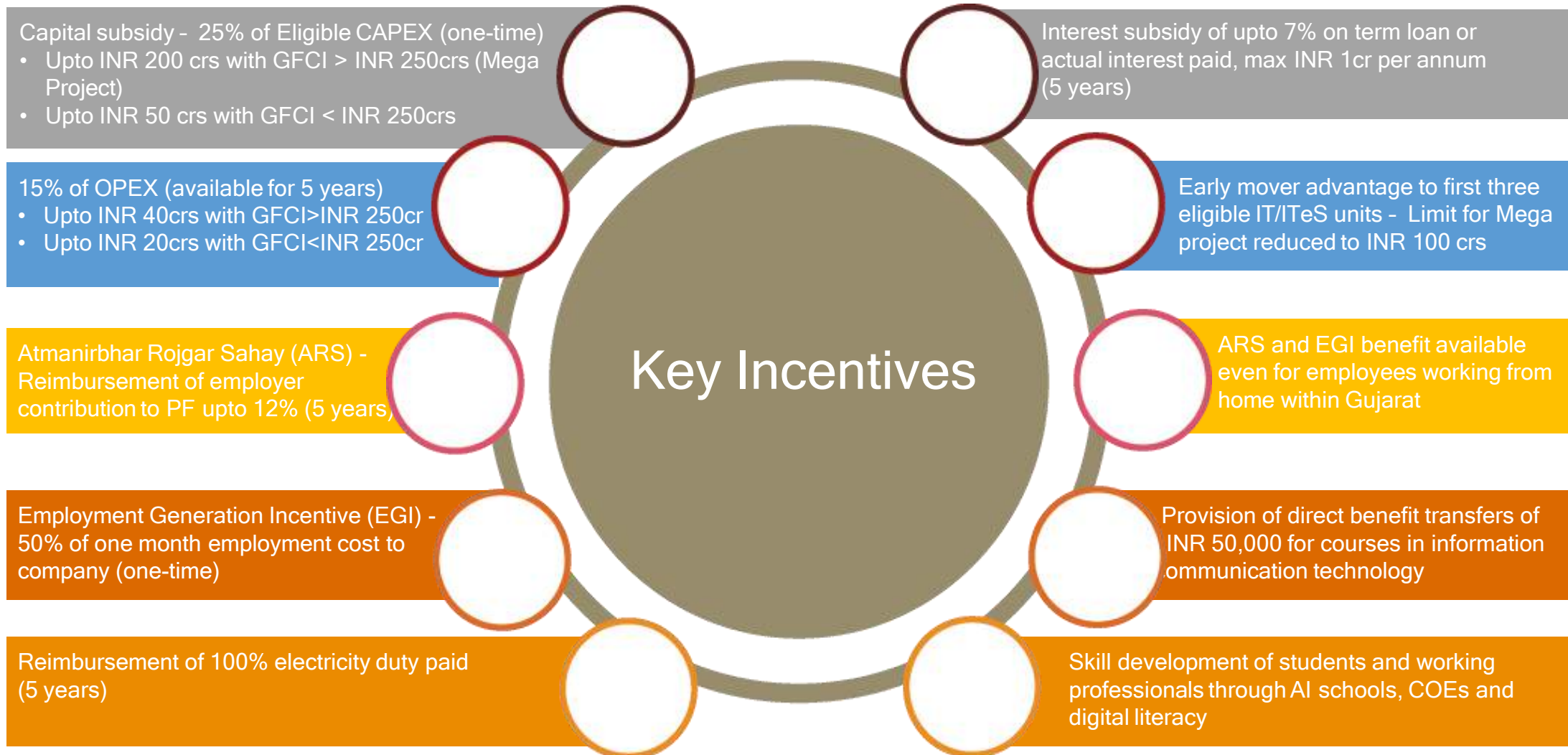
- Under SEZ Act, a unit set up in IFSC is treated as a non-resident. Even under Foreign Exchange Management Act, 2002 (“FEMA”) units in IFSC enjoy the benefits of a non-resident under exchange control provisions.

Liberalized currency control regime for Indian residents

- Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004 (“ODI Regulations”) restrict investment by an Indian resident into an overseas firm in the financial services sector. To enable, Indian residents to set-up and invest funds in GIFT City, RBI, vide its Circular dated May 12, 2021 has permitted sponsor contribution from a sponsor Indian party in an Alternative Investment Fund (AIF) established overseas, including IFSC



Government of Gujarat
IT/ITeS Policy
(2022-27)





Incentives to IT City/Township, Cloud ecosystem, Data Centres and R&D institutes

Type of Incentive	Nature	Incentive
IT City/Township	CAPEX	One time support of 25% of CAPEX subject to maximum of INR 50 crores
Facilitating infrastructure	OPEX: Rentals on per seat basis	First two years: 50% of monthly rentals subject to a maximum of INR 10,000
		First three years subsequently: 25% of monthly rentals subject to a maximum of INR 5,000
Cloud ecosystem for CLS	CAPEX	One-time support of 25% of eligible CAPEX up to INR 20 crores
Data centre projects	CAPEX	One-time support of 25% of eligible CAPEX up to INR 150 crores
	OPEX	Power tariff subsidy of INR 1/ unit
Establishing R&D institutes	CAPEX	One-time support of 60% of machinery cost up to INR 5 crores

Policy Implementation: The detailed implementation guidelines are expected to be issued by the Department of Science & Technology.

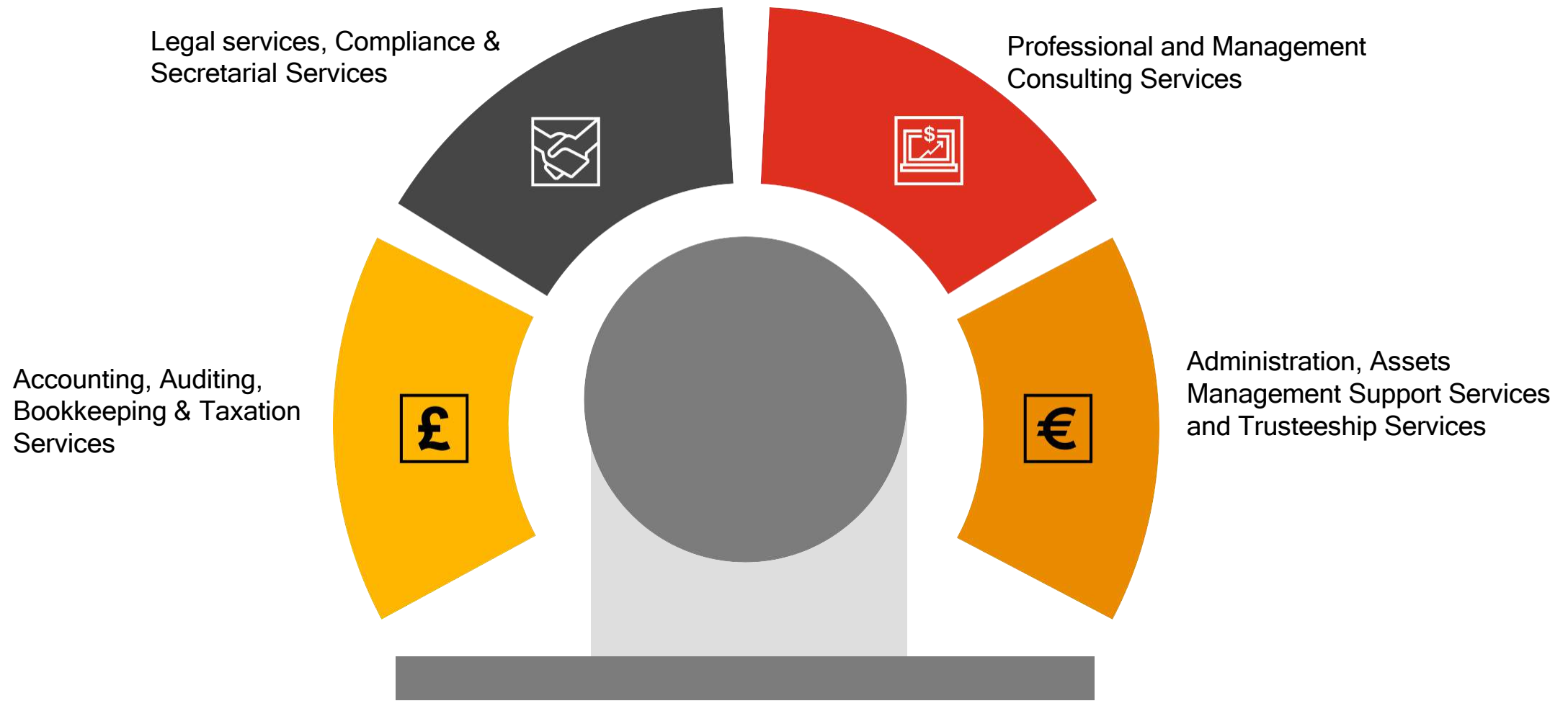


Non-Fiscal Incentives

Sr. No.	Incentive Category	Description of Support
1	Facilitation of allotment of land	- Facilitation of allotment of land by the government subject to availability and eligibility criteria
2	Self – certification	- Self-certification without inspections under various acts barring complaints and random checks
3	Investor Facilitation centre	<ul style="list-style-type: none"> - Common platform for industry players - 24*7 centralized help desk call centre - Assistance in marketing/promotion - Effective implementation of the policy - Knowledge exchange platform - Facilitating access to government sector for opening new market opportunities
4	Preferential Market Access	- Preferential access to take part in public tenders for government-owned/funded projects

Framework for Ancillary Service Providers (Professionals)

(Circular No. F. No. 206/IFSCA/Anc.Aux/2020-21 dated 10.02.2021 &
F. No. 206/IFSCA/Anc. Aux/2020-21 dated 10.06.2021)



Legal Services

➤ **Legal advisory services:**

Legal advisory services shall include tendering legal opinions, drafting legal documents including pleadings, representing before IFSCA or entities regulated by it. It shall also include research and other work for the preparation of a non-judicial case (e.g. researching legal documentation, reviewing reports), and the execution of post-litigation work.

➤ **Legal documentation and certification services:**

Preparation, drawing up and certification services of legal documents. These services comprise of related legal services including the provision of advice and the execution of various tasks necessary for the drawing up or certification of documents including commercial contracts, business charters, etc.

➤ **Other legal advisory and information services:**

Advisory services to clients related to their legal rights and obligations and providing information on legal matters not classified elsewhere. This includes services such as escrow and settlement services.

Bookkeeping Services

- Bookkeeping services consisting of classifying and recording business transactions in terms of money or some unit of measurement in the books of account.

Compliance & Secretarial Services

- Compliance Services means providing advice, consultancy, assistance or other related services, for fulfilling legal obligations/compliances under various laws for the time being in force;
- Secretarial services in relation to any applicable law including laws of foreign jurisdictions.

Taxation Services

- **Business Tax Planning and Consulting Services:**
Advisory services to enterprises to do tax planning.
- **Business Tax Preparation and Review Services:**
Services consisting of preparing or reviewing various returns and reports required for compliance with the income tax laws and regulations and representing before the tax authorities. This may also include tax planning and control.
- **Other Tax Related Services:**
Services consisting of assisting entities in tax planning and preparing all documentation required by law.

Accounting and Auditing Services

➤ **Financial auditing services:**

Examination of the accounting records and other supporting evidence of an organization for the purpose of expressing an opinion as to whether financial statements of the organization present its financial and operational position fairly on a given date, in accordance with generally accepted accounting principles.

➤ **Accounting review services:**

Reviewing services of annual and interim financial statements and other accounting information. The scope of a review is less than that of an audit and therefore the level of assurance provided is lower.

➤ **Compilation of financial statements services:**

This includes compilation of financial statements from information provided by the client. No assurances regarding the accuracy of the resulting statements are provided.

This service shall also include the preparation services of business tax returns, when provided as a bundle with the preparation of financial statements for a single fee.

➤ **Other accounting services:**

Other accounting services such as attestations, valuations, preparation services of pro forma statements, etc.

Professional Services

Professional Services provided by any of the service provider in relation to the following:

- Advisory Services to entities within IFSC in relation to a financial product or any other advisory services as required in connection with their business in IFSC or their business with an Indian company or an overseas company;
- Advisory Services to companies/entities outside India in relation to their business or investment activity including in India or in IFSC;
- Advisory Services to companies/entities in India in relation to their business or investment activities outside India or in IFSC.
- Advisory and Facilitation Services to entities in IFSC/outside India in relation to their capital raising activities outside India.
- Advisory and Facilitation Services to entities in IFSC/outside India in relation to their merger & acquisition or capital restructuring activities outside India.

Financial Management Consulting Services

- Advisory, guidance and operational assistance services concerning decision areas which are financial in nature, such as working capital and liquidity management, determination of an appropriate capital structure, analysis of capital investment proposals, development of accounting systems and budgetary controls, business valuations prior to mergers and/or acquisitions, etc.

Marketing Management Consulting Services

- Advisory, guidance and operational assistance services concerning the marketing strategy and marketing operation of an organization. Marketing consulting assignments may deal with one or a combination of analysis and formulation of a marketing strategy, formulation of customer service and pricing policies, sales management and staff training, organization of distribution channels (sell to wholesalers or directly to retailers, direct mail, franchise, etc.), organization of the distribution process, package design and other matters related to the marketing strategy and operations of an organization.

General Management Consulting Services

- Advisory, guidance and operational assistance services concerning business policy and strategy and the overall planning, structuring and control of an organization. More specifically, general management consulting assignments may deal with one or a combination of policy formulation, determination of the organizational structure (decision-making system) that will most effectively meet the objectives of the organization, legal organization, strategic business plans, defining a management information system, development of management reports and controls, business turnaround plans, management audits, development of profit improvement programs and other matters which are of particular interest to the higher management of an organization.

Administration Services

- Offering support services in relation to safeguarding and administering assets consisting of financial products, belonging to another person, or agreeing to do so.

Assets Management Support Services

- Offering support services to Asset Management Companies. Providing services for maintenance of various physical assets belonging to another person / used by other person.

Trusteeship Services

- Services such as Trusteeship for AIFs, InvIT and REIT, Security Trustee and other related financial services such as escrow agent.

Eligibility Conditions

The following entities are eligible to act as a service provider so as to provide permissible ancillary services pertaining to activities in relation to financial products, financial services and financial institutions in the IFSC:

- Any existing or newly incorporated entity set up in the IFSC or
- Any Indian or foreign incorporated entity by establishing a branch or a subsidiary

The entity may be set up in the IFSC in the form of a company or a limited liability partnership or a registered partnership firm, their branch thereof or any other form as may be approved by the IFSCA

Service Recipients

Service providers can provide permissible services to any one or more of the following:

- Entity(ies) set up in the IFSC;
- Entities from foreign jurisdictions for various permissible ancillary services in the IFSCs in India or overseas;
- Indian entities who propose to open, set up or carry out operations in IFSCs or foreign jurisdiction, provided consideration is received in freely convertible foreign currency.

*It is to be noted that in IFSC only **B2C services** are eligible. Entity cannot provide **B2B services**.*

Currency for Conduct of Business

Service providers shall transact in freely convertible foreign currency only. However, the service providers may defray their administrative expenses in INR by maintaining an INR account.

Submissions of Report / Information

- (i) Every service provider shall furnish the following information to the IFSCA:
 - a. Annual financial statements for the entity registered.
 - b. Confirmation of compliance with the regulations, circulars, guidelines and/or directions as issued by the International Financial Services Centres Authority from time to time.
 - c. Details of material regulatory action, if any
- (ii) Every service provider authorized by the IFSCA shall submit the financial information to the IFSCA in US Dollar, unless otherwise specified by the IFSCA.
- (iii) The IFSCA from time to time may call for any information, documents, or records as it may deem necessary from the service provider.

Fees

IFSC

- Application Fee - \$ 500
- Authorisation Fee per activity - \$ 2000 (For 5 years)

SEZ

Demand Draft of Rs 5000/- in Favour of "REGIONAL PAY AND ACCOUNT OFFICER MUMBAI payable at GANDHIDHAM"
Registration Fees – Rs. 25,000/-

Providing advice, consultancy, assistance or other related services, for fulfilling legal obligations/compliances under various laws for the time being in force;

Bookkeeping services consisting of classifying and recording business transactions in terms of money or some unit of measurement in the books of account.

Financial auditing services: Examination of the accounting records and other supporting evidence of an organization for the purpose of expressing an opinion on financial statements.

Accounting review services: Reviewing services of annual and interim financial statements and other accounting information.

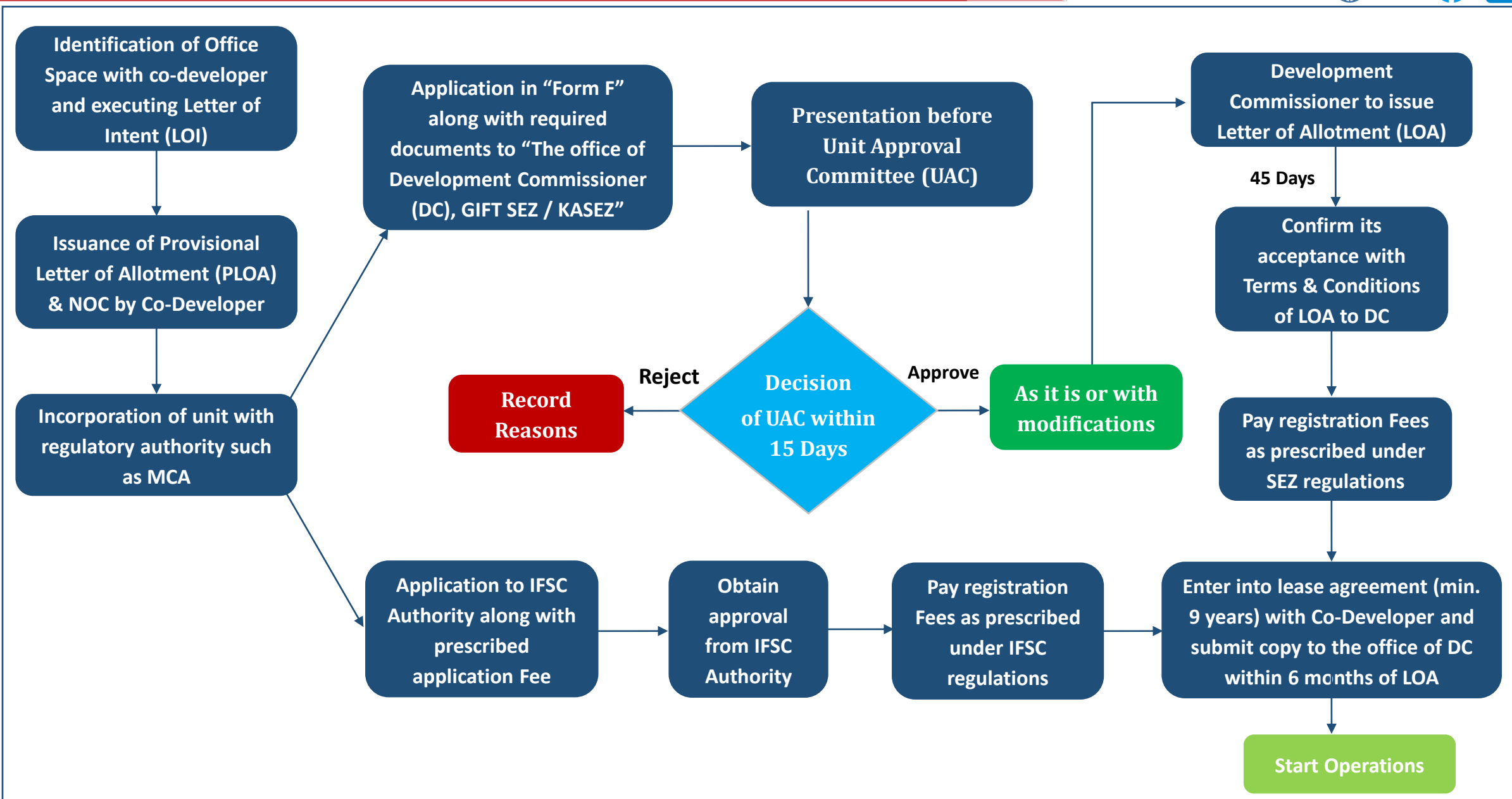
Compilation of financial statements services: Compilation of financial statements from information provided by the client. This service shall also include the preparation services of business tax returns, when provided as a bundle with the preparation of financial statements for a single fee.

Other accounting services: Attestations, valuations, preparation services of pro forma statements, etc.

Advisory Services to companies/entities outside India in relation to their business, capital raising, merger & acquisition or capital restructuring or investment activity including in India, outside India or in IFSC.

Asset Management support services to Aircraft & Ship Leasing entities in terms of their leasing agreements, funding, structuring of SPVs.

Process for setting up unit in IFSC / GIFT City



Exit Clause

SEZ / IFSC units can exit from SEZ / IFSC scheme. They have to apply for exit from SEZ / IFSC Scheme and remit the funds back to India, however they will have to follow rules and regulations mentioned in SEZ Act and Rules as well as under RBI / SEBI norms for winding up of WOS / JVs abroad.

From RBI Perspective

- Units can disinvest WOS / JVs by way of sale or shares or liquidation or merger subject to RBI norms and other conditions of Write off Investment or No write off investment.

From SEZ Perspective

Units have two options

(1) The Unit may choose to step out of the SEZ with the approval of the DC and such exit shall be subject to payment of applicable duties on the imported or indigenous capital goods, raw materials, components, consumables, spares and finished goods in stock and if the unit has not achieved positive Net Foreign Exchange, the exit shall be subject to penalty that may be imposed under the Foreign Trade (Development and Regulation) Act, 1992. The following conditions shall apply to the unit winding up: -

- penalty imposed by the competent authority would be paid and in case an appeal against an order-imposing penalty is pending, exit shall be considered if the unit has obtained a stay order from competent authority and has furnished a Bank Guarantee for the penalty adjudicated by the appropriate authority unless the appellate authority makes a specific order exempting the Unit from this requirement.

- in case the Unit has failed to fulfill the terms and conditions of the Letter of Approval and penal proceedings are to be taken up or are in process, a legal Undertaking for payment of penalties, that may be imposed, shall be executed with the DC.
- The Unit shall continue to be treated a unit till the date of final exit.
- Depreciation shall be allowed in straight line method as specified below:-
 - for computer and computer peripherals for every quarter in the 1st, 2nd and 3rd year at the rate of 10%, 8% and 5% respectively and for every quarter in the 4th and 5th year at the rate of 1%.
 - for capital goods other than computer and computer peripherals for every quarter in the 1st, 2nd, 3rd year at the rate of 4%, 3% and 3% respectively, for every quarter in the 4th and 5th year at the rate of 2.5% and thereafter for every quarter at the rate of 2%. For the purpose of computing depreciation for any part of a quarter, the rate applicable to such quarter in full shall be considered.
- In the event of a gems and jewellery unit ceasing its operation, gold and other precious metals, alloys, gem and other materials available for manufacture of jewellery shall be handed over to an agency nominated by the Central Government at a price to be determined by that agency. Development Commissioner may permit a Unit, as one time option, to exit from Special Economic Zone on payment of duty on capital goods under the prevailing Export Promotion Capital Goods Scheme under the Foreign Trade Policy subject to the Unit satisfying the eligibility criteria under that Scheme.

- (2) Any unit/developer may also opt out of the SEZ by transferring its assets and liabilities to another person by way of transfer of ownership including sale of SEZ units subject to the conditions stipulated under Rule 75A of the SEZ Rules:-
- unit has held a valid LOA as well as lease of land for not less than a period of 5 years on the date of transfer,
 - the unit has been operational for a minimum period of 2 years as on the date of transfer,
 - such sale or transfer transactions shall be subject to the approval of the Approval Committee,
 - the transfer fulfils all eligibility criteria applicable to a unit and
 - the applicable duties and liabilities, if any, as calculated under rule 74 as well as export obligations of the transferor unit, if any, shall stand transferred to the transferee unit which shall be under obligation to discharge the same on the same terms and conditions as the transferor unit.

Validity of LOA

- | | |
|--|--|
| <ul style="list-style-type: none"> ➤ LOA is valid for 1 year from date of issue. ➤ It is mandatory to Commence Operation within that period ➤ Further 3 Year extension may be granted ➤ Valid for five years from the date of Commercial Operation | <ul style="list-style-type: none"> ➤ LOA is valid for 1 year from date of issue. ➤ It is mandatory to Commence Operation within that period ➤ Further 3 Year extension may be granted ➤ Valid for five years from the date of Commercial Operation |
|--|--|

Consequences of Cancellation of LOA

- The Approval Committee may cancel the LOA at any time after providing the reasonable opportunity of being heard if it has reason or cause to believe that the unit/developer has persistently contravened any of the terms and conditions or its obligations of LOA.
- From the date of such cancellation the Unit shall not be entitled to any exemption, concession, benefit or deduction available to it under SEZ Act.
- Additionally, such unit/developer shall remit, the exemption, concession, drawback and any other benefit availed by him in respect of the capital goods, finished goods lying in stock and unutilized raw materials relating to his unit, in such manner as may be prescribed.
- Any person aggrieved by such cancellation, may prefer an appeal before the Board of Approval. Rule 77 of the SEZ Rules (and its amendments), 2006 ("SEZ Rules") provides for detailed consequences of such cancellation including removal of goods from the SEZ unit.

Budget – 2023 Highlights

(GIFT CITY – IFSC)

- Union Budget 2023 has empowered GIFT IFSC by delegating the registration / approval power that earlier lied with SEZ authorities to the IFSCA.
 - Detailed guidelines/notifications yet to come
- A single-window registration system will be in place.
 - It will simplify the approval process and boost ease of doing business. Detailed guideline/notifications yet to come.
- Non-applicability of surcharge and cess on certain incomes earned by Specified Fund in International Financial Services Centre (IFSC)
 - Surcharge and cess shall not be applicable while computing advance tax on the prescribed income (i.e. any income other than capital gains) earned by the Specified Fund (specifically defined under the Act).
 - Applicable only for entities set up as a trust. Funds set up as LLP / Company / body corporate and foreign IBUs (being corporate structure) not covered within ambit of relaxation.
- Taxability of dividend income received by non-resident from unit in IFSC
 - Dividend income received by a non-resident from an IFSC (currently taxable at the rate of 20% plus surcharge and cess) shall be taxable at the rate of 10% (plus surcharge and cess).
- Relaxation of condition prescribed for tax exemption of Offshore Derivative Instrument (ODI) holders
 - Income distributed on ODIs to NRs will be exempt to the extent such income is chargeable to tax in the hands of the IBU registered as FPI.
- Concessional tax rate on interest income on specified bonds listed on IFSC stock exchange
 - Presently, interest income received by non-resident from specified bonds issued prior to 1 July 2023 and which are listed only on IFSC stock exchanges are taxed at the rate of 4%.
 - w.e.f. 01-07-2023, interest income received by non-resident on specified bonds issued on or after 1 July 2023 and listed only on IFSC exchange will be chargeable to tax at the rate of 9%.

- Exemption on certain income received by non-resident outside India, in a bank account maintained with IBU in IFSC
 - Currently, exemption is provided to non-resident on income earned from portfolio managed by a portfolio manager in IFSC which was accruing or arising outside India and was received in an account maintained with Offshore Banking Unit in IFSC.
 - Now, above exemption is extended to such activities carried out by specified persons as may be notified by the Central Government.

- Expansion of definition of Original Fund in case of relocation
 - To encourage migration of offshore funds to IFSC, currently, a tax exemption is available to offshore funds (referred to as 'original fund') and its unit holders / shareholders on transfer of capital assets pursuant to relocation.
 - Definition of Original Fund expanded to include:
 - Investment vehicle in which Abu Dhabi Investment Authority (ADIA) is direct/ indirect sole shareholder/ unitholder/ beneficiary and it is wholly owned and controlled by ADIA or Government of Abu Dhabi.
 - Any fund as may be notified by Central Government satisfying the conditions that may be specified.

- Tax Holiday extension to Offshore banking unit (OBUs) in SEZ
 - Presently, tax holiday is provided to OBU in SEZ on their income to the extent of:
 - 100% of the income for 5 consecutive years from the year in which RBI approval for set-up of OBU was obtained; and
 - 50% of the income for next 5 years.
 - To bring parity in tax for OBUs set up prior to 1 April, 2020, tax holiday of 100% of profits shall be provided to such OBUs for their remaining period of tax holiday out of 10 years.

- Availability of tonnage tax regime to ship leasing entities in IFSC
 - Ship leasing entities in IFSC will be able to opt for tonnage tax regime within 3 months from the end of their tax holiday period.

- Exemption provided to Aircraft leasing entities in IFSC
 - Sale of equity shares of an IFSC unit engaged in aircraft leasing to a non-resident or another IFSC unit engaged in aircraft leasing shall be exempt provided:
 - The operations of the domestic company in IFSC shall commence on or before 31 March, 2026;
 - The capital gains should have arisen within a period of 10 years from the year in which the domestic company has commenced operations or AY 2034-35, whichever is later.
 - Dividend income received by a unit in IFSC engaged in aircraft leasing from another unit in IFSC also engaged in aircraft leasing shall be exempt.

- TCS provisions on LRS remittances extended to IFSC
 - Tax Collected at Source (TCS) on foreign remittances under LRS by resident individuals is increased from 5% to 20% without any threshold, excluding remittances for education and medical treatment.
 - Further, currently TCS is applicable on remittances made under LRS outside India. It is now expanded the scope of remittance subjected to TCS by covering all remittance made under LRS and not just remittances made “out of India” (thus including remittance to IFSC), with effect from July 1, 2023.

Q & A Session



The information contained herein is intended for general guidance only. It shall not be used as a substitute of professional advice. Before acting on any matters contained herein, reference should be made to press releases, circulars or any other publications issued by respective authorities. Khandhar Mehta & Shah will not be responsible to any person for any action taken based on this material.

Source: URL – GIFT City, IFSCA and Public Domain

**AT WORK AT PLAY
LET SAFETY LEADS THE WAY**