



Ship leasing from the IFSC in India

The International Financial Services Centre (IFSC) has been set up in India to aid the country in unlocking its potential in the international financial services space.

The International Financial Services Centres Authority Act, 2019, authorised the International Financial Services Centres Authority (IFSCA) as a unified regulator, with representation from India's main regulators – the Reserve Bank of India, Securities and Exchange Board of India, Insurance and Regulatory Development Authority, Pension Fund and Regulatory and Development Authority – and the government on its critical decision-making bodies.

Gujarat International Finance Tec-City (GIFT City) is a global financial and information technology services hub, the first of its kind in India, designed to be at par with benchmarked global financial centres.

GIFT City consists of a conducive multi-service Special Economic Zone (SEZ) area which is notified as an IFSC (GIFT IFSC) and an exclusive Domestic Tariff Area with the associated social infrastructure.

GIFT IFSC is designed as a financial Central Business District, which is strategically located between Ahmedabad and Gandhinagar in Gujarat, India.

GIFT IFSC offers all the factors required to create a differentiated momentum such as regulatory and supervisory coherence, competitive tax policies, a large and deep talent pool, and an alternative dispute resolution mechanism besides ancillary services support, all at one place.



Business opportunities in GIFT IFSC

**Banking and
finance companies**

Asset management

Capital markets

Aircraft leasing

**Ship acquisition
and leasing**

Insurance

**Professional
service providers**

Emerging business segments



**Global in-house
centres**



**Global and regional
treasury centres**



FinTech hub



**International
bullion exchange**

Regulatory and tax framework in the IFSC

Regulatory framework

**Special Economic
Zones Act, 2005***

**International Financial
Services Centres Act, 2019**

The IFSC is defined as a non-resident jurisdiction in India's exchange controls regulations.

*IFSCA to be soon delegated powers under the SEZ (Budget 2023 announcement)

Tax framework

Income tax



- Tax holiday for any 10 consecutive years out of the first 15 years
- Minimum alternate tax or alternate minimum tax @9% of the book profits for a company or limited liability partnership (LLP) set up as a unit in the IFSC
- MAT not applicable to companies in the IFSC opting for the new tax regime
- Withholding tax exemption in respect of interest paid to non-residents on monies borrowed on or after 1 September 2019

Goods and Services Tax (GST)



- No input GST on services received from Indian or non-resident vendors
- No GST to be charged for services provided to other IFSC or SEZ units
- GST applicable on services provided by IFSC Banking Units to resident parties

Other state subsidies



- State subsidies – 25% of capital expenditure, 15% of operating expenditure subject to certain conditions
- Employee Provident Fund contribution – 12% of employer's contribution (100% for female and 75% for male employees)
- Employment generation incentive (one-time): New and unique jobs created in the state of Gujarat – 15 days cost to company (INR 50,000 for male and INR 60,000 for female employees)
- Interest subsidy – 7% subject to maximum of INR 0.01 billion p.a. for five years
- 100% of electricity duty paid
- 50% or 25% monthly rentals on per seat basis for co-working spaces subject to conditions



Shipping in India

16th

Among largest
maritime countries
in the world



7,517

km of coastline



205

Minor ports



Ship leasing

Global

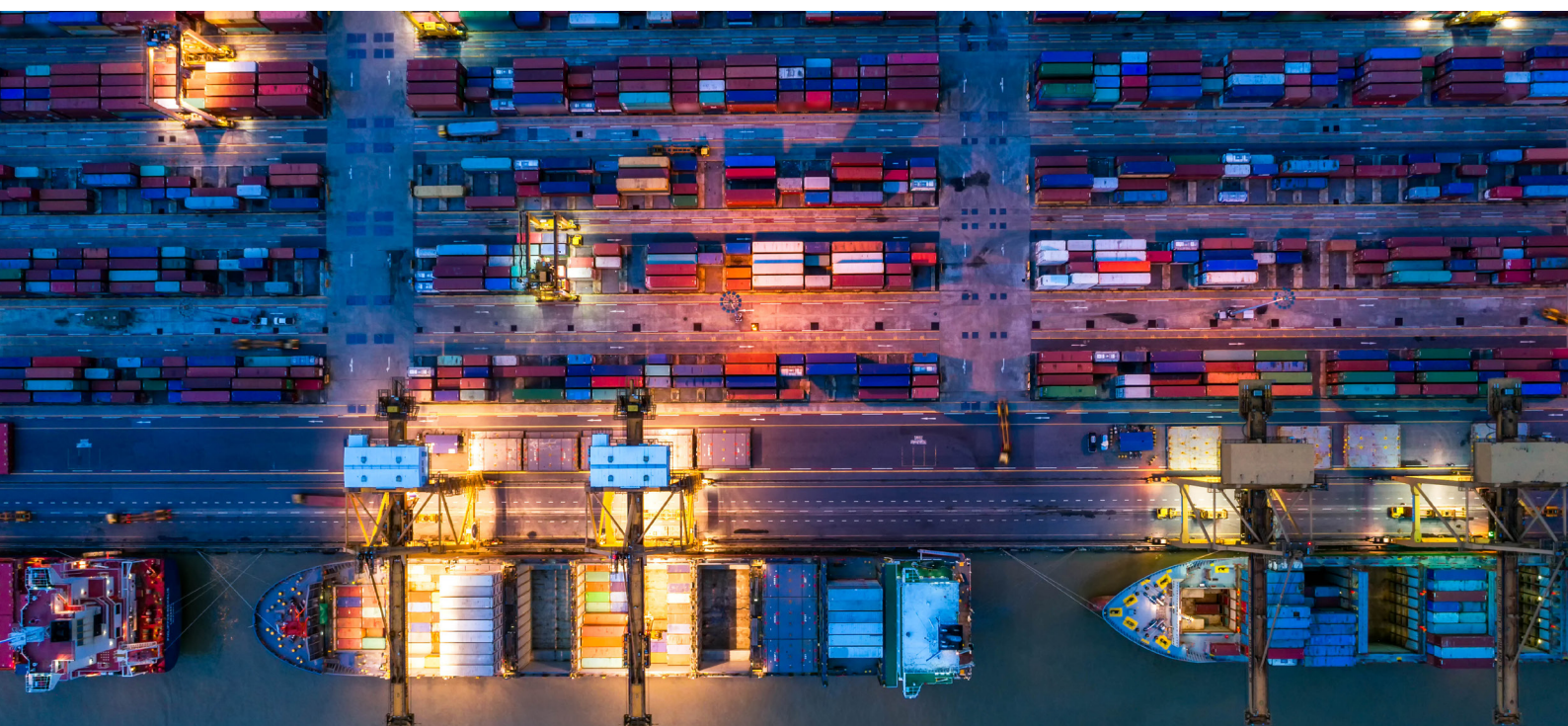
- Fragmentation of ownership of dry bulk markets saw the advent of 'ship operators'.
- Leasing of ships is widely used as a trading tool in almost all segments of shipping, such as dry bulk, containers and tankers.
- Leasing in the shipping market involves operating and financial leases.
- Global charter hire market – USD 100 billion

India

- Indian companies enter into freight agreements with entities outside India to ship their cargo from ports inside or outside India.

Key considerations

- Low tax structure
- Easy regulations
- Good business opportunities





Ship leasing from the IFSC

To tap the unleashed opportunity in aircraft leasing and financing and to realise the vision of the Ship Acquisition Financing and Leasing (SAFAL) report, in January 2022, the IFSCA notified¹ 'ship lease' as a financial product. The notification also stated that 'ship lease' shall include the operating lease, and the hybrid of the operating and financial lease, of a ship or ocean vessel, engines of a ship or ocean vessel, or any other part thereof.

Subsequently, to facilitate the set-up of ship-leasing businesses in the IFSC, the IFSCA has provided a framework for enabling ship finance and operating leases on 16 August 2022.

Registration

Certificate of registration is required to be obtained from the IFSCA to act as a lessor.

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 out by the group entities
- Any other related activity with the prior approval of the IFSCA
- Ship broking related to ship-leasing activities and third-party asset management services can be performed by registering separately under the IFSCA's Ancillary Services Framework

Mode of conducting business

- The entity can be set up as a company. Additionally, branch, LLP or trust forms are also permitted for undertaking operating lease

Capital requirements

- USD 3 million for finance lease
- USD 0.2 million for operating lease

Currency

- Dealings in convertible foreign currency only.
- Administrative expenses can be defrayed in INR by maintaining a Special Non-Resident Rupee (SNRR) account.

¹ F. No. IFSCA/2021-22/GN/021

Tax regime for ship-leasing entities in the IFSC



Tax holiday for 10 years out of the first 15 years



No capital gains tax during tax holiday on sale of vessel



No withholding on lease payments to non-residents



No withholding on interest payment to non-residents



Stamp duty exemption for five years

Why ship leasing from the IFSC?

Unified regulatory regime

Tax benefits

Liberal policies enabling flow of finance, financial products and services across borders

Deemed foreign jurisdiction from exchange control perspective

State-of-the-art infrastructure

Skilled talent

Maritime cluster

Maritime university

Maritime ecosystem



About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 152 countries with over 328,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

© 2023 PwC. All rights reserved.

Contact us

Bhavin Shah

Partner, Deals Leader
PricewaterhouseCoopers Private Limited

Suresh Swamy

Chartered Accountant, Subject Matter Expert
Email: suresh.v.swamy@pwc.com
Mob: 9930148175

pwc.in

Data Classification: DC0 (Public)

In this document, PwC refers to PricewaterhouseCoopers Private Limited (a limited liability company in India having Corporate Identity Number or CIN : U74140WB1983PTC036093), which is a member firm of PricewaterhouseCoopers International Limited (PwCIL), each member firm of which is a separate legal entity.

This document does not constitute professional advice. The information in this document has been obtained or derived from sources believed by PricewaterhouseCoopers Private Limited (PwCPL) to be reliable but PwCPL does not represent that this information is accurate or complete. Any opinions or estimates contained in this document represent the judgment of PwCPL at this time and are subject to change without notice. Readers of this publication are advised to seek their own professional advice before taking any course of action or decision, for which they are entirely responsible, based on the contents of this publication. PwCPL neither accepts or assumes any responsibility or liability to any reader of this publication in respect of the information contained within it or for any decisions readers may take or decide not to or fail to take.

© 2023 PricewaterhouseCoopers Private Limited. All rights reserved.

AW/April 2023 - M&C 25928

