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Friday Tax Alert

GIFT City (IFSC) – Short FAQ's

1. What is GIFT City and why is it important?

GIFT City is India's International Financial Services Centre (IFSC), designed to offer global financial products in a tax-efficient and USD-denominated environment, comparable to Singapore or Dubai.

2. Who should consider GIFT City?

- NRIs & foreign investors seeking tax-efficient India-linked investments
- Indian residents looking for global diversification (subject to LRS)
- Fund managers, fintech's, banks, insurers, leasing companies

3. Are capital gains taxable in GIFT City?

- **NRIs/Non-residents:**
Capital gains on specified securities traded on IFSC exchanges are **exempt from Indian tax**.
- **Indian residents:**
Global income rules apply; taxability depends on the instrument.

4. Is STT, stamp duty, or CTT applicable?

No. IFSC trades are **fully exempt** from:

- Securities Transaction Tax (STT)
- Commodities Transaction Tax (CTT)
- Stamp duty

5. Are dividends taxable?

- For NRIs, dividends are taxed at a **concessional 10%** (subject to treaty benefits)

6. Is GST applicable?

Financial services provided by IFSC units to:

- Non-residents, or
- Other IFSC / SEZ units are **GST- exempt**, subject to conditions.

7. Can investments be made fully online?

Yes. **AI-based Video KYC** allows NRIs to complete onboarding remotely without visiting India.

8. Until when are tax benefits available?

Businesses commencing operations in IFSC by **31 March 2030** can avail tax holidays and incentives.

NRI-Specific Advisory – GIFT City Opportunities

1. Why GIFT City is Attractive for NRIs

GIFT City offers **one of the most tax-efficient investment regimes globally** for NRIs, combining offshore-style benefits with India's regulatory framework.

2. Key Tax Benefits for NRIs

a) Capital Gains

- **Fully exempt** on specified securities traded on IFSC exchanges
- Applies to both **short-term and long-term gains**

b) Interest & Investment Income

- Interest from IFSC banking units and eligible debt instruments is **tax-exempt**
- Category III AIFs offer **tax-free gains** on specified securities

c) Dividends

- Taxed at a **flat 10%**, lower than standard domestic rates
- Treaty benefits may further reduce tax

d) No Transaction Taxes

- Zero STT, CTT, and stamp duty

3. Offshore mutual funds & ETFs relocated to GIFT City (from April 2026)

a) What does “relocation of offshore mutual funds / ETFs to GIFT City” mean?

It allows offshore-domiciled funds and ETFs (earlier based in jurisdictions like Singapore, Mauritius, or Luxembourg) to shift their domicile to GIFT City IFSC without triggering a taxable transfer.

b) Is the relocation taxable in India?

No. From April 2026, such relocation is treated as a tax-neutral transaction, and no capital gains tax is levied on the transfer of assets during relocation.

c) Who benefits from this relocation?

- NRIs and foreign investors invested in offshore funds
- Fund managers seeking an India-based global platform
- Indian asset managers bringing offshore products onshore

d) Will investors be taxed when the fund relocates?

No. The relocation itself does not trigger capital gains tax for investors, provided prescribed conditions are met.

e) What happens to existing investments after relocation?

- Existing units are grandfathered
- Cost, holding period, and investor rights remain intact
- Fund continues operations as an IFSC-domiciled fund

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