INSIGHTS

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IN COLLABORATION WITH TAX COMPAAS

Gujarat International Finance Tec-City: A Practical Overview of the Tax and Regulatory Landscape

GIFT City has moved from policy initiative to commercially relevant jurisdiction. This article sets out the regulatory structure, tax incentives and practical operating considerations for multinational groups evaluating GIFT IFSC.

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886
ACRES
Core IFSC / SEZ footprint at GIFT City

1,000+
ENTITIES
Global institutions registered including JP Morgan, HSBC and Barclays

USD 100B+
ASSETS
Banking assets operating within the IFSC

11TH
RANK 2024
Global Financial Centres Index ranking, topping the emerging nodes resultant index

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Introduction

Gujarat International Finance Tec-City (GIFT City) is India's only operational **International Financial Services Centre (IFSC)**. Conceived as an onshore international financial hub, GIFT City was established to provide a competitive regulatory and tax environment for cross-border financial and related services activities that were traditionally carried out through offshore jurisdictions such as Singapore, Dubai, London or Mauritius.

Over the last few years, GIFT City has evolved from a policy initiative into a commercially relevant jurisdiction for selected sectors such as **fund management, aircraft and ship leasing, banking, treasury operations, fintech, insurance and global capability centres**.

While the ecosystem is still evolving, GIFT City is increasingly being evaluated by multinational groups, financial institutions, investment managers and technology businesses as part of their regional or global structuring strategy.

THE FRAMEWORK COMBINES

- **Foreign currency operating environment**
  Units operate in **foreign currency**, providing a genuine offshore equivalent within Indian territory.
- **Unified financial regulator**
  A **single-window IFSCA** replaces the fragmented multi-regulator landscape faced by domestic entities.
- **Liberalised exchange control framework**
  A relatively **open FEMA framework** supports cross-border capital flows central to financial and treasury operations.
- **Tax incentives**
  Structured **10-year income tax holiday** and exemptions across indirect tax, customs and stamp duty.
- **Modern infrastructure**
  Purpose-built city infrastructure: **exchanges, clearing houses, international banks**, residential blocks and social infrastructure.

Why GIFT City?

A significant portion of international financial transactions involving Indian entities, such as fund management, investment banking, and aircraft or ship leasing, was historically routed through offshore financial hubs like Singapore, Dubai, London or Mauritius. This resulted in **substantial capital and talent flight from India**.

The broad policy objective behind GIFT City was to create an **internationally aligned framework within India** that could facilitate such activities domestically while remaining globally competitive. In practice this means offering institutions a credible onshore alternative to booking structures, fund domiciliation and treasury operations that would otherwise sit offshore.

Structure of GIFT City

GIFT City operates as a **dual-zoned ecosystem** within a master-planned territory. The original footprint spans 886 acres, targeting 62 million square feet of built-up area (broadly 67% commercial, 22% residential and 11% social infrastructure). Expansion has taken the total footprint past 1,220 acres.

SEZ ACRES
SEZ / IFSC Zone
Operates outside the domestic customs territory. Dedicated exclusively to offshore, foreign-currency transactions. IFSCA-regulated.

SEZ ACRES
Domestic Tariff Area (DTA)
Supports businesses focused on the mainland Indian market. Operations run under the regular Indian regulatory framework.

The IFSC of GIFT differs its roots from the Special Economic Zone framework under the SEZ Act, 2005. **Every IFSC unit is also an SEZ unit**, carrying the full suite of SEZ-related customs and indirect-tax benefits alongside the IFSC-specific regime.

Evolution

Over the last ten years, GIFT City has grown from a greenfield project into a functioning financial and business district. From around 2015, successive development phases brought in additional office tower, residential blocks and core urban infrastructure. The designation of GIFT City as India's IFSC gave the project a clear financial mandate.

The launch of India International Exchange (India INX) in 2017, followed by additional exchanges, banks, fund managers and fintech firms, marked a shift from infrastructure project to functioning financial hub. GIFT now includes international exchanges such as India INX and NSE IFSC, alongside a full banking ecosystem.

WHERE IT STANDS TODAY

- Over 1,000 registered entities, including JP Morgan, HSBC, Barclays, Standard Chartered and Deutsche Bank
- Banking assets operating within the IFSC have surpassed USD 100 billion
- More than 270 Alternative Investment Funds (AIFs) registered, targeting USD 100 billion AUM
- Ranked 46th on the Global Financial Centres Index (GFCI) 2025, topping the reputation index among emerging international finance nodes

How it stands out

The Government of India has undertaken extensive measures to ensure GIFT City competes with mature hubs like Singapore, Dubai's DIFC and London. The competitive advantages span regulation, cost structure and market positioning.

- **Single-window statutory regulator**
  The IFSCA operates as a **consolidated regulator** combining the powers of RBI, SEBI, IRDAI and PFRDA. This compresses regulatory turnaround and streamlines compliance for fund formation, banking and market intermediaries.
- **Competitive tax incentives**
  IFSC units benefit from a **10-year income tax holiday**, exemption from dividend distribution tax, MAT and STT, and a full package of SEZ-based indirect tax reliefs.
- **Lower relative operating costs**
  Compared to Singapore, Dubai or London, GIFT City offers a materially **lower cost base** for operations, talent and infrastructure, with direct access to India's deep talent pool.
- **India's dedicated global financial gateway**
  GIFT is positioned as the **primary onshore platform** for offshore fund structures, global trading, treasury centres, reinsurance, fintech and global capability centre operations.

The Structural Framework: Unified Regulation

IFSCA AS SINGLE-WINDOW STATUTORY REGULATOR

A key structural advantage of the IFSC is the **consolidation of the regulatory landscape**. Previously, entities in India had to navigate multiple overlapping sectoral regulators. The IFSCA Act, 2019 established the International Financial Services Centres Authority as a single-window statutory body with combined executive powers across four major domestic bodies:

- **Reserve Bank of India (RBI)**
  Banking operations, foreign exchange transactions and cross-border capital flows.
- **Securities and Exchange Board of India (SEBI)**
  Capital markets, fund management, stock exchanges and intermediaries.
- **Insurance Regulatory and Development Authority (IRDAI)**
  Insurance and reinsurance operations.
- **Pension Fund Regulatory and Development Authority (PFRDA)**
  Pension fund operations and related financial products.

This unification **significantly compresses regulatory turnaround times** and streamlines compliance for fund formation, banking operations and market intermediaries, making the IFSC meaningfully faster to navigate than the domestic regulatory environment.

Tax Incentives

SEZ AND IFSC REGIME BENEFITS IN PRACTICE

GIFT IFSC units benefit from a layered incentives package spanning income tax, indirect tax and stamp duty. The combined regime is designed to make the total tax cost of operating at GIFT broadly competitive with offshore alternatives.

INCOME TAX

- 100% income tax deduction for any 10 consecutive years out of 15 years under Section 80LA of the Income Tax Act
- Minimum Alternate Tax (MAT) is not applicable for companies in IFSC
- Alternate Minimum Tax (AMT) is not applicable for non-corporates in IFSC
- No Dividend Distribution Tax (DDT) on dividends paid out of IFSC income
- No Securities Transaction Tax (STT), Commodities Transaction Tax (CTT) or stamp duty on transactions on IFSC exchanges

INDIRECT TAX / CUSTOMS

- IGST exemption on import of services by SEZ units for authorised operations
- Full customs duty exemption on goods imported for authorised operations
- Exemption from Central Sales Tax (CST) on inter-state procurement of goods used for authorised operations (requires Form I compliance)

SEZ-LEVEL BENEFITS

- Every GIFT IFSC unit is also an SEZ unit, carrying the full suite of SEZ indirect tax reliefs
- Zero customs duty on capital goods, raw materials, consumables and spares
- Exemption from service tax / GST on services consumed within the SEZ for authorised operations

Path so far and road ahead

GIFT City has grown into a highly integrated ecosystem, shifting from an experimental framework into a maturing global financial hub. The institutional concentration, capital base and regulatory sophistication are now sufficient for serious evaluation by most multinational groups.

Looking ahead, most analyses see significant headroom for GIFT IFSC to expand as India's main platform for offshore fund structures, global trading, treasury centres, reinsurance, fintech and GCC operations.

COMPETITIVE POSITIONING

In the global landscape, GIFT IFSC is effectively competing with more established centres such as Dubai's DIFC and Singapore. GIFT's comparative advantages lie in its:

- Unified, sector-focused regulator aligned to international benchmarks
- Tax and regulatory regime designed to match offshore equivalents
- Lower relative operating costs and access to India's deep talent pool
- Positioning as a dedicated gateway for India-focused activity rather than a general regional hub

Global investors will continue to compare GIFT with established centres on tax certainty, legal clarity, liquidity and ease of doing business. GIFT's ability to attract higher-value functions, rather than remaining primarily a booking centre, will depend on demonstrating regulatory certainty and ecosystem depth alongside a competitive cost base.

EMBARK HOW WE CAN HELP

How We Can Help

Embark brings together tax, regulatory, entity set-up and operating model expertise across the full GIFT IFSC lifecycle.

GIFT IFSC Strategy and Planning
- Assess the suitability of GIFT IFSC for your business and evaluate the most appropriate operating structure
- Advise on jurisdiction, tax, foreign exchange and commercial considerations relevant to IFSC operations
- Identify opportunities across financial services, fund management, treasury centres, leasing platforms, technology services and GCCs

Entity Set-up and Implementation
- Support the complete set-up journey, from initial planning through operational launch
- Assist with entity incorporation, IFSCA registrations, approvals and regulatory filings
- Help establish governance frameworks and operational processes required for a smooth start

Regulatory, Tax and FEMA Advisory
- Provide guidance on IFSC regulations, FEMA requirements and tax implications
- Assist in navigating complex regulatory and cross-border compliance matters
- Support businesses in maximising available incentives while remaining compliant

Operating Model and Compliance Support
- Design practical operating models covering legal, tax, finance, treasury and governance requirements
- Assist with ongoing regulatory and compliance obligations after set-up
- Help build scalable and sustainable operating platforms aligned with business needs

SEZ and IFSC Experience
- Extensive experience supporting clients throughout the SEZ lifecycle, from feasibility through expansion, restructuring and exit
- Practical experience across technology, financial services, manufacturing and shared services sectors
- Proven track record advising multinational organisations on large-scale SEZ and export-oriented operations

Growth and Expansion Support
- Support businesses as they scale and expand within the evolving GIFT IFSC ecosystem
- Help accelerate market entry and address operational, regulatory and tax challenges
- Assist in building robust operating platforms that support long-term growth objectives

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