



The rise of the Gujarat International Finance Tec-City (GIFT City) as India's premier International Financial Services Centre (IFSC) has redefined the country's financial boundaries. Operating as an offshore jurisdiction within the sovereign borders of India, GIFT City offers a unique regulatory "sandwich": the infrastructure of India with the regulatory ease of global hubs like Singapore or Dubai.

At the heart of this success is the strategic interplay between IFSCA (International Financial Services Centres Authority) and FEMA (Foreign Exchange Management Act). By treating IFSC units as "persons resident outside India" for foreign exchange purposes, the RBI has unlocked a suite of exemptions for Current Account Transactions, allowing businesses to move capital with unprecedented fluidity.

The FEMA Non-Resident Status: The "Magic Wand" for IFSC Units

Under the [FEMA \(International Financial Services Centre\) Regulations](#), any unit established in an IFSC is treated as a person resident outside India.

This "FEMA Non-Resident" status is the cornerstone of all exemptions. It means that while these units are physically located in Gujarat, they are legally "offshore." This status permits them to:

- Maintain accounts in any freely convertible foreign currency.
- Engage in current account transactions (payments for trade, services, interest) without the usual "LRS" or "Master Direction" constraints that apply to Domestic Tariff Area (DTA) units.
- Avoid the requirement of seeking RBI approval for standard business remittances.

Snapshot: DTA vs. IFSC Unit (Current Account Comparison)

Feature	DTA (Domestic) Unit	GIFT City (IFSC) Unit
Residency under FEMA	Resident in India	Non-Resident
Primary Currency	Indian Rupee (INR)	Foreign Currency (USD, EUR, etc.)
Export Realization	9-15 Months (Standard)	15-18 Months (Flexible)



SOFTEX Filing	Mandatory for Software	Abolished/Simplified
Interest Payments	Subject to TDS/Limits	TDS Exempt / Highly Liberalised

Leveraging the New "FEMA Export-Import Regulations 2026"

The notification of the FEMA Export and Import Regulations, 2026, has further strengthened the GIFT City ecosystem. Units in GIFT City are now utilising these consolidated rules to bypass traditional trade friction.

A. Extended Realisation Timelines

While the 2026 regulations extended the general export realisation period to 15 months, GIFT City units, owing to their non-resident status and the nature of project exports, often negotiate even more flexible settlement cycles. For INR-invoiced trade through IFSC accounts, the realisation is permitted up to 18 months, providing a massive buffer for liquidity management.

B. Abolition of Service Reporting Friction

For service providers and IT firms in GIFT City, the biggest lever is the removal of SOFTEX and fragmented service reporting.

- **IFSC Advantage:** Since transactions are purely foreign-currency-to-foreign-currency, the reconciliation with AD Banks happens in real-time.
- **The "Unified EDF":** Units use a single Export Declaration Form (EDF) that is integrated with their International Banking Unit (IBU) systems, eliminating the 45-day lag often seen in domestic units.

Current Account Flexibility: Real-World Applications

1. Treasury Management and Global Billing

Global companies use GIFT City units as "Billing Hubs." A unit can receive USD from a US client and pay a vendor in Singapore instantly. Under domestic FEMA, such a "Third-Party Payment" would trigger intensive scrutiny. In GIFT City, this is a standard current account transaction, treated as an offshore-to-offshore transfer.



2. The "Set-Off" Benefit

Under the 2026 framework, GIFT City units can freely set off export receivables against import payables within group companies.

Example: A tech unit in GIFT City exports ₹1 Cr worth of services to its UK parent and imports ₹50 Lakhs worth of hardware from its German affiliate. The unit can settle the net ₹50 Lakhs balance directly, a process that requires multi-layered documentation in the domestic area.

3. Interest and Royalty Remittances

Current account transactions include payments for interest on loans and royalties for intellectual property. GIFT City units can remit these to foreign parents without the administrative "caps" usually found in the DTA, provided the transactions are "ordinary course of business."

Case Study: NexGen FinTech's Dollar-Based Efficiency

The Scenario: NexGen is a high-frequency trading firm and FinTech service provider. They were originally based in Mumbai (DTA) but moved their global consulting wing to GIFT City in 2025.

The Friction (Pre-GIFT City):

- Filing SOFTEX for every digital service export.
- Losing 2-3% on currency conversion from USD to INR and back for paying foreign cloud server costs.
- Waiting for AD Bank approval for "miscellaneous" remittances above certain limits.

The Leveraging (Post-GIFT City - 2026):

- **Dollar Accounting:** NexGen keeps its earnings in a USD Current Account. They pay their AWS (Global) fees directly in USD, saving on conversion costs.
- **FEMA 2026 Benefit:** They utilised the 18-month realisation window to offer flexible payment terms to their clients in emerging markets, outcompeting rivals who needed payment in 9 months.
- **Exemption Leverage:** They remitted \$2 million in royalties to their US parent for software licenses without a separate RBI filing, documenting it as a "Current Account Transaction" under IFSCA regulations.

Recent Regulatory Stats (Q3 2025-26)

The impact of these exemptions is reflected in the explosive growth of GIFT City's banking and trade metrics.



Metric	Value (As of December 2025)	YoY Growth
Total Banking Assets	Over USD 100 Billion	25%
Monthly Exchange Turnover	Over USD 4 Billion	18%
Active GIFT City Units	More than 1000 units	30%
Credit Outstanding (Treasury)	Over USD 2 Billion	40%

**Data compiled from IFSCA Q3 Reports 2025-26.*

Navigating the Guardrails: Compliance in 2026

While exemptions are vast, "unregulated" is not the word. The IFSCA (Banking) Regulations, 2025-26, place the onus on the units to maintain:

1. **Genuineness Test:** AD Banks (IBUs) must satisfy themselves that the current account transaction is for a valid business purpose.
2. **Anti-Money Laundering (AML):** Units must follow strict KYC and FATF standards.
3. **Audit Trail:** Even if SOFTEX is gone, the unit must maintain an internal audit trail for 10 years to justify every dollar moved.

Conclusive Summary

The synergy between IFSC and FEMA has created a "Regulatory Oasis" in GIFT City. By leveraging the non-resident status and the liberalised 2026 Export-Import framework, units are now able to conduct current account transactions at the speed of a global digital economy.

The abolition of archaic filing requirements (like SOFTEX), the freedom to hold and spend foreign currency, and the empowerment of local AD Banks to approve complex trade settlements have made GIFT City the preferred gateway for global trade. For businesses, the message is clear: if your operations involve frequent cross-border movement of services, royalties, or trade payments, the GIFT City route is no longer an option; it is a competitive necessity.



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