



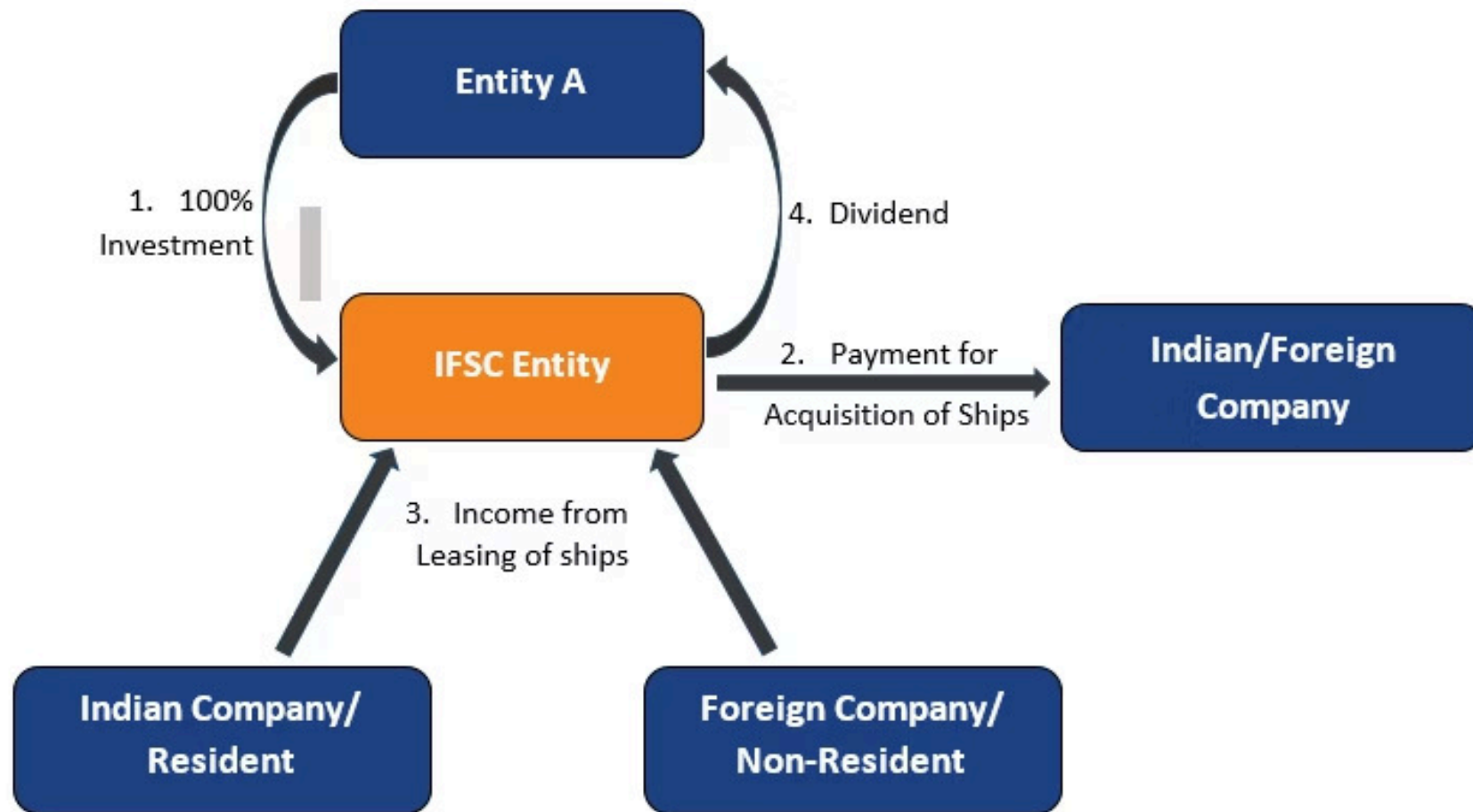
# GIFT City IFSC Structure

Overview of establishing a ship leasing subsidiary in India's International Financial Services Centre (GIFT City)

16 January 2026

# Fund Flow Structure

Fund Flow for the proposed structure is as depicted below:



1

# GIFT City - International Financial Services Centre

GIFT City (Gujarat International Finance Tec-City) is India's first smart city and a Special Economic Zone (SEZ) in Gandhinagar, housing India's first International Financial Services Centre (IFSC). It is an initiative by the Government of India intended to encourage foreign investment and develop India as a global financial hub.

## Key Features

- State-of-the-art infrastructure
- One of the world's leading smart cities
- Strategic location with global market access
- Access to talent pool

## Industries Served

- Banking and Finance
- Asset Management
- Capital Markets
- Aircraft & Ship Leasing
- Insurance

## Income Tax Benefits

100% profit-linked deduction for 10 years

## GST Advantages

Zero-rated supplies and concessional rates

# Permissible Ship Leasing Activities

Entities registered under IFSCA can carry out various ship leasing and related activities:



## Leasing Transactions

Financial lease, hybrid of financial and operating lease or operating lease, including sale and leaseback, purchase, novation, transfer, assignment and similar transactions



## Commercial Employment

Voyage charters, contracts of affreightment, employment in shipping pools, and all other legal commercial transactions for employment of ships



## Asset Management

Asset management support services for assets owned or leased by group entities



## Ancillary Services

Ship broking related to ship-leasing activities and third-party asset management services (requires separate registration)



## Container Leasing

While not expressly provided, entities have been granted permission for leasing containers along with vessels



## Other Activities

Any other related activity with prior approval of the IFSCA

# IFSCA Regulatory Framework

The IFSC entity will be registered as an IFSC unit and regulated by the International Financial Services Centres Authority (IFSCA). Ship leasing is a permitted financial activity under the IFSCA (Finance Company) Regulations, 2021, providing a liberalised regulatory regime. Refer Annexure for list of entities registered for Ship Leasing as on date.



## Registration Required

Certificate of Registration from IFSCA to act as lessor



## Banking Requirements

Transactions in convertible foreign currency through IFSC Banking Unit



## Applicable Laws

Merchant Shipping Act, 1958 and Companies Act, 2013 apply

## Minimum Capital Requirements

**\$3M USD**

### Financial Lease

For Financial Lease or Financial + Operating Lease

**\$0.2M USD**

### Operating Lease

For Operating Lease only

**6**

### Months Timeline

Time period provided from provisional registration for infusing funds



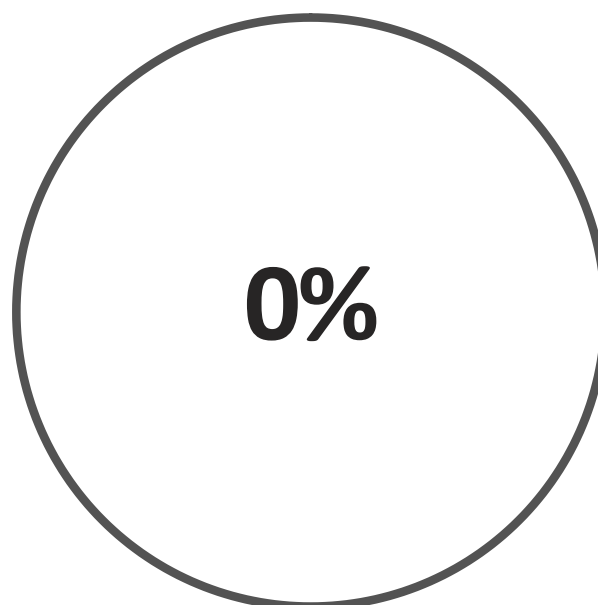
**Important Restriction:** The IFSC entity cannot undertake transactions involving transfer of ownership/leasehold right from a person resident in India (PRII) to IFSC for providing services solely to a PRII. However, acquisition of new vessels from PRII is permissible.

# Income Tax Implications



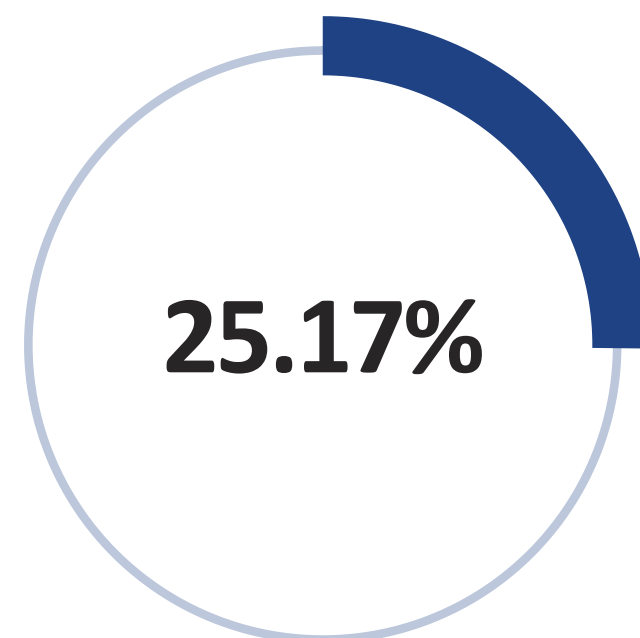
## Tax Holiday

Profit-linked income tax deduction for 10 consecutive years out of initial 15 years



## Withholding Tax

No withholding tax on ship leasing income during tax holiday period



## Post-Holiday Rate

Corporate tax rate after tax holiday under new regime

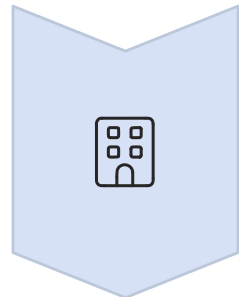
## Compliance Requirements

- Form 10CCF must be furnished electronically with return of income every year for 10 years
- Copy of IFSCA registration must be submitted
- Form No.1 statement-cum-declaration to be furnished to lessee
- **Business operations must commence on or before 31st March, 2030**



**MAT Exemption:** Companies opting for new regime are fully exempt from 9% Minimum Alternate Tax

# Dividend Payment Structure



## IFSC Entity

Deducts TDS @ 10% on dividend payment to Entity A



## Entity A (Indian Company)

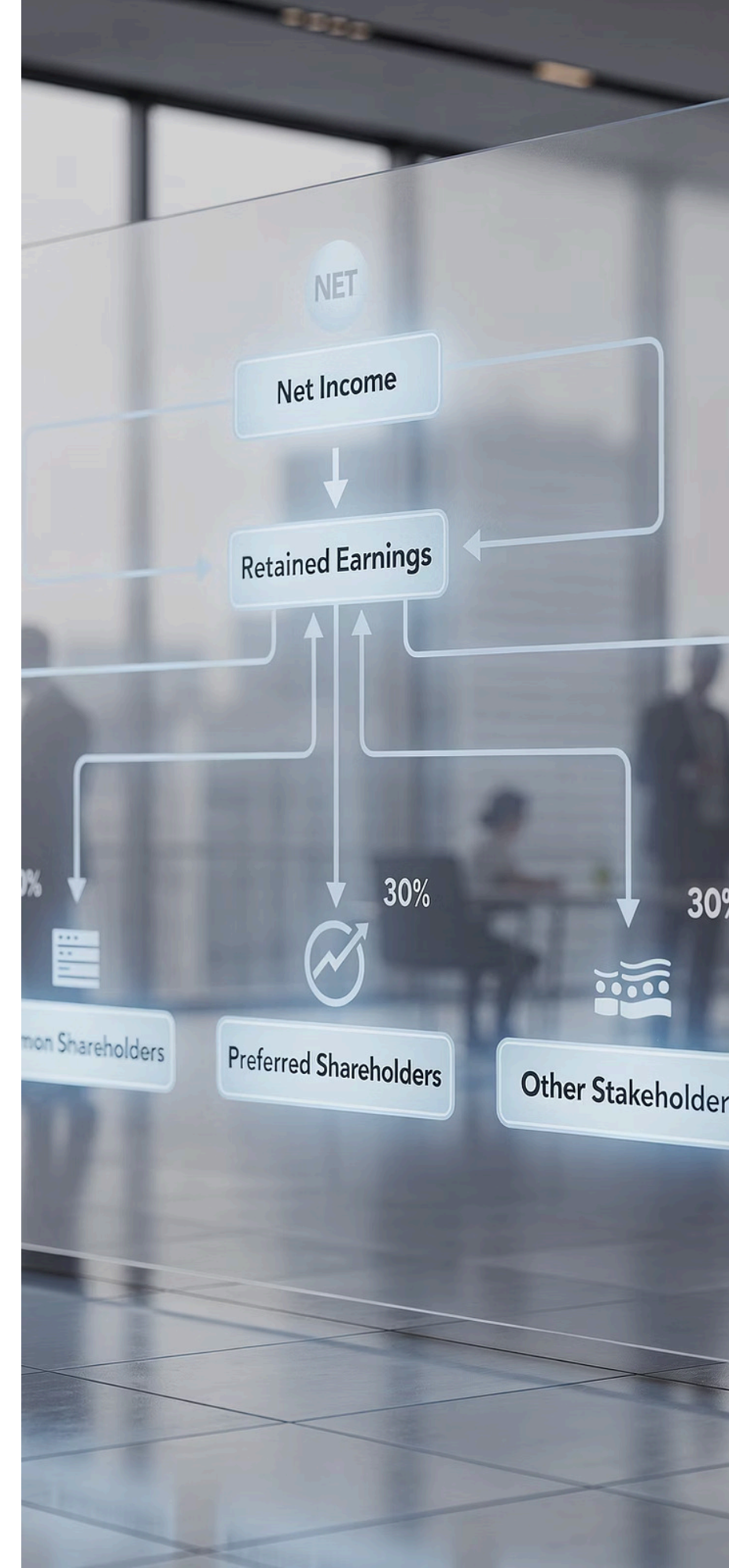
Eligible for deduction of dividend received from IFSC entity while declaring dividend to Entity B (Foreign entity - ultimate parent)



## Entity B (Ultimate Parent)

Bears ultimate tax @ 10% on dividend income

**Key Benefit:** Entity A shall not pay any tax on dividend received from IFSC entity, provided it distributes that dividend to Entity B within the prescribed time limit. The ultimate tax burden is only 10%, borne by Entity B.



# Transfer of Ships/Vessels



## **Tax Deduction on Sale**

Income arising from transfer of ship which was leased by the IFSC entity shall be eligible for 100% tax deduction during the tax holiday period of 10 years

## **Commencement Deadline**

Benefit available provided business operations are commenced on or before 31st March, 2030

# Transfer Pricing Implications

Since Entity A wholly controls the IFSC entity, both entities shall be treated as associated enterprises and must comply with Domestic Transfer Pricing regulations. All transactions must be at Arm's Length Price.

## **Related Party Transactions**

Lease payments from Entity A or related parties to IFSC entity should be at Arm's Length Price

## **Domestic Transfer Pricing**

Transactions with domestic group companies of Entity A qualify as Related-Party Domestic Transactions

## **International Transfer Pricing**

Transactions with foreign group companies qualify as Related-Party International Transactions

# Foreign Exchange Regulations

## Residency Status

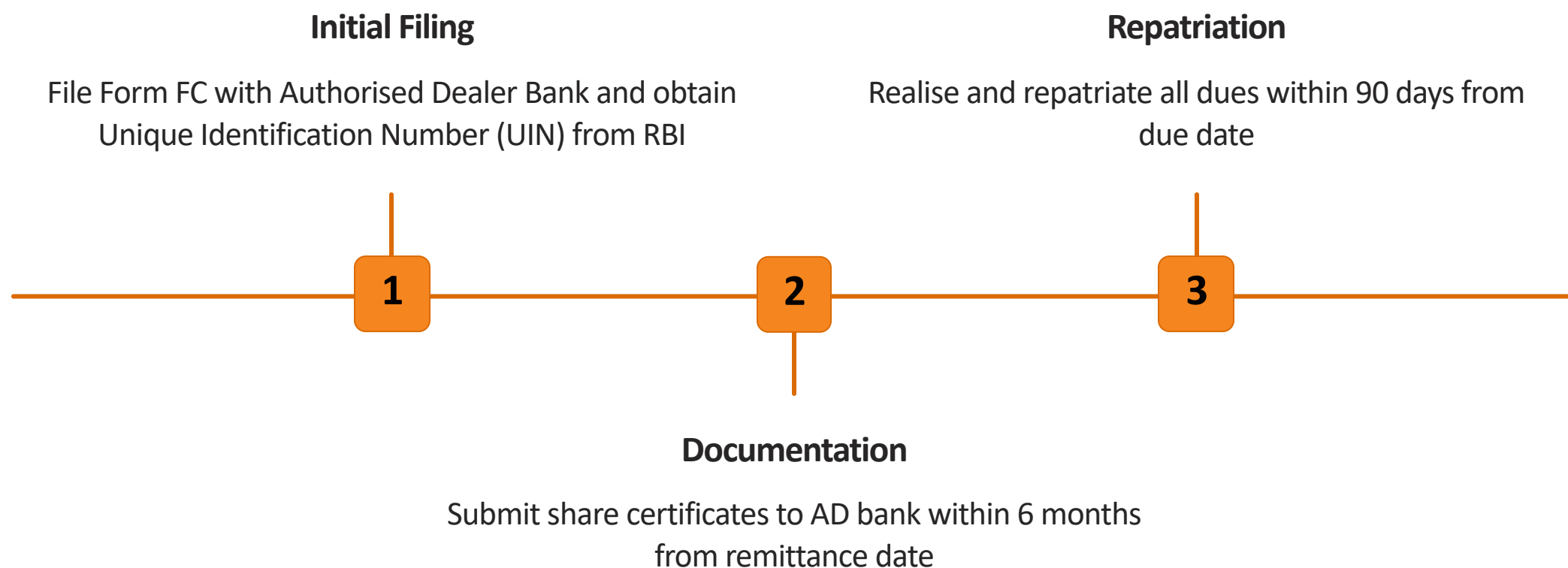
As per FEM (IFSC) Regulations, 2015, the IFSC entity shall be treated as a Person Resident Outside India (PROI) under foreign exchange laws

## Capital Contribution

Treated as permitted capital account transaction and freely allowed. No RBI approval required

# FEMA Compliance

Investment by Entity A into IFSC entity shall be treated as Overseas Direct Investment (ODI) as per FEM (Overseas Investment) Regulations, 2022:



**Important:** All transactions relating to the UIN must be routed through the designated AD bank for that UIN.

# GST Implications

## Import into IFSC

Import of ship or ocean vessel into IFSC not subject to basic custom duty (BCD) and IGST. However, proper customs procedure for importation to be followed and endorsement from the SEZ officer that it is for authorized operations needs to be obtained.

## Leasing to Indian Companies

Leasing to Indian shipping company/DTA customers treated as inter-state supply. Subject to IGST at concessional rate of 5% under forward charge on lease rental payments. Input Tax Credit can be availed by IFSC entity

## Zero-Rated Supply

Supplies by IFSC entity to non-resident customers or units within IFSC treated as export of service. No GST liability if Letter of Undertaking (LUT) is furnished

## Sale of Ocean Vessels by IFSC entity

Sale of oceans vessels to DTA liable to GST in the hands of buyer while no GST liability in case of sale within IFSC or outside India

# Key Takeaways



## Strategic Structure

IFSC entity provides tax-efficient platform for ship leasing with 100% tax holiday for 10 years and simplified regulatory framework



## Global Access

IFSC entity treated as Person Resident Outside India, enabling access to global markets and foreign capital



## Dividend Efficiency

Optimised dividend structure with only 10% ultimate tax burden borne by foreign parent company



## Capital Efficiency

Minimum capital requirement of USD 3M for financial lease or USD 0.2M for operating lease, with 6 months to infuse funds



## Compliance Framework

Clear regulatory pathway through IFSCA with defined compliance requirements under FEMA, Income Tax, and GST laws



## Flexible Operations

Wide range of permissible activities including financial/operating leases, asset management, and ship broking services

When You Win,  
We Win!

**Address:**

Benefice Business House, 3rd Level, 126, Mathuradas Mills Compound, N.M. Joshi Marg, Lower Parel (W), Mumbai – 400013, India.

**Contact Details:**

**Niraj B. Chheda**

M: +91 9821787080

E: [niraj.chheda@gbcaindia.com](mailto:niraj.chheda@gbcaindia.com)

Website: <https://gbcaindia.com>

Linkedin: [GBCA & Associates LLP | LinkedIn](#)

*Disclaimer: The information contained in this write up is to provide a general guidance to the intended user. The information is based on our interpretation of various prevailing laws, rules, regulations, pronouncements as on date mentioned below. The information should not be used as a substitute for specific consultations. The information has been provided in simplified manner for general reference of the public which can lead to interpretation not intended under law. Although, the endeavour is to provide accurate and timely information, there can be no guarantee that there is an absence of any compilation error or such information is accurate as of the date it is received or that it will continue to be accurate in the future. Hence, we recommend that professional advice is sought before taking any action on specific issues. No part of this document should be distributed or copied by anyone without express written permission of the publisher.*