

Framework for undertaking global or regional corporate treasury centre activities in IFSC



IFSC at Gujarat International Finance Tec-City (GIFT City)

GIFT City has been built to attract global players to set up units in the international financial services centre (IFSC). It also allows Indian financial institutions to establish a presence in the IFSC and provide financial services to overseas markets.

The city has been developed on a multi-service special economic zone (SEZ) and provides various direct and indirect tax benefits to financial institutions and overseas investors.

The regulatory powers of the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI) and the Pension Fund Regulatory and Development Authority of India (PFRDA) have been vested in the International Financial Services Centres Authority (IFSCA). It regulates financial institutions, products, and services in the IFSC at GIFT City. Each unit set up in the IFSC must obtain an SEZ IFSC unit license from the Office of Administrator (IFSCA), in addition to a license from the IFSCA.

Key benefits of setting up a unit in GIFT-IFSC



Provides complete financial service ecosystem for cross-border transactions



Attracts foreign capital through liberal tax and regulatory regime



Helps domestic companies in the financial services sector to do cross-border business easily



Global/regional corporate treasury activities in IFSC-GIFT City

- IFSCA (Finance Company) Regulations, 2021 ('FC Regulations') issued in March 2021 provide a framework for Finance Company (FC)/Finance Units (FUs) in the IFSC.
- FCs/FUs in IFSC are allowed to carry out permissible activities characterised as core and non-core activities.
- The permissible core activities include lending, investments, trading in derivatives, acting as a Global/Regional Corporate Treasury Centres (GRCTC).
- IFSCA had issued a circular dated 25 June 2021 providing a framework for undertaking GRCTC activities whereby FCs/FUs in IFSC can undertake Treasury activities and/or Treasury services for its Group entities*, acting as in-house GRCTC.
- To encourage ease of doing business and bring alignment with international best practices, IFSCA had issued an updated framework on GRCTC in April 2025.



Setting up of FC/FU as GRCTC

- GRCTC can be set up in IFSC either as a company (i.e. subsidiary or joint venture or as a separately incorporated entity) or a branch of a company incorporated in or outside India.
- Other conditions prescribed under the FC regulations for setting up of FC/FU will have to be complied.
- FC/FUs carrying out GRCTC may be exempted from the prudential requirements on fulfillment of prescribed conditions.
- FC/ FUs carrying out GRCTC is required to commence its operations within 6 months of registration.

*Group Entities** means an arrangement involving two or more entities related to each other through any of the following relationships: (i) subsidiary – parent (as defined in Ind-AS 110/Accounting Standard 21); (ii) joint venture (as defined in Ind-AS 28/Accounting Standard 27); (iii) associate (as defined in Ind-AS 28/Accounting Standard 23); (iv) related party (as defined in terms of Ind-AS 24/ Accounting Standard 18), (v) common brand name or (vi) investment in equity shares of 20 per cent and above

** Parent in relation to FC – an entity or group of entities (being group entities) desirous of setting up FC

In relation to FU – any entity desirous of setting up branch



Key aspects of the frameworks

Particulars	Regulations
Service recipients	<ul style="list-style-type: none"> • Group Entities and/or • Group Entities of its Parent and/or • Branch(es) of such Parent or Group Entities (hereinafter referred to as 'Service Recipients'), where such Parent and/or Group entities may either be a person resident in India or a person resident outside India under FEMA • Service recipients shall be registered under any law with any competent or statutory body in its home jurisdiction
Particulars	Regulations
Conditions for registration	<ul style="list-style-type: none"> • Parent entity** to be from a jurisdiction which has not been identified in the public statement of FATF as 'High Risk Jurisdiction' – subject to call for action • Required to meet and minimum net owned fund of USD 0.2 million (FU can maintain net owned fund at parent level) • Applicant, person controlling it and KMPs must fulfil fit and proper criteria • Applicant to have adequate infrastructure and employ at least 5 qualified persons based in IFSC (including head of treasury and compliance officer)



Permissible activities

- Raising capital by issuance of equity shares
- Borrowing including in the form of inter-company deposits – which includes determining terms of borrowing including tenor, cost etc
- Credit arrangements – including lending activities, credit guarantee, performance bonds and any other credit facilities
- Transacting or investing in financial instruments issued in IFSC or outside IFSC
- Undertaking derivative transactions over the counter (OTC) and exchange traded. Such derivative transactions can be undertaken to hedge its own risk or service recipients' risks or take positions in financial instruments/markets of its choice, in accordance with its board approved policy
- Foreign exchange transactions in such currencies as specified by the Authority
- Factoring and Forfaiting
- Acting as a re-invoicing centre – for purchase and sale of goods and services on behalf of service recipients provided it does not take physical possession of goods and one of the party to this transaction is a service recipient
- Liquidity management – which includes pooling of funds, optimising cash flows, interest payments, working capital and tax payments and other related activities; negotiating payment terms etc
- Maintaining relationships with financial counterparties including banks, credit rating agencies. This shall include undertaking valuation of financial instruments, treasury transactions accounting, provision of compliance information to regulators, maintaining audit trail etc
- Management of obligations of its service recipients towards insurance and pension related commitments – which includes negotiation, managing and monitoring structures, pension planning etc
- Advisory service related to activities specified above, and relating to:
 - Financial management including financial risk management – including cash flow forecasting, tax planning, investment appraisal etc
 - Funding and capital market activities – including optimisation of capital structure, liquidity support portfolio management of debt, derivative and investments
- Acting as a holding company
- Any other activity as may be prescribed by the IFSCA



Key tax and other benefits

- 100% income tax exemption for 10 consecutive years out of 15 years
- Minimum Alternate Tax (MAT)/Alternate Minimum Tax (AMT) @ 9% of book profits applies to units in IFSC. (MAT is not applicable to companies in IFSC opting for the new tax regime)
- Dividend paid to non-residents by unit set-up in IFSC is taxable at reduced tax rate of 10%
- Interest paid to non-residents is tax exempt
- Nil goods and service tax (GST) on services received by units in the IFSC, or services provided to IFSC/SEZ units or offshore clients
- GST applicable on services provided to DTA. State subsidies applicable to the IFSC units

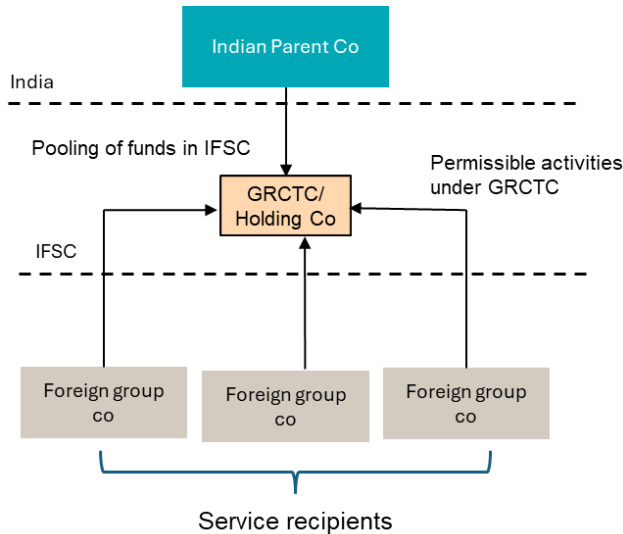
Our insights:

This framework will create ample opportunities for global and Indian corporates to develop international operations by centralising their treasury activities for availing corporate financing, including intra-group financing, better liquidity management, and risk management practices among others. IFSC-GIFT city would be an ideal location for setting up global or regional corporate treasury centre on account of attractive tax regime, robust banking ecosystem, access to capital markets and facilitative regulatory regime.



Proposed structures for GRCTC in IFSC

Indian conglomerate having foreign group entities



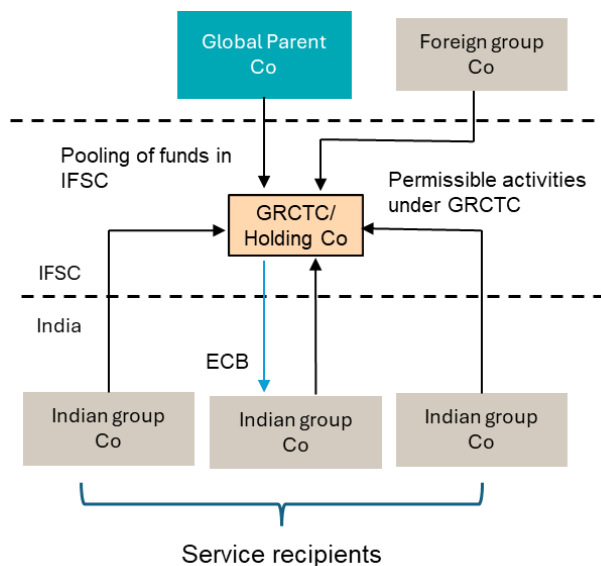
Commercial benefits on pooling of funds in GRCTC

- Consolidated fund management
- Enhanced utilisation of surplus funds and increased efficiency
- Pooling and investment of group funds in foreign currency
- Easy availability of foreign exchange at reasonable rates

Tax benefits

- Interest paid by GRCTC to group companies outside India is exempt from tax
- Income earned by GRCTC may be subject to tax holiday

Foreign multinationals having Indian Group company



Commercial benefits on pooling of funds in GRCTC

- GRCTC can pool funds from the Global parent and other group companies to meet the requirements of the Indian group entities in an efficient manner and at reduced cost
- Indian group companies may benefit from outbound treasury activities
- GRCTC can also act as a holding co to the group

Tax benefits

- Interest paid by GRCTC to group companies outside India is exempt from tax
- Income earned by GRCTC subject to tax holiday
- Dividend paid by GRCTC to non-resident shareholder subject to reduced tax rate of 10%
- Proposal to exempt deemed dividend provisions in case where the Parent Co is listed in a stock exchange outside India

How we can help



Evaluate the eligibility criteria for setting up an entity in the IFSC in accordance with the prescribed regulations



File income tax and regulatory compliance and provide advisory services, as and when required, to the entities in IFSC-GIFT City



Advise on the capital requirements and other conditions prescribed under the regulations



Obtain approval from the IFSC Authority and other statutory registrations for operating in IFSC-GIFT city



Advise on the tax implications arising from activities in the IFSC



Help with due diligence, internal audit and IT consulting

Our differentiators



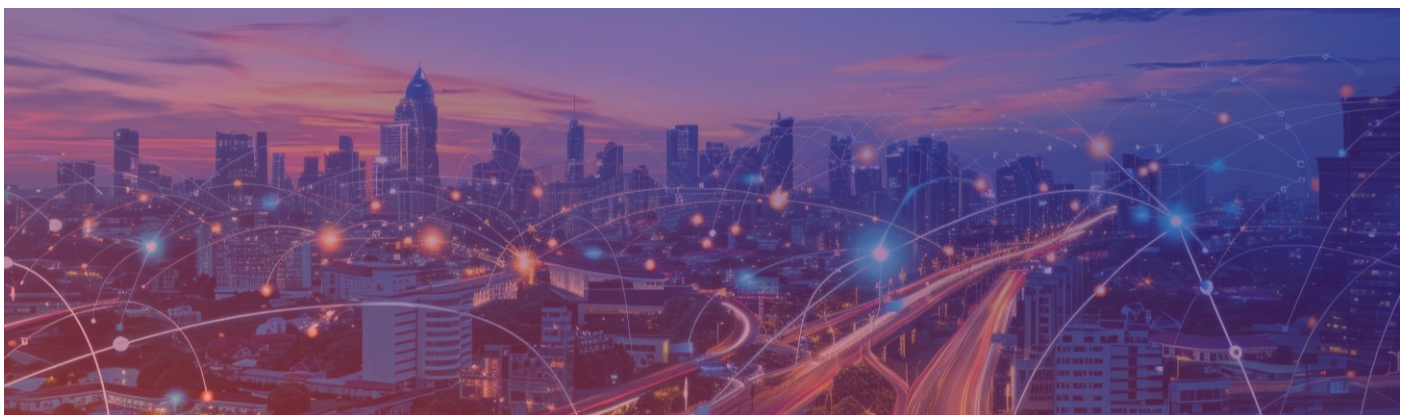
Fully operational office at GIFT City, which is in close proximity to the regulators; good relationship with both IFSCA and GIFT City authorities



Dedicated Partner/Director-led team with vast and varied experience in providing focused services to the financial services sector



Provide updates upon any change in laws and regulations through emails, webinars, alerts, flash news, etc.





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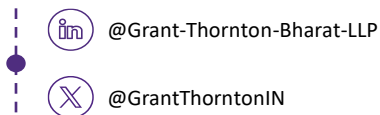
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