

FM proposes incentives for International Financial Services Centre

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FM, vide Finance Bill 2025, w.e.f. April 1, 2025 proposes certain amendments to International Financial Services Centre (IFSC)

- Extend sunset dates for commencement of operations of IFSC units for several tax concessions, or relocation of funds to IFSC, in clause (d) of Section 80LA(2), clause (4D), clause (4F), clause (4H) of Section 10 and clause (viiad) of Section 47 to March 31, 2030;
- Exempt proceeds received on life insurance policy issued by IFSC insurance intermediary without the condition related to the maximum premium payable on such policy under clause (10D) of Section 10 (which provides exemption on life insurance policy from IFSC Insurance offices);
- Presently, exemption on capital gains tax is provided to non-residents or unit of IFSC (being engaged in aircraft leasing) on transfer of equity shares of domestic companies (being units of IFSC) who are also engaged in aircraft leasing [Section 10(4H)]. Further, exemption is provided on dividend paid by a company (being a unit of IFSC) engaged in aircraft leasing, to another unit of IFSC who is also engaged in aircraft leasing; FM proposes to extend the aircraft exemption to ship leasing units in IFSC as well;
- Exempt long-term capital gains (whether or not such capital gains are deemed as short-term capital gains under Section 50AA) arising from an investment made in India in the total income of a specified person (such as sovereign wealth funds and pension funds) under clause (23FE) of Section 10; Also proposes to extend the date of investment under the aforesaid clause from March 31, 2025 to March 31, 2030;
- Amend clause (4E) of Section 10 (Exempt income of Non-Residents), wherein presently exemption for transactions in derivatives was limited to the transactions made by non-residents with Offshore Banking Units; FM proposes that these benefits to be extended to such transactions, made with a Foreign Portfolio Investor (FPIs) being a unit in the IFSC; It is clarified that the exemption is available to non-resident and not the FPI; The amendment is effective from April 1, 2026 (applicable to AY 2026-27 and subsequent AYs);
- Include retail schemes or Exchange Traded Funds (ETF) within the definition of resultant fund for the purposes of clause (viiad) of Section 47 so that relocation of original funds to such funds in the IFSC is also a tax-neutral transaction; This amendment will encourage more funds, being retail schemes or ETFs to relocate to the IFSC;