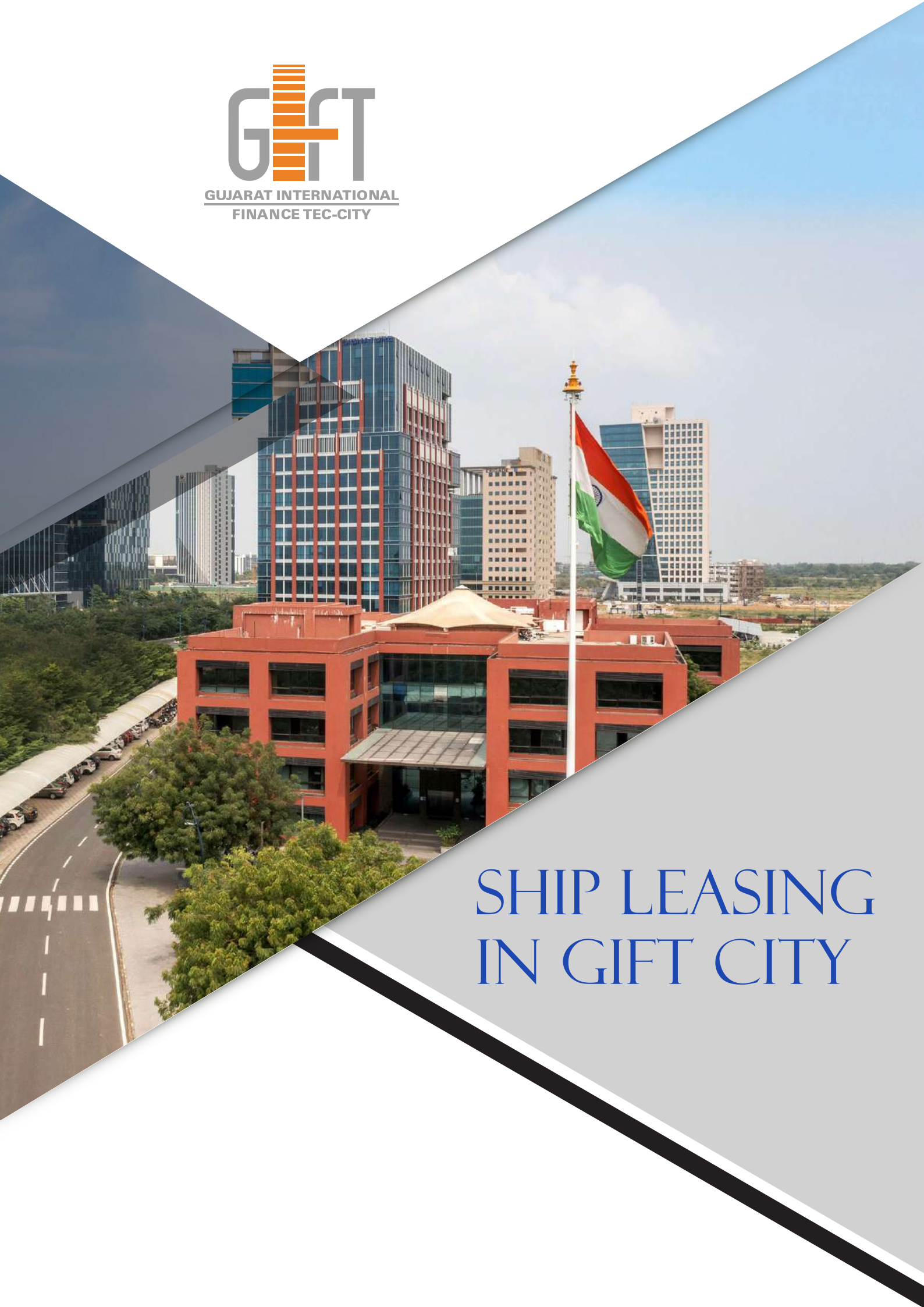




GUJARAT INTERNATIONAL  
FINANCE TEC-CITY



# SHIP LEASING IN GIFT CITY



# INTRODUCTION TO GUJARAT INTERNATIONAL FINANCE TEC-CITY (GIFT CITY)

Gujarat International Finance Tec-City (GIFT City) is a visionary project that encompasses both a multi-service Special Economic Zone (SEZ) and a dedicated Domestic Tariff Area (DTA). Spanning across vast expanse, GIFT City occupies a total area of 261 acres for the SEZ and 625 acres for DTA. What sets GIFT City apart is its unique vertical city concept, meticulously designed to maximize land usage while ensuring holistic and sustainable development. To realize this ambitious endeavour, the Government of Gujarat, through the Gujarat Urban Development Company Limited (GUDCL), established the Gujarat International Finance Tec-City Company Limited (GIFTCL) to spearhead its development.

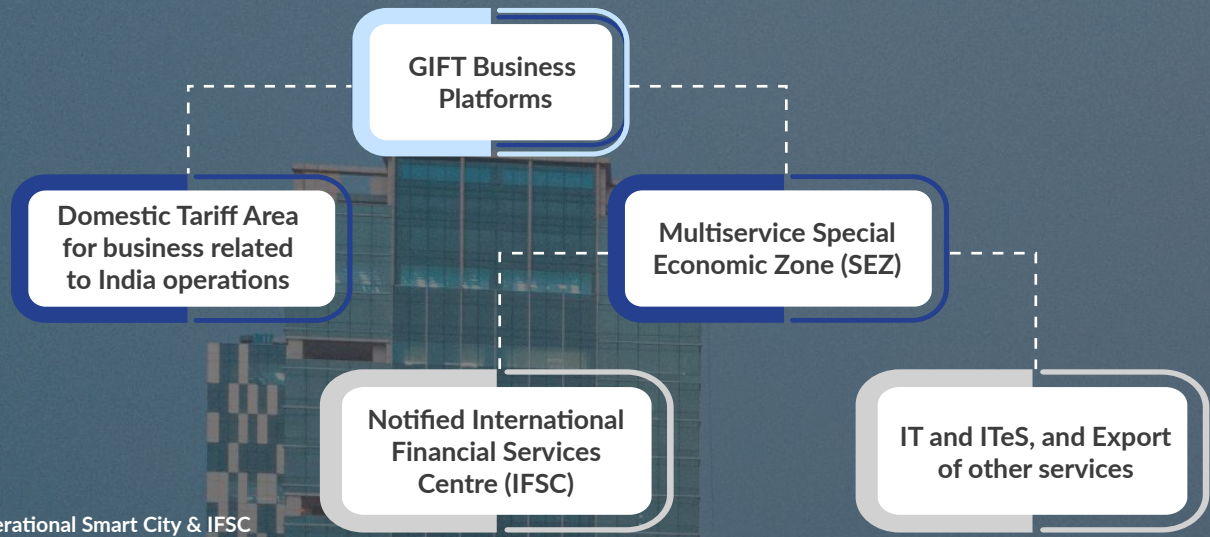
Strategically located along the banks of the Sabarmati River, GIFT City is poised to realize the benefits inherent in the business hub of Ahmedabad and the political capital of Gandhinagar, in the state of Gujarat. Its well-planned infrastructure offers seamless internal transportation, and its proximity to the Ahmedabad International Airport, located just 20 kilometres away, ensures global connectivity. Recently, the city expanded its boundaries, encompassing additional land parcel sprawling across 3300 acres.

GIFT City is also India's premier operational greenfield smart city and houses India's maiden International Financial Services Centre (IFSC). Conceived as a greenfield project and promoted by the Government of Gujarat, it has earned numerous awards and accolades for its forward-thinking and futuristic infrastructure development, further cementing its status as a beacon of innovation and progress in the region. GIFT City stands as a testament to India's commitment to fostering a cutting-edge business environment and economic growth.

GIFT City is an integrated development with a plan to develop **62 million sq. ft.** of built-up area comprising **commercial, residential and social facilities.**



# BUSINESS HUB FOR INTERNATIONAL AND DOMESTIC OPERATIONS



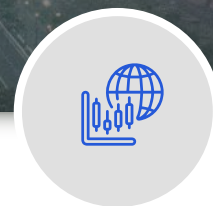
India's 1st Operational Smart City & IFSC

## INTERNATIONAL FINANCIAL SERVICES CENTRE (IFSC) AT GIFT CITY

By definition, an IFSC caters to the evolving requirements exhibited by customers outside the jurisdiction of the domestic economy. In the Indian context, the IFSC at GIFT City "is a jurisdiction that provides financial services to non-residents and residents, in any currency other than the Indian Rupee (INR)".



The GIFT IFSC plays a pivotal role in advancing India's objectives of self-reliance in international financial services by facilitating the issuance of overseas bonds, attracting international capital, and fostering trading activities in INR-USD derivatives.



This multifaceted approach positions the GIFT IFSC as India's gateway to global financial markets, facilitating outbound and inbound investments, and hosting a myriad of other financial activities. Through its strategic location and forward-looking policies, the GIFT IFSC reinforces India's presence and influence on the international financial stage, offering a conduit for businesses and investors to connect with the global economy.

## INTRODUCTION TO IFSCA

The International Financial Services Centres Authority (IFSCA) assumes the pivotal role of overseeing financial products and services within India's GIFT IFSC. Prior to its establishment, regulatory responsibilities for the GIFT IFSC were spread across domestic regulators, including the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), the Pension Fund Regulatory and Development Authority (PFRDA), and the Insurance Regulatory and Development Authority of India (IRDAI). The creation of IFSCA was driven by the need to streamline regulatory efforts and promote effective coordination among these regulatory bodies. IFSCA's primary mission is to cultivate a conducive and business-friendly environment within GIFT IFSC. It aspires to establish a world-class regulatory framework that not only supports global connections but also positions GIFT IFSC as a preeminent global financial hub, not only for the region but also on the global stage.

In essence, IFSCA represents India's commitment to fostering a robust and efficient financial ecosystem within GIFT IFSC, thereby attracting international businesses and investors. Through its efforts, IFSCA seeks to unlock the full potential of GIFT IFSC, making it a significant player in the global financial landscape.

## TAXATION AND REGULATORY FRAMEWORK

Global IFSCs have consistently depicted an enabling outlook on taxation and the same is now exemplified at GIFT City. With taxation benefits across the board, GIFT City offers an empowering framework aimed at individual and organizational success.



# SHIP LEASING IN GIFT IFSC

## Overview

As of October 2023, India stands 16th in the global list of the largest maritime countries, boasting a coastline spread across 7,517 kilometres and featuring 205 minor ports. Despite an enabling landscape, Indian companies continue to associate with foreign entities for freight agreements, in an attempt to ship their cargo. Globally, ship leasing is considered a popular trading tool and is leveraged across the manifold segments of the shipping industry including containers, dry bulk, tankers, etc. As of April 2023, the global charter hire market was estimated at **USD 100 billion**. With the IFSCA now permitting ship leasing within GIFT City, allied companies are eyeing potential benefits ranging from the low tax structure and enabling regulations to robust business opportunities.

There are a host of potential benefits for ship leasing companies looking to establish a base in GIFT City. Some of these include:

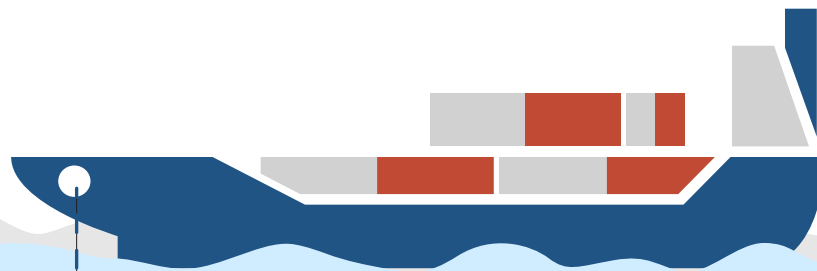
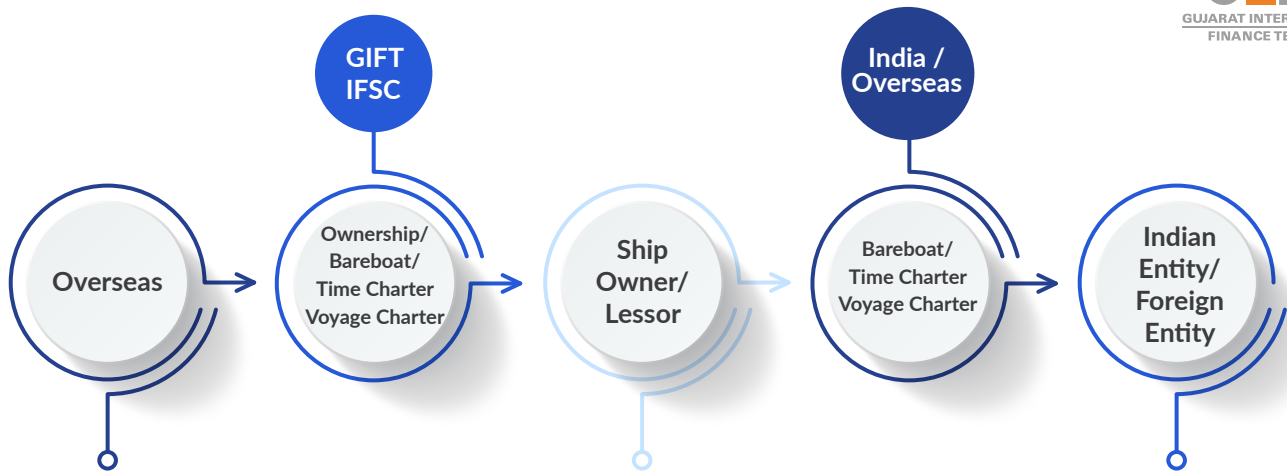
The presence of a unified regulatory regime

Globally-offered standard tax benefits and liberal policies enabling the flow of finance

The opportunity to invest in financial products and services across borders

The availability of a deemed foreign jurisdiction from the exchange control perspective

Additional advantages include state-of-the-art infrastructure, availability of skilled talent, and the enabling presence of a maritime cluster, maritime university and maritime ecosystem within GIFT City.



## PERMISSIBLE ACTIVITIES

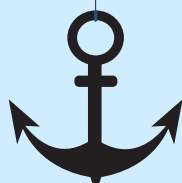


- Financial lease, hybrid of financial and operating lease or operating lease, including sale and leaseback, purchase, novation, transfer, assignment and other similar transactions in relation to ship lease
- Voyage charters, contracts of affreightment, employment in shipping pools, and all other legal commercial transactions for employment of ships
- Asset management support services for assets owned or leased by group entities
- Ship broking related to ship-leasing activities and third-party asset management services can be performed by registering separately under Ancillary Services Framework
- Any other related activity with the prior approval of the IFSCA

## KEY REGULATORY REQUIREMENTS



- Ship leasing companies must obtain a certificate of registration from the IFSCA to act as a lessor
- The entity can be set up as a company, as a branch, LLP or trust
- A capital of USD 3 million is required for finance lease
- A capital of USD 0.2 million is mandated for operating lease
- Dealings are permitted only in convertible foreign currency
- Administrative expenses can be defrayed in INR by maintaining a Special Non-Resident Rupee (SNRR) account





## TAXATION ASPECTS

### Direct Tax Framework

#### Particulars

#### Units in GIFT IFSC

Corporate Tax Rate

- 100% profit linked deduction for any 10 consecutive years out of first 15 years of operations, at the option of the Company
- Unabsorbed depreciation can be carried forward to the subsequent years to be set off against future profits, without any time limit
- Post tax holiday is applicable for domestic companies that opted to forego certain deductions (with an exception of deductions available to GIFT IFSC)
- Tonnage Tax Regime after tax holiday for the ship owners in GIFT IFSC

Minimum Alternate Tax (MAT)

- MAT @ 9% (plus applicable surcharge and cess) of book profits applies to a Company setup as a unit in GIFT IFSC
- Not applicable to companies in GIFT IFSC opting for new tax regime

Withholding tax (WHT) on interest payment

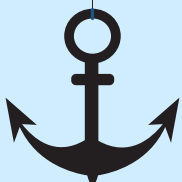
- No WHT on interest paid to non-residents by units in GIFT IFSC i.e. interest income exempt from tax
- WHT at applicable tax rates plus applicable surcharge and cess on interest paid to residents

WHT on lease rentals

- No WHT on lease payments, in the nature of royalty, paid to non-residents by units in GIFT IFSC i.e., operating lease rentals exempt from tax
- WHT @ 2% on payments exceeding INR 240,000 on lease payments paid to residents

Capital gains on disposal of ship / ocean vessel

- 100% profit linked deduction available on capital gains arising on transfer of ship / ocean vessel leased by a GIFT IFSC unit to domestic company







## TAXATION ASPECTS

### Indirect Tax Framework

#### Particulars

#### Units in GIFT IFSC

Import of goods/ services into the GIFT IFSC:

- Procurement on outright purchase basis
- Procurement on operating lease basis

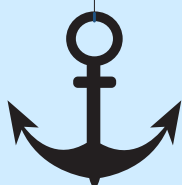
- Import of ship/ocean vessel into GIFT IFSC is not subject to basic custom duty (BCD). However, ship/ocean vessel required to be physically brought in SEZ for such exemption to apply.

- Leasing of ship/ocean vessel into GIFT IFSC is not subject to Integrated Goods and Services Tax (IGST), provided services are procured for authorized operations in an SEZ

Leasing (operating lease) of ship/ocean vessel to an Indian shipping company by a unit in the GIFT IFSC

- Import of ship/ocean vessel by an Indian shipping company (operator) from an Indian lessor located in GIFT IFSC is not subject to BCD, provided the ship/ocean vessel is not imported for breaking up

- Leasing of ship/ocean vessel by a unit in GIFT IFSC to an Indian shipping company is subject to IGST under forward charge at the rate of 5% on lease rental payments



## FEES

Sr. No.	Entities	Application Fees	License/ Registration/ Authorization Fees		Recurring Fees				Activity based fee	Processing Fees	
			Type of Fee	Amount	Flat	Conditional	Modification of terms & conditions of grant of License/ Registration/ Authorization/ Recognition, etc. (of substantive nature (2))	Relaxation/ waiver of provisions of applicable Regulations, Guidelines, Circulars, etc., and/or Removing difficulties			
			Type of Fee	Amount	Type of Fee	Amount	Basis of Fee	Amount			
a.	Ship Operating Lessors	\$1,000	Registration	\$12,500	Annual	\$5,000	N.A.	Nil	Nil	20% of Registration Fee	\$2,500
b.	Ship Financial Lessors	\$1,000	Registration	\$12,500	Annual	\$12,500	N.A.	Nil	Nil	20% of Registration Fee	\$2,500



### Procedure for Import of Ship by a GIFT IFSC Unit on Purchase / Lease basis

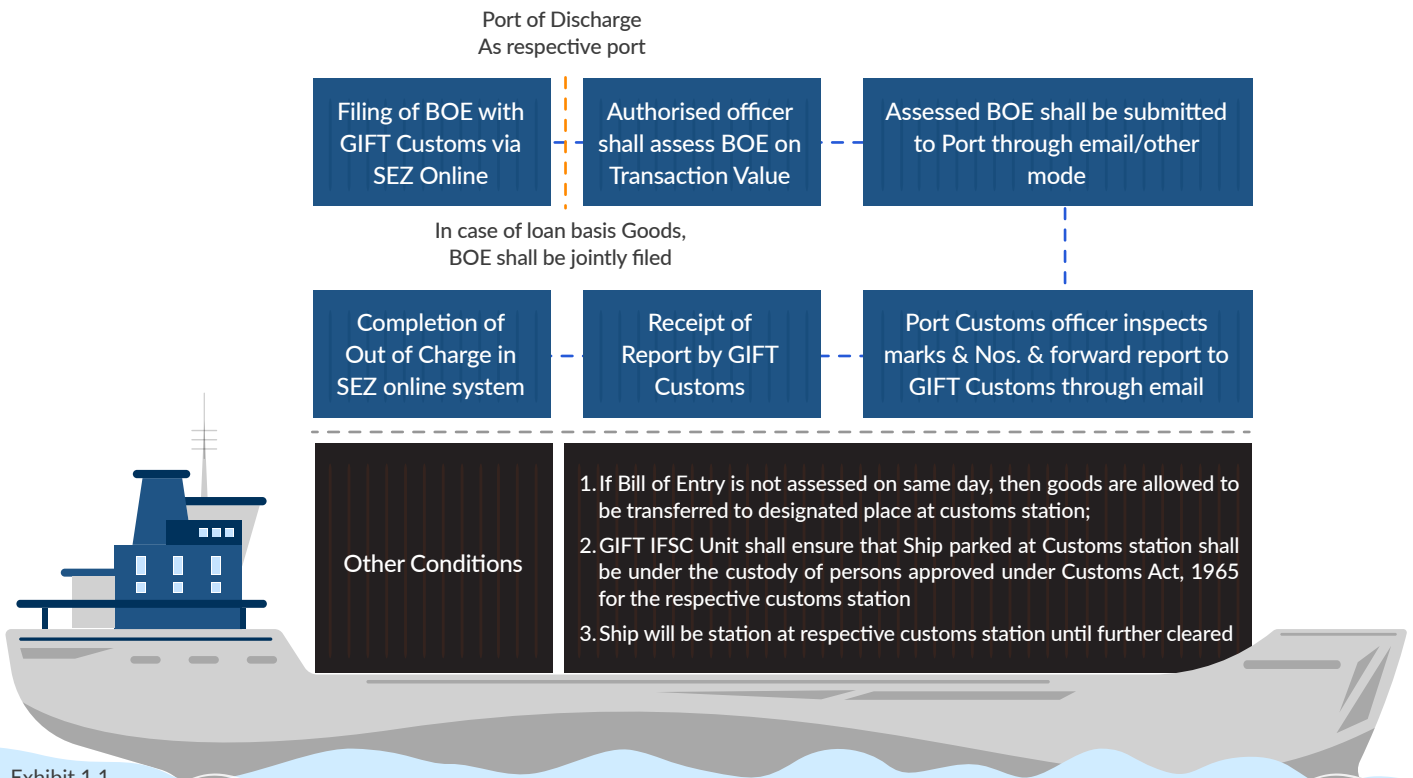


Exhibit 1.1

### Procedure for Procurement of Ship from India by a GIFT IFSC Unit on Purchase / Lease

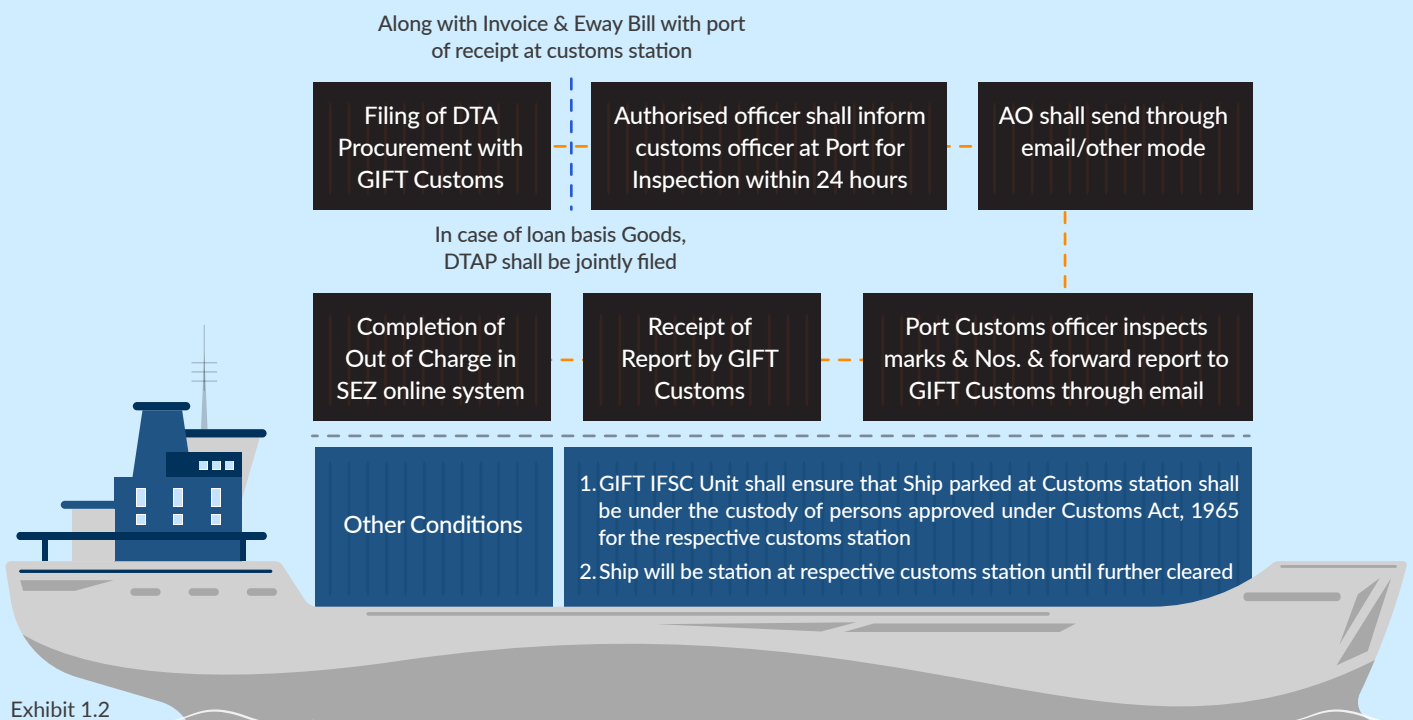


Exhibit 1.2

## Procedure for Supply of Ship by a GIFT IFSC Unit on Outright / Lease basis In India

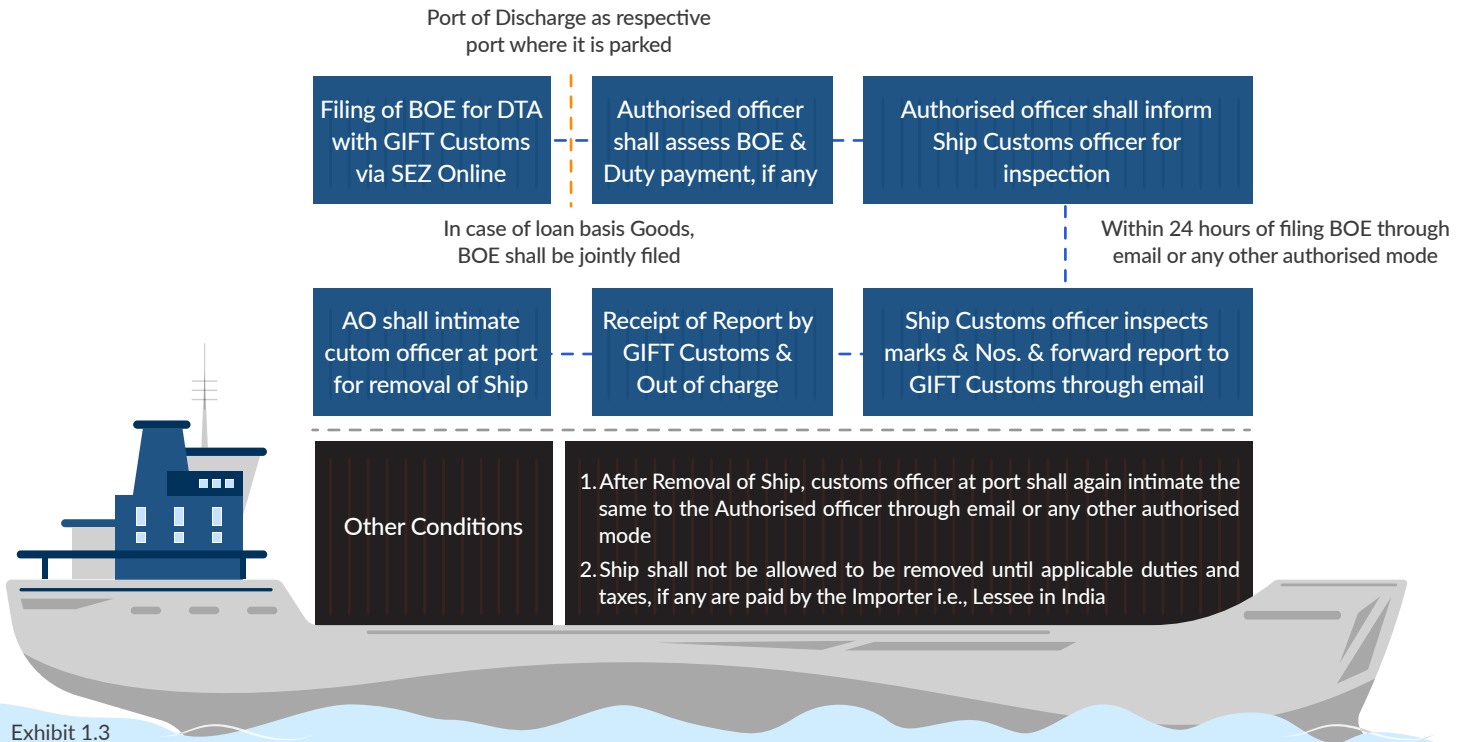


Exhibit 1.3

## Procedure for Export of Ship by a GIFT IFSC Unit on Outright / Lease Return basis outside

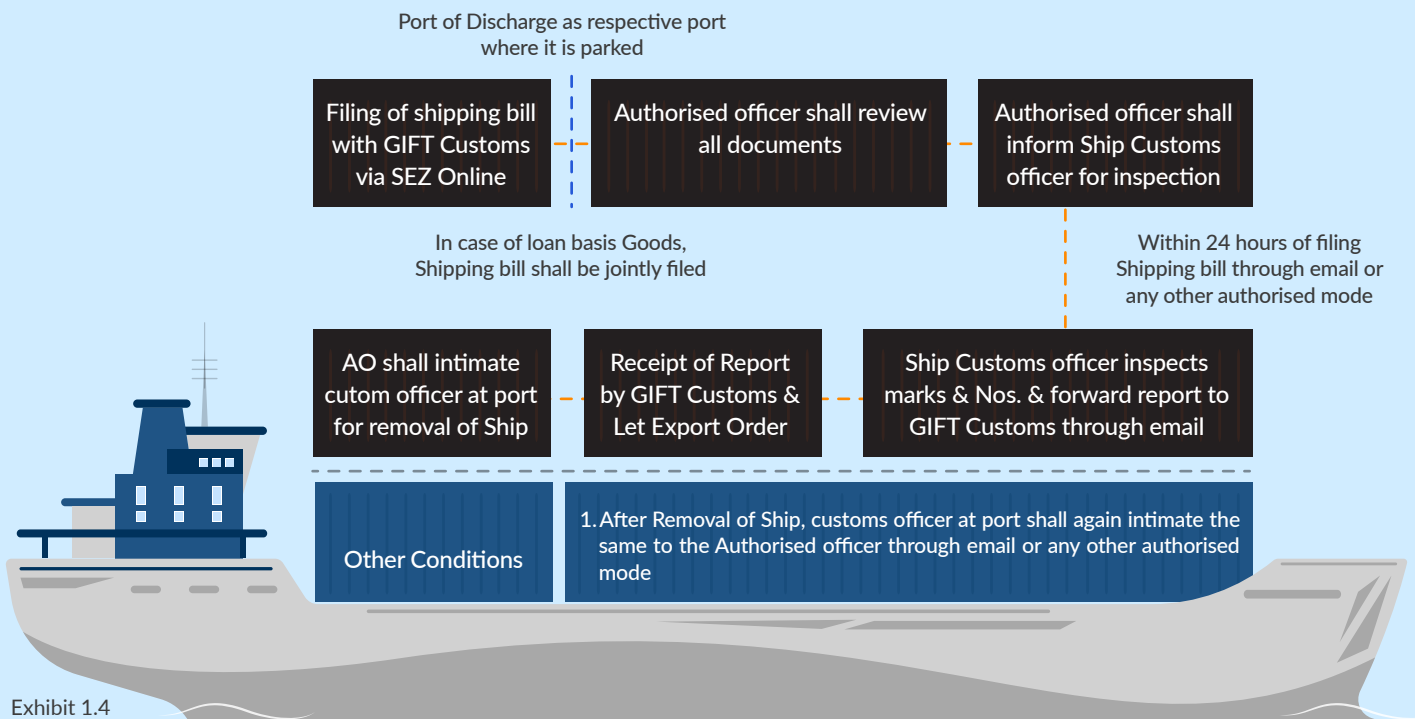


Exhibit 1.4

GIFT City is poised to welcome many more ship lessors, including domestic and global companies, owing to its attractive financial benefits and comparatively lower regulatory compliances aimed at easing operations.

**Contact Us:**

Gujarat International Finance Tec-City Company Limited

CIN: U75100GJ2007SGC051160

GIFT House, Zonal Facility Centre, Block-12, Road 1-D, Zone - I,  
GIFT SEZ, GIFT City, Gandhinagar - 382355, Gujarat, India.

**Visit us:** [www.giftgujarat.in](http://www.giftgujarat.in)

**Mail us:** [query@giftgujarat.in](mailto:query@giftgujarat.in)

**Contact us:** +91-79-61708300