



Affluence
Advisory Private Limited



Gujarat International Finance Tec-City



GIFT City is an integrated development on 886 acres of land with 62 mn sq. ft. of Built Up area which includes Office spaces, Residential Apartments, Schools, Hospital, Hotels, Clubs, Retail and various Recreational facilities, which makes this City a truly “Walk to Work” City. GIFT City consist of a conducive Multi-Service SEZ (Special Economic Zone) and an exclusive Domestic Area.

This City is a Vertical City which will optimize land area consumption for development. The City is located on the bank of river Sabarmati connecting the Business capital (Ahmedabad) and Political capital (Gandhinagar) of Gujarat State- The Growth Engine of India. GIFT City is a new Financial & Technology Gateway of India for the World.

WHAT IS THE GIFT CITY

The **Gujarat International Finance Tec (GIFT) City** consists of 2 zones:

An SEZ (Special economic zone)

A Domestic tariff area (DTA)

To make GIFT City a global hub for financial services, the government of India has been working along with various regulators. It is a developed area with state-of-the-art infrastructure, including power, water supply, transport, and housing. It is an ideal environment for you to set up your business.

Gift City includes 'International Financial Services Centre' ("IFSC"), which is a Special Economic Zone ("SEZ") for financial services. IFSC aims to provide an easy access to global investors for establishing businesses in banking, insurance, capital market and asset and fund management. In addition to being a global hub for international transactions in finance and technology, IFSC in GIFT City will also act as a bridge between local businesses, international investors and technology leaders.

WHY TO INVEST IN GIFT CITY

1. Business:

GIFT City is a planned business district in Gujarat, India. It is the new business destination offering competitive edge to Financial services and Technology related activities. An integrated development with Walk to Work concept adds immense value to the business.

2. Quality of Life:

GIFT City is equipped with some of the latest technology known to man. From the latest public transport, to automated waste collection to an efficient district cooling system, GIFT City has the best amenities available for its residents.

3. **Smart Urban Infrastructure:**

GIFT City is a Smart City in every sense with Urban Planning adhering strongly to green-building principles and highest standards of efficiency in terms of energy and environment friendliness.

4. **Participation Opportunities:**

Real Estate Developers and various Financial & IT/ITeS Institutions can be a part of one of the most ambitious infrastructure and technological Smart City project in India today. The City is a catalyst for the Services sector growth in India and there is an opportunity for everyone to participate.

HOW TO SET UP OFFICE IN GIFT SEZ

1. First and the foremost step is to identify office in GIFT SEZ to start a SEZ Unit.
2. Once an agreement is stricken with the developer / co-developer, the Entity needs to obtain 'Provisional Letter of Allotment (PLOA)'.
3. Preparation of FORM F: The Entity needs to submit FORM F along with the below stated annexures:
 - ✓ Demand Draft of Rs 5,000/- in Favour of REGIONAL PAY AND ACCOUNT OFFICER MUMBAI payable at GANDHIDHAM
 - ✓ Provisional Letter of Allotment issued by the Co-Developer
 - ✓ Detailed Project Report – inclusive of Projections for 5 years
 - ✓ Entity ID's such as License, PAN Card, IEC Code etc.
 - ✓ Self-Certified copies of Memorandum of Association, Articles of Association
 - ✓ Self-Certified copies of Board Resolution for setting up office in GIFT IFSC
 - ✓ Certificate of Incorporation
 - ✓ List of Directors with their Identity proofs
 - ✓ Last 3 Years Audited Financial Statement and IT return of the Entity or Directors.
 - ✓ Brief Presentation covering the Entity profile and scope of activities to be carried out from GIFT IFSC.
 - ✓ Affidavit

Above mentioned documents are to be prepared in 3 Sets and are to be submitted in below stated manner.

- Original set to be submitted to the Office of the Development Commissioner.

- Second set to be submitted to the developer i.e. GIFT SEZ so as to enable submission of NOC from the developer directly to the office of Development Commissioner.
 - Third copy is for the Entity itself.
4. After FORM F is submitted, Development Commissioner would call the entity for appearing in the “Unit Approval Committee” (UAC) meeting where in the Entity’s authorised representative will present himself on behalf of the Entity for the hearing.
 5. Upon satisfaction of UAC, a Letter of Permission / Approval (LOA) shall be issued by Development Commissioner, SEZ to the Entity.
 6. The Entity will be required to submit a Letter of Acceptance of terms and conditions to Development Commissioner within 45 days of issuance of LOA.
 7. Thereafter the Entity has to execute lease deed with his co-developer within 6 months of issuance of LOA and is required to submit the same to the Development Commissioner.
 8. Once SEZ License is issued Entity needs to obtain registration with NSDL portal for the purpose of SEZ Online Registration from which reporting and other services like creation of Bill of entry for Import., recording of import of goods or local procurements, induction of any services etc., will be entered and recorded.
 9. Afterwards, the Entity is required to prepare and execute Bond Cum Legal Undertaking with the Development Commissioner and Specified Officer, GIFT SEZ and submit the same.
 10. After that the Entity shall move forward with obtaining various registration certificates like GST, RCMC, IEC etc and obtaining eligibility certificate for exemption of various taxes from Central and State Government.

11. Registration with IFSCA:

Regulatory powers of four financial services regulators in India are vested in IFSCA (International Financial Services Centres Authorities) with respect to regulation of financial institutions, financial services and financial products in the IFSC, making it a unified regulator for the IFSC. The said four regulators are IRDA, RBI, SEBI and PFRDA.

Therefore, after the Entity has set up unit in IFSC but prior to commencement of operations of its office, the Entity is required to obtain Certificate of Registration from the IFSCA.

For obtaining the Certificate of Registration from IFSCA, the Entity is required to prepare and submit an application to IFSCA along with necessary application fees.

12. After completing the above, the unit will be eligible to start its business operations (export of services). It is mandatory to intimate the date of first export of service to the Office of Development Commissioner, through an application containing subject line “Commencement of business operations” with a supporting evidential document like Tax Invoice. Please mark a copy to us (GIFT SEZ Developer) also.

INCENTIVES IN IFSC

Government of India and Government of Gujarat have provided a slew of incentives to the entities setting up the GIFT City. These incentives range from exemption of registration fee and stamp duties to tax benefits. Details of the incentives are set out herein below:

A. **FISCAL INCENTIVES TO IFSC UNITS:**

1. **Income Tax benefits to Units in IFSC & Investors:**

Units in IFSC:

- a. 100% tax exemption for 10 years out of 15 years
- b. IFSC Unit has the flexibility to select any 10 years out of 15 years block
- c. 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
- d. 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:

- a. 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%
- b. 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.

2. **Goods and Services Tax (GST):**

Units in IFSC:

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

Investors:

- a. No GST on transactions carried out in IFSC exchanges

3. Other taxes and duties:

Units in IFSC:

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

Investors:

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

B. OPERATIONAL BENEFITS:

1. 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.

2. 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.

BUDGET 2022

Budget 2022 proposals continue to further incentivize business and investments in GIFT, taking it a step closer to becoming a destination that global investors can no longer afford to ignore. The key proposals pertaining to GIFT City and their potential impact are:

Regulatory Proposals

- Permission to foreign universities and institutions to offer courses in financial management, fintech, science, technology, engineering and mathematics. These institutions will not be subject to domestic Indian regulations, other than those imposed by the IFSC authority. This proposal will be extremely helpful to create a workforce with the necessary skills in financial services as well as the latest technologies, which will be required for servicing and implementing the products and services GIFT IFSC seeks to offer. This will also help in the necessary upskilling of employees or professionals who have shifted base to GIFT IFSC for employment/professional opportunities.
- Setting-up an International Arbitration Centre for timely settlement of disputes under international jurisprudence has also been proposed. This is a relevant step for providing necessary comfort to offshore investors venturing into IFSC, given the inherent fear and uncertainty with respect to the timelines which foreign investors have regarding litigation mechanisms in India.
- Facilitation of services for global capital for sustainable and climate finance in India to be carried out from IFSC. The government has sought to complete the spectrum of capital financing in GIFT IFSC by including these avenues, which have also gained popularity due to increased awareness towards climate change.

Tax Proposals

An exemption is provided to non-residents on gains from the sale of offshore derivative instruments or over-the-counter derivatives entered with an Offshore Banking Unit (OBU) in an IFSC. A similar exemption was provided on gains from non-deliverable forward contracts vide Budget 2021.

Budget 2021 had brought incomes from the leasing of aircrafts within the purview of IFSC tax exemptions. Budget 2022 extends this tax exemption to royalty and interest income earned by non-residents by leasing ships to units located in the IFSC. This is subject to certain conditions and the unit should commence operations before 31 March 2024. A tax holiday is also available on income arising from the transfer of the ship leased to such units.

- To encourage availing of portfolio management services in the IFSC, Budget 2022 proposes to exempt income earned by non-residents from the portfolio of securities/financial products/funds that are managed by a specified portfolio manager in an account maintained with an OBU in the IFSC. This exemption is applicable on incomes which accrue outside India.
- Category I and Category II AIFs in the IFSC are proposed to be excluded from gift tax where shares are issued to them above fair market value by a venture capital undertaking.

OPPORTUNITIES FOR BANKING SECTOR IN IFSC

Indian banks and foreign banks can set up their business units in IFSC and can undertake following activities in IFSC:

1. **Asset Business:**

1.1 External Commercial Borrowing (ECB) loans to Indian borrowers. Indian borrowers may prefer loans from IBU because of physical proximity and because of known documentation.

1.2 Buyers credit facilities to Indian borrowers: Pursuant to RBI directions, Indian branches of banks are not allowed to provide buyers credit facilities to the customers. However, since IBU is an offshore branch, it can provide buyers credit facilities to Indian borrowers.

1.3 Foreign currency Loans to foreign companies.

1.4 Foreign currency loans to entities registered in IFSC.

1.5 Export bill discounting facility to Indian businesses.

1.6 Financing Aircraft and ship leases and acquisitions.

2. **Liability Business:**

2.1 Open foreign currency current, savings accounts for Resident Individual and Non-Resident Individuals as per IFSCA Regulations.

2.2 Foreign currency deposits from banks, corporates, or retail customers.

3. Exchange operations:

3.1 Clearing and settlement activities for exchanges in IFSC.

3.2 Professional clearing services.

3.3 Custody services for securities (depository receipts) registered in IFSC.

For FAQ's kindly refer to the below web link which is official website of GIFT CITY

<https://www.giftsez.com/faq.aspx>

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