Boosting Business at GIFT IFSC

What is the issue?

Business at GIFT IFSC (Gujarat International Finance Tec-City - International Financial Services Centre) will thrive if more Indian companies use the platform to raise overseas funds.

What are the recent measures in this regard?

- **Union Budget** - The Union Budget 2021 made changes to taxation of foreign investors operating in the GIFT IFSC.
- The Budget has provided for tax neutral relocation of foreign funds to the GIFT IFSC.
    - This paves way for foreign funds to shift from other offshore jurisdictions such as Singapore and Mauritius.
- In 2020, the RBI had allowed offshore units of Indian banks to participate in the offshore rupee non-deliverable forward market.
    - These banks were further incentivised in the Budget.
- The Budget provided for tax holiday for capital gains of aircraft leasing companies set up in the IFSC.
- It offered tax exemption for aircraft lease rentals paid to foreign lessors in the IFSC.
- These moves will encourage these companies to shift their base from low-tax jurisdictions.
- Activity is notably picking up at the Indian offshore business centre.
- **RBI** - The RBI, recently, allowed domestic investors to invest in the GIFT IFSC.
- The RBI permitted the resident individuals to make remittances to the IFSC under the Liberalised Remittance Scheme (LRS) with the purpose of purchasing securities issued by non-resident entities.
    - This will help improve demand of products issued at the IFSC.
- Giving resident individuals, permission to open non-interest bearing foreign currency accounts in the IFSC clears one of the biggest hurdles faced by the offshore centre.
    - A number of Indian banks and brokers already have a subsidiary in the IFSC.
    - Given this, domestic investors, especially HNIs, will find it easy to invest

in dollar-denominated bonds and other securities issued at the IFSC.

How will these help?

- Moves by the Centre and the RBI show that they are acting in tandem to make the Indian IFSC an active offshore investment hub.
- A vibrant IFSC would aid domestic companies raise funds from overseas investors.
- It will thus help the Centre garner additional revenue over the long term.
- It will also help shift the offshore trading of rupee to India, giving authorities greater control over rupee movement.
- The other measures include -
    - tax incentives already given to entities operating from GIFT IFSC
    - the establishment of an international dispute resolution mechanism and the IFSC Authority
- These too have ensured that GIFT IFSC can compete with other offshore business centres in operating cost, ease of doing business and governance.

What is the way forward?

- What is now needed is to improve participation and increase the array of products.
- Activity can get a further boost once more domestic companies come forward to make their overseas bond issuances on the GIFT IFSC.
- Awareness needs to be built among domestic companies regarding this.

Source: Business Line

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