

FAQ's on Framework for Ancillary Services at IFSC

Disclaimer: These FAQs are not the interpretation of law but provide only a simplistic explanation of process / issues / terms / concepts related to Ancillary Services Framework at IFSC. For full particulars of laws governing the Ancillary Services, please refer to the Acts / Regulations / Guidelines / Circulars appearing under the Legal Framework Section of our website i.e., <https://ifsca.gov.in>.

1. What kind of business activities are considered as an ancillary services in IFSC?

Ancillary services covers those services which directly or indirectly aid, help, assist or strengthen or are attendant upon or connected to activities in relation to financial products, financial services and financial institutions as defined under Section 3 (1) of the IFSCA Act, 2019.

2. What are permissible activities ancillary services in IFSC?

As per IFSCA Circular dated 10.02.2021 read with Circular dated 10.06.2021 and 06.04.2023 on Ancillary services, the Ancillary service providers in IFSC may engage for providing any one or more activities which are described in the Annexure of the Circular dated 10.02.2021. The broad categories of the activities are following:

- (i) Legal, Compliance and Secretarial;
- (ii) Auditing, Services;
- (iii) Professional & Management Consulting Services;
- (iv) Administration, Assets Management Support Services and Trusteeship Services;

3. Who can act as an ancillary service provider in IFSC?

The following entities are eligible to act as an ancillary service provider in IFSC:

- (i) Any existing or newly incorporated entity set up in the IFSC; or
- (ii) Any Indian or Foreign incorporated entity by establishing a Branch or a subsidiary

The entity may be set up in the IFSC in the form of a company or a limited liability partnership or a registered partnership firm, their branch thereof or any other form as may be approved by the IFSCA.

4. To whom the services would be provided?

Ancillary service providers can provide permissible services to any one or more of the following:

- (i) Entity(ies) set up in the IFSC;
- (ii) Entities from foreign jurisdictions for various permissible ancillary services in the IFSCs in India or overseas;
- (iii) Indian entities who propose to open, set up or carry out operations in IFSCs or foreign jurisdiction, provided consideration is received in freely convertible foreign currency.

5. Which currency is to be used for conduct of business in IFSC?

Service providers shall transact in freely convertible foreign currency only. However, the service providers may defray their administrative expenses in INR by maintaining an INR account.

6. What are the approvals required for setting up unit as an Ancillary Service Provider in the IFSC?

Approvals required to be obtained for setting up unit as an Ancillary Service Provider in the IFSC are as follows:

- a) Approval from SEZ Division ,IFSCA
- b) Authorisation from IFSCA
- c) Any other approval that the applicant may be required under other laws that may be applicable to the entity in its normal course of business.

7. What would be the manner in which the Books of Accounts, Records and Documents are maintained?

The service providers shall maintain books of accounts, records and documents in such foreign currency as declared while making a registration application to IFSCA.

8. What are Compliances/ reports /Information required to be submitted by the service provider?

- (i) Annual financial statements
- (ii) Confirmation of compliance with the regulations, circulars, guidelines and/or directions as issued by IFSC Authority from time to time.
- (iii) Details of material regulatory action, if any.
- (iv) Other details as may be prescribed by the authority from time to time.

9. Is there a format for filing application form?

The format for filing application with IFSCA has been prescribed vide Circular dated June 10, 2021 (Annexure II). You may download the same from our website at the following link: <https://ifsc.gov.in/Downloadfile/Index>

10. What are the documents required to be annexed with the application form?

The following are the documents required to be annexed with the application form:

- a) Copy of the incorporation certification/registration document of the Applicant and person (s) in control as may be applicable.
- b) Constitutional documents (such as Memorandum and Articles of Association/ Partnership Deed) of the Applicant as may be applicable.
- c) Last 3 years audited consolidated financial statements of the Applicant
- d) Address proof of directors / person (s) in control
- e) Tax Identification Document of the applicant
- f) Copy of SEZ approval
- g) Copy of the proof of payment for the application fees paid
- h) Copy of authorisation for application by an authorized representative

i) Declaration on the letter head of the company duly signed by the authorized signatory as per paragraph 6

11. Can an applicant intending to undertake Investment Advisor, Debenture Trustee or other IFSCA regulated activity apply under the ancillary framework?

Applicants shall seek IFSCA registration separately under the appropriate framework for undertaking regulated activities such as Debenture Trustee, Investment Advisor, AIF, Fund Management, etc., and for such activities not apply under the Ancillary Framework.

12. What are the fees applicable for Ancillary Service Providers in IFSC?

The fee structure for the Authorisation under ancillary services is as under:

Application Fee: USD 1,000 per activity
Authorisation Fee: USD 1,000 per activity
Annual Fee: USD 1,000 per activity

Mode of Payment:

Account Details for fee to be remitted to IFSCA

1. The fee as specified in the relevant circular(s) of IFSCA need to be remitted to the following account of IFSCA in USD:

Account Name: International Financial Services Centres Authority
Account Number: 970105000174
Type of Account: USD Current Account
Current Account Bank Name: ICICI Bank Limited
SWIFT Code: ICICINAAXXX
NOSTRO Details: CHASUS33XXX
JP MORGAN CHASE BANK NA, NEWYORK, USA
Account no.:833999532

2. However, entities coming from India (except GIFT-IFSC) will have the option to pay the Application Fee and Registration Fee (for grant of registration by IFSCA) in INR into the account of IFSCA mentioned below:

Account Name: IFSCA FUND 2
Account Number: 39907189884
Name of the Bank: State Bank of India
Type of Account: INR Current Account
IFSC Code: SBIN0060228 .

For the entities remitting the fee in INR, the latest RBI reference rate available at <https://www.fbil.org.in/#/home> (which would normally be 7 days before the current date) will be considered

For more details regarding payment of fees please refer IFSCA Fee circular date 17th May, 2023.

13. At what stage should the fees be paid?

Application fee should be paid at the time of submitting the application form to IFSCA along with all supporting documents. All applications submitted along with supporting documents and application fees shall only be taken on record for processing.

Authorisation Fee shall be paid after IFSCA processes the application and intimates the applicant of grant of In-principle approval.

Annual fee or Recurring fees is applicable from the date of grant of registration. For the year in which authorization is granted Annual fees is payable on pro-rata basis for every month remaining in such financial year and shall be paid within 15 days of the date of communication, for calculation of this pro rata share part of a month shall be considered as a full month. For a financial year other than the year of authorization of operations, the Annual fee shall be paid within 30 days of the end of the preceding financial year.

14. What are the benefits of setting up unit as an ancillary service provider in GIFT IFSC?

The key benefits for an Ancillary service provider in IFSC are as follows:

- a) Global Outreach
- b) world class business Environment
- c) Robust regulatory and legal environment
- d) World class infrastructure, unparalleled connectivity and transportation access.
- e) Various tax and regulatory incentives and exemptions granted
- f) Lower operating costs
- g) Availability of skilled professionals Thriving international financial services ecosystem

15. What is the tax framework for ancillary service providers in IFSC?

- a) Tax holiday for 10 consecutive years out of block of 15 years in respect of income from business carried on in IFSC.
- b) Minimum Alternate Tax (MAT)/ Alternate Minimum Tax (AMT) – 9% of the book profits applies to Company / others setup as a unit in IFSC (MAT not applicable to companies in IFSC opting for new tax regime).
- c) No GST on services (a) received by unit in IFSC; and (b) provided by IFSC / SEZ units to offshore clients.