



GIFT IFSC

FUND MANAGEMENT



THE NEW INDIA

Land of unlimited opportunities

- India is one of the fastest growing major economies in the world and has emerged as the **5th largest** economy on nominal GDP terms
- India is expected to have **600 Mn** Urban population by 2030
- India recorded **624 Mn** Internet users in January 2021
- India attracted highest ever total FDI inflow of **USD 82 Bn** during FY-21
- At **63rd position**, India jumped **79 position** in Ease of Doing Business between 2014-19
- **67%** of India's population is in the age group 15-64

Sector Highlights

BFSI



- Total Banking Assets in India are expected to cross **\$ 28.5 Tn in 2025**
- Digital payments market expected to reach **USD 1 Tn by 2023**
- Mutual Funds AUM is expected to grow **5X to USD 1.47 Tn by 2025.**
- The total premium income written for Life and Non-Life Insurance stood at over **\$108 Bn in FY-21**

FinTech



- With more than **25 Bn transactions**, India recorded the highest number of real-time online transactions across the globe in 2020
- India has the **3rd largest** FinTech ecosystem in the world and has emerged as the fastest growing FinTech markets
- The total valuation of India's FinTech industry was estimated at **USD 50-60 billion in 2020**
- The FinTech industry's total valuation is estimated to reach **USD 150-160 Bn by 2025**

IT-BPM



- IT & BPM sector contributes **8% to India's GDP**
- With a market size of **USD 191 Bn in 2020**, the sector is anticipated to reach **USD 350 Bn by 2025**
- India is home to the **3rd largest** Tech ecosystem in the world

Civil Aviation



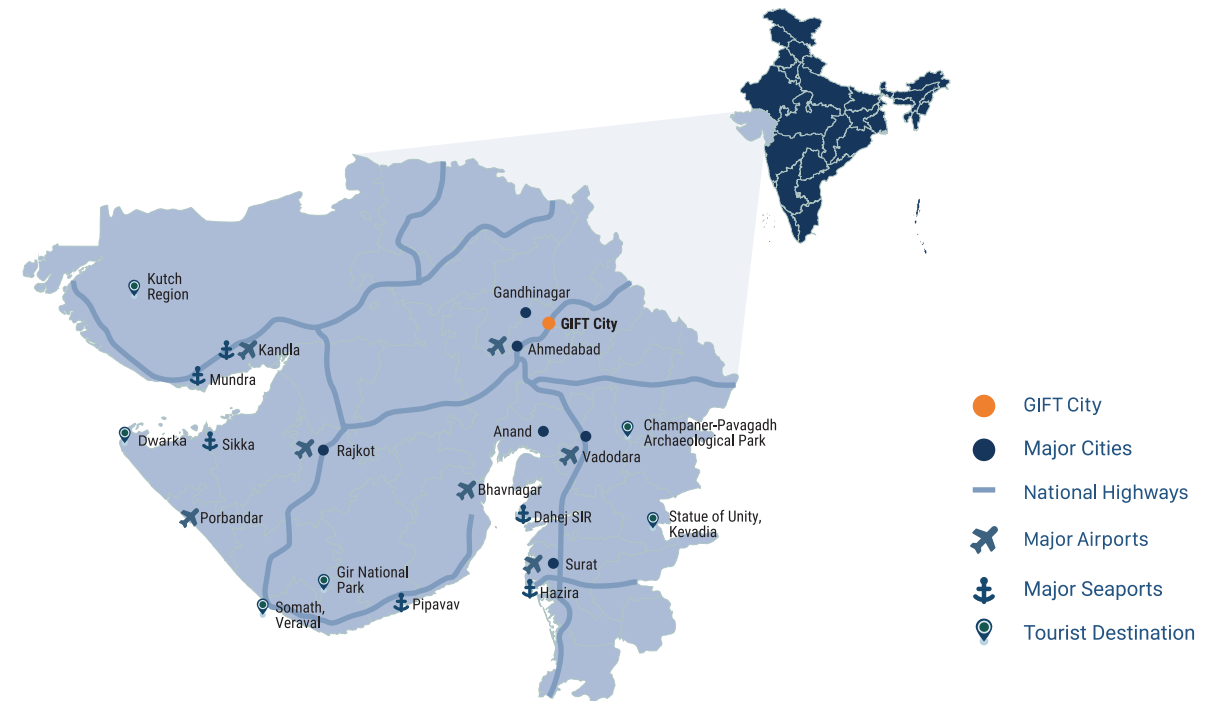
- India is the **3rd largest** domestic aviation market in the world
- India is amongst the fastest growing aviation markets and is expected to cater to **520 million passengers by 2037**
- India's commercial fleet is forecasted to expand to **1,100 by 2027**

Renewable Energy



- Indian renewable energy sector is the **4th** most attractive renewable energy market in the world
- As of **March 2021**, India's installed renewable energy capacity stood at **94.43 GW.**
- More than **USD 42 Bn** has been invested in India's renewable energy sector since 2014
- India has set a target of installing **175 GW** of renewable energy capacity by 2022 which would be scaled up further to **450 GW by 2030**

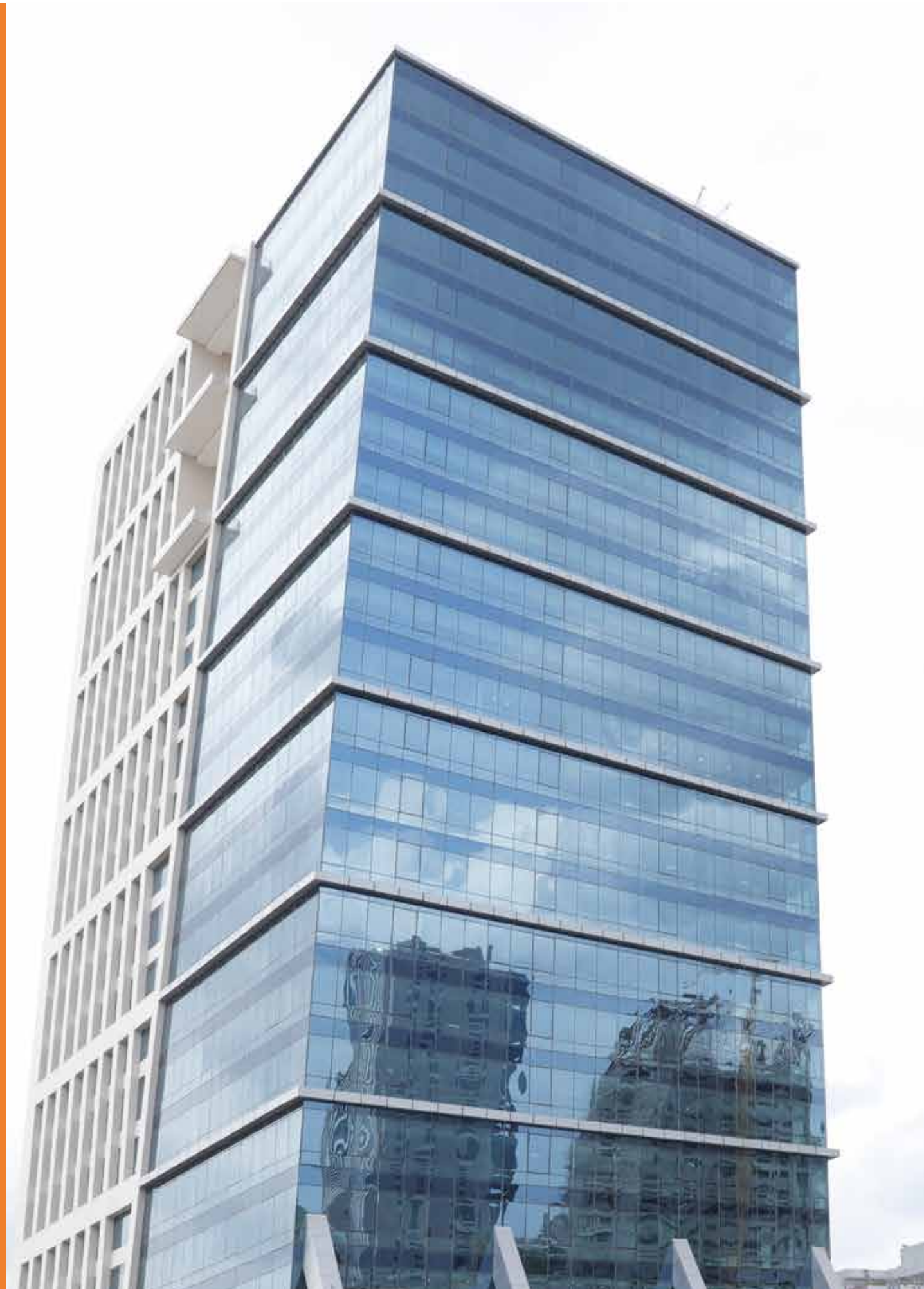
INTERNATIONAL FINANCIAL SERVICES CENTRE (IFSC) IN GIFT CITY, GUJARAT



GIFT CITY

Spread across 886 acres, Gujarat International Finance-Tec City (GIFT) consists of a Multi-Service Special Economic Zone (SEZ), which has been notified as India's maiden International Financial Services Centre, and an exclusive Domestic Tariff Area (DTA). An area of 261 acres has been demarcated as SEZ and an additional 625 acres has been demarcated as DTA. The city is situated on the banks of river Sabarmati and is strategically located between the business capital (Ahmedabad) and political capital (Gandhinagar) of Gujarat.

Conceptualized as a vertical city, GIFT city hosts state of the art infrastructure such as District Cooling System (DCS), Automated Waste Collection System (AWCS), and Underground Utility Tunnel. Such high-quality infrastructure has contributed in developing GIFT City as one of the world's leading Smart City.



INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY (IFSCA)

The Government of India established International Financial Services Centres Authority under the International Financial Services Centres Authority Act 2019 passed by the Union Parliament.

The IFSCA has a statutory mandate to develop and regulate financial institutions, financial services, and financing products within the IFSCs in India. Government of India, with effect from October 2020, granted IFSCA the regulatory powers of four domestic regulators namely Reserve Bank of India (RBI), Securities & Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI) and Pension Fund Regulatory and Development Authority (PFRDA) for the IFSCs in India.

"We at IFSCA are committed to providing a comprehensive and consistent regulatory framework based on global best practices with a special focus on ease of doing business"

Injeti Srinivas
Chairperson, IFSCA

OVERVIEW OF IFSC

IFSC Business Activities



Asset Management

- Alternative Investment Fund
- Portfolio Manager
- Investment Advisers
- Wealth Management
- Custodial Services
- Mutual Funds



Capital Markets

- Stock Exchanges
- Clearing Corporation
- Depository
- Depository Participant
- Broker



Insurance

- Indian & Foreign Insurer
- Indian & Foreign Reinsurer
- Indian & Foreign Intermediaries



Emerging Business Segments

- Global In-House Centre
- International Bullion Exchange
- Aircraft Leasing and Finance
- Global FinTech Hub



Banking

- Indian Banks
- Foreign Banks



Other Financial Institutions

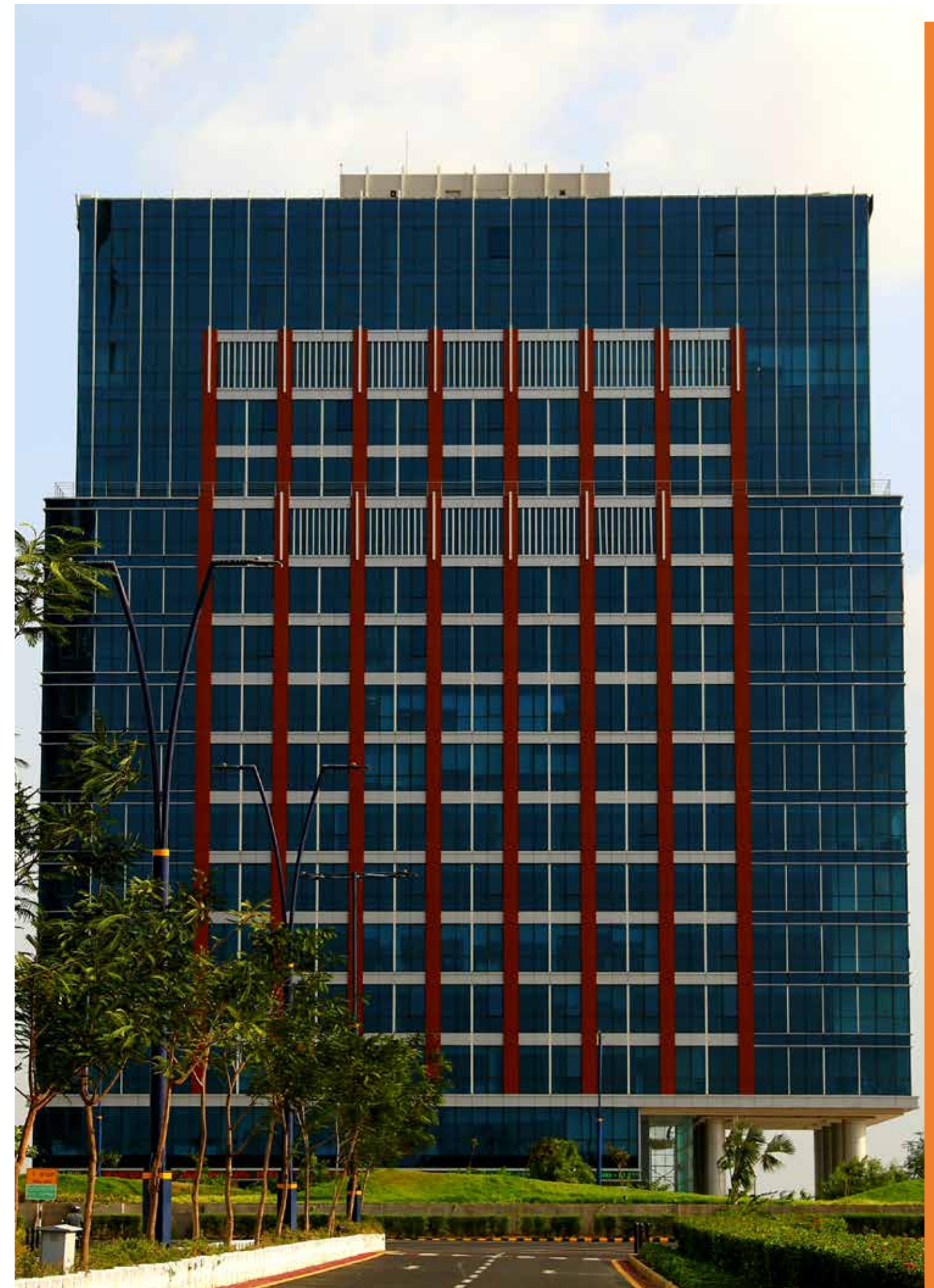
- Finance Company
- Global Corporate Treasury Centre
- International Trade Finance Services Platform



Professional Service Providers

- Asset Management Support Services
- Legal and Compliance Services
- Accounting and Auditing Services
- Consultancy Services
- Trusteeship Services*

*Other than Debenture Trusteeship Services





IFSC OPPORTUNITIES

- Access to large hinterland economy
- Access to international markets
- Connecting ~30 Mn strong Indian diaspora which has a combined net worth of ~USD 3 Tr to India through IFSC
- Inbound and outbound gateway for International Financial Services
- Potential to be a leading destination for Global In-house Centres with a globally competitive cost structure
- Attracting global talent to the world class FinTech Hub in GIFT City
- Emerging as a leading hub for Fund Administration

IFSC COMPETITIVE TAX REGIME

100%

Corporate Tax Exemption
(for 10 out of 15 years)

0%

Minimum Alternate Tax
(MAT)**

0%

Capital Gains Tax*

0%

Securities Transaction Tax (STT)/
Commodities Transaction Tax (CTT)

0%

Stamp Duty*

0%

Goods & Services Tax
(GST)

*On specified securities transferred on recognized stock exchanges in IFSC

**Concessional Rate of MAT applicable for the IFSC units at 9%, however MAT provision not applicable for companies opting for concessional tax rate under Sec. 115 BAA of the Income Tax Act, 1961

FUND MANAGEMENT REGIME

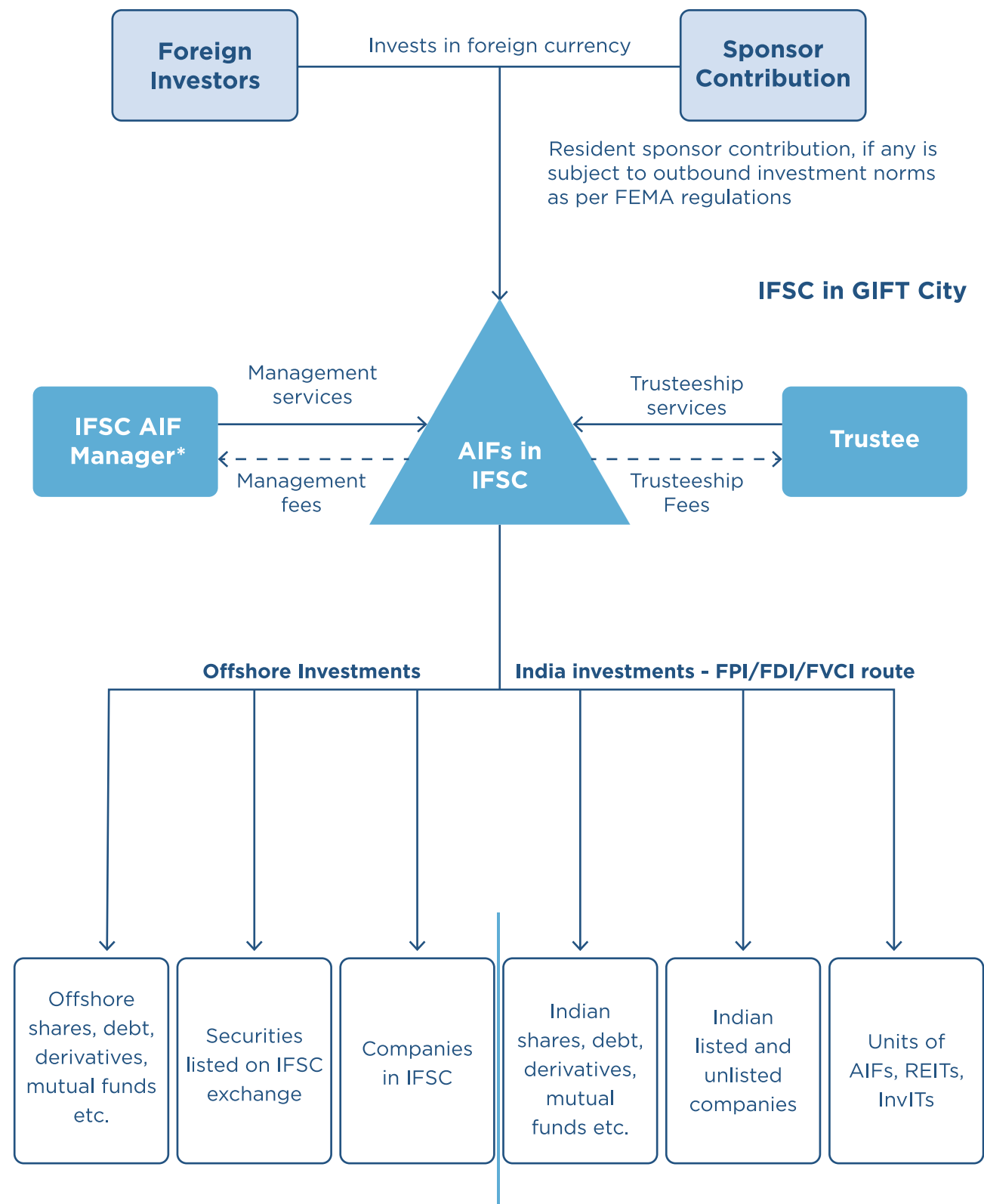
Alternative Investment Funds (AIFs)

Parameter	Category I	Category II	Category III
Description (Fund Category)	Funds which invest in start-ups, early-stage ventures, social ventures, SME's and Infrastructure, etc. Eg: Early stage Venture Capital and Social Venture Funds	Residual category i.e., other than Category I AIF and Category III AIF. Eg: Private Equity & Venture Capital Funds	Funds which employ diverse or complex trading strategies. Eg: Hedge Funds
Permitted AIF structure	<ul style="list-style-type: none"> Trust Company Limited liability partnership Body corporate 	Same as Category I	Same as Category I
Minimum investment by an investor in AIF:			
• For employees or directors of the AIF or its manager	USD 40,000	Same as Category I	Same as Category I
• For other investors	USD 150,000		
Tenure per scheme	Minimum 3 years. Extension of term is possible subject to condition	Same as Category I	Not Applicable

Parameter	Category I	Category II	Category III
Minimum corpus requirement for each scheme of the AIF	USD 3,000,000 For Angel funds -USD 750,000.	Same as Category I	Same as Category I
Borrowing of funds/leverage	Permitted with the consent of investors	Same as Category I	Same as Category I
Co-investment in segregated portfolios	Permitted to co-invest though segregated portfolio by issuing a separate class of units	Same as Category I	Same as Category I
Appointment of Custodian	Sponsor or Manager of Category I -AIF must appoint a custodian for securities, if the corpus exceeds USD 70 million	Same as Category I	Mandatory to appoint custodian irrespective of corpus
Continuing interest of manager or sponsor (not as waiver of fees)	Lower of: <ul style="list-style-type: none"> 2.5% of corpus USD 750,000 	Same as Category I	Lower of: <ul style="list-style-type: none"> 5% of corpus USD 1,500,000

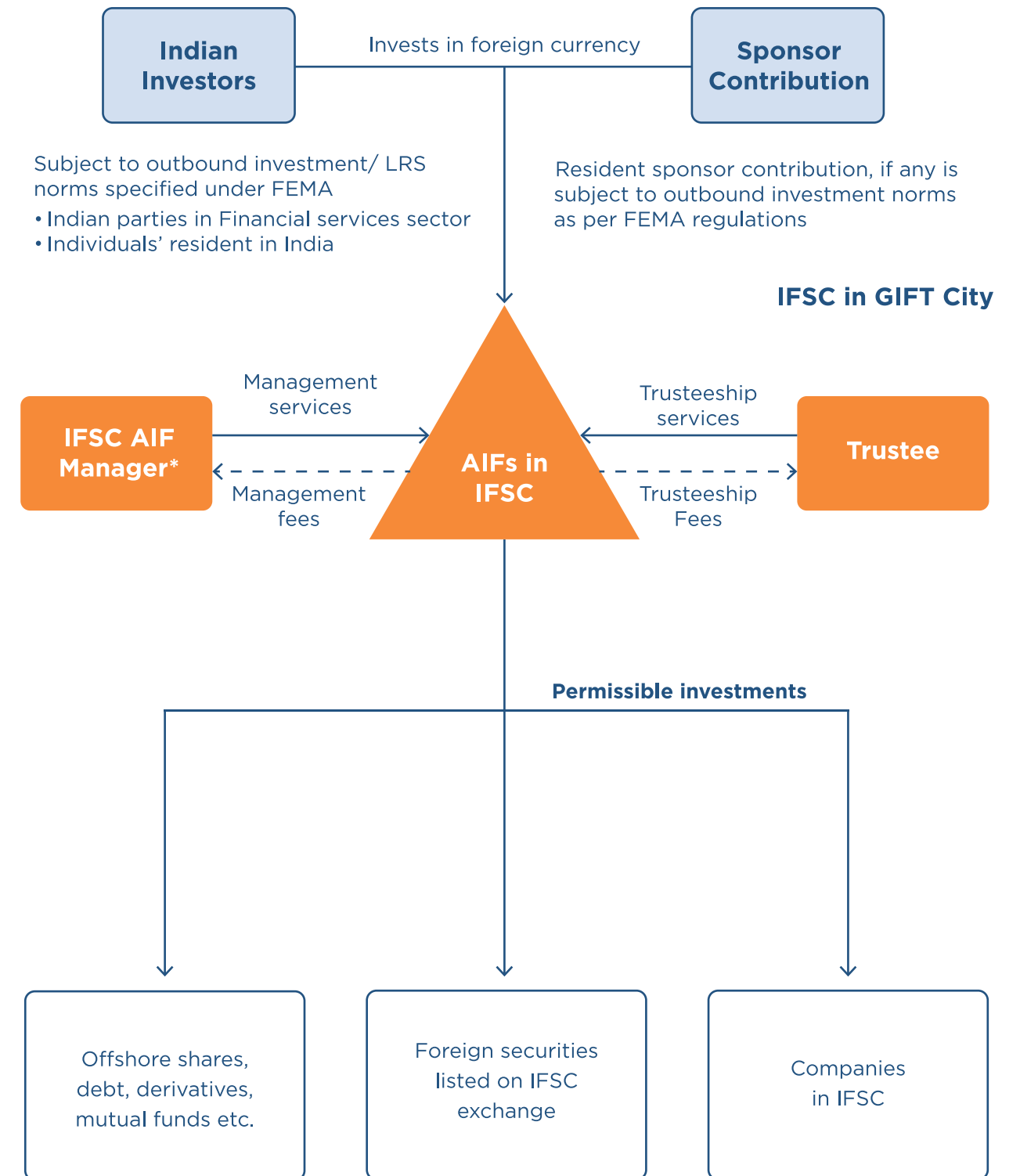
INBOUND INVESTMENT

AIFs in IFSC



OUTBOUND INVESTMENT

AIFs in IFSC



KEY TAX INCENTIVES & BENEFITS FOR AIF AND ITS INVESTORS

Category I & II AIF

- ▶ Pass through status for Indian income tax purpose
- ▶ Non-Resident investors are exempt from obtaining PAN and filing return of income in India
- ▶ Income accruing or arising or received by Non-Resident investors from off-shore investments not taxable in India

Category III AIF*

- ▶ Non-Resident investors are exempt from obtaining PAN and filing return of income in India
- ▶ Category III AIFs are subject to fund level taxation
- ▶ Exemption from tax for non-resident investors on income from:
 - Transfer of Indian securities (other than shares of Indian company)
 - Securities issued by non-resident (not being a PE) with no accrual of income in India
 - Transfer of offshore securities/certain securities traded on IFSC exchanges
 - Securitisation trust which is chargeable under the head profits and gains of business or profession
- ▶ Income on transfer of shares in an Indian company is taxable as follows:
 - **Short term Capital Gains:** 15% if Securities Transaction Tax paid, else 30%
 - **Long term capital gains:** 10%

*All investors to be non-resident other than sponsor and/or manager

For Manager

- ▶ 100% corporate tax exemption for 10 consecutive years out of block of 15 years.
- ▶ The dividend distributed by Manager may be taxable in the hands of its shareholders.
- ▶ Supply of services by Manager in IFSC is exempt from Goods and Services Tax.

KEY BENEFITS FOR AIFs IN IFSC

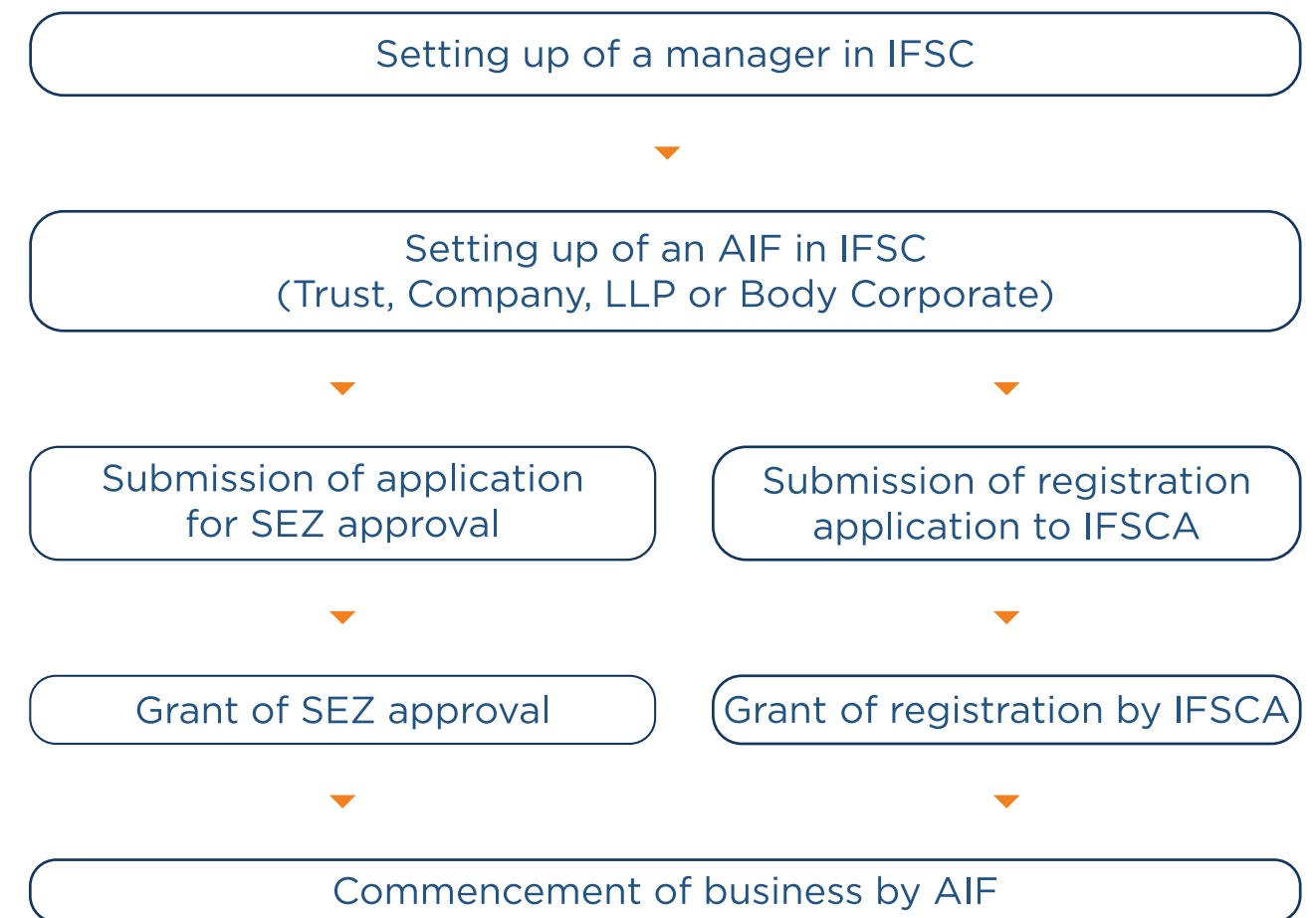
- Lower Operating Costs
- Competitive Tax Regime
- No limits on outbound investments
- Engagement with unified financial regulator
- Permitted to borrow funds and engage in leveraging activities
- Enabling ecosystem for fund management with presence of key stakeholders including custodians and fund administrators
- No diversification limits on investments made by an AIF in IFSC provided the investment made is in line with the risk appetite of the investors and appropriate disclosures are made.

BENEFITS FOR RELOCATION OF OFFSHORE FUNDS

Relocation of Off shore Fund to a resultant fund in IFSC to be tax neutral for Off-shore Fund, resultant fund and its shareholders/ unit holders as follows:

- Transfer of assets of an Off shore Fund or its Wholly owned subsidiary ('WOS') to a Resultant Fund, upon relocation to IFSC on or before 31 March 2023 is not regarded as transfer.
- Exemption also provided to non-resident shareholders of Off shore Fund / Off shore Fund on transfer of units/ beneficial interest of Off shore fund in consideration of units/ beneficial interest of Resultant fund in IFSC
- Grandfathered investments in the fund will continue to enjoy capital gains exemption on future sales by the Resultant fund in IFSC
- Period of holding and cost to previous owner are available to Resultant Fund. Deemed income provisions under the Indian tax laws are not applicable to the Resultant fund on relocation.
- Carry forward losses of portfolio company are not impacted on such relocation.
- Sponsor and/or manager contribution made voluntary.

PROCESS FLOW FOR SETTING UP AN AIF IN GIFT IFSC



Disclaimer:

The information contained in this brochure is to give holistic view on financial services markets in GIFT IFSC. While all efforts have been taken to make this brochure as authentic as possible, please refer the print versions, notified Gazette copies of Acts/Rules/Regulations/Circulars issued by the IFSCA or Government India. The IFSCA shall not be responsible for any loss to any person/entity caused by any defect or inaccuracy inadvertently or otherwise stated in this brochure.



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