# Ship Acquisition, Financing and Leasing in IFSC

**September 2023**

**Price Waterhouse & Co LLP**

# India – Key Highlights

**Third largest market by 2030**

**3rd Largest global economy by 2030 and 20% contribution to global economy by 2050**

**Improved Ease of Doing Business**

**Rank 63 in Ease of doing business**
(improved from rank 142 in 2014)

**New Corporate Tax Code (Tax reduced)**

For existing units - 22%*
**For new units - 15%***
MAT – 15%*

**New hub for GCC/GICs**

**~50%** of Global Capability Centers new investments are in India

**Availability of talent**

**Approximately 50%** of startups based out of Tier 2 and Tier 3 cities

**MoUs**

**Singapore and India have signed numerous MOUs** covering various sectors such as defense, trade, finance, and technology

**Digital revolution**

In the year 2022-23 (Apr-Aug) bilateral trade stood at **US$ 14.75 bn**

**Indian Diaspora in Singapore**

The Indian community in Singapore has contributed to various sectors such as **finance, technology, education, and healthcare**.

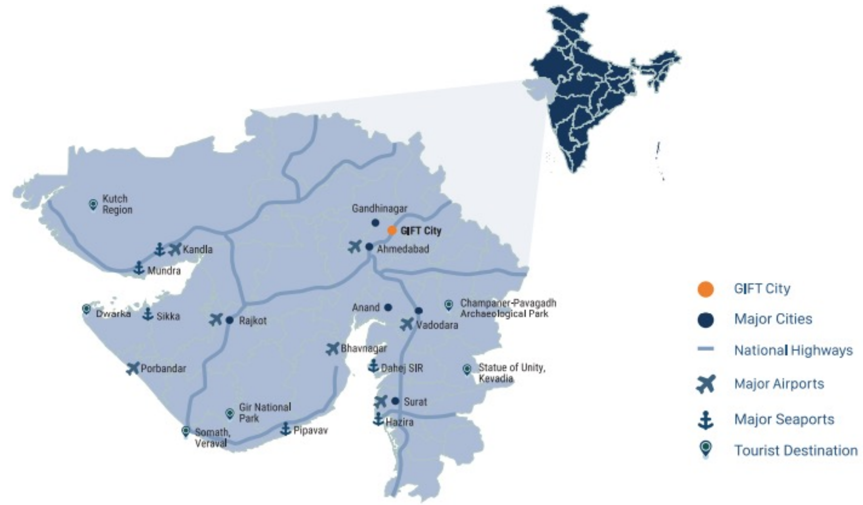
**Trading Partner**

India is **9th largest** trading partner of Singapore

**Indian companies have invested in Singapore, using it as a gateway to south-east Asia**

*plus applicable surcharge and cess

# Background - GIFT City




| 01 | 02 | 03 | 04 | 05 |
|---|---|---|---|---|
| A free trade zone with various tax incentives enabling flow of finance, financial products and services across borders | First operational platinium rated “Green Smart City” | Fully integrated with the best-in-class infrastructure, connectivity, people, technology and legal framework | Stock exchanges in GIFT City have achieved single day highest volumes of close to USD 25 billion | Ranked 1st in report of the Global Financial Centers Index 31 as one of 15 centers that is likely to become more significant over next few years |

# GIFT City - Unique Infrastructure and Amenities

**GIFT – City is India's first and only approved IFSC**

**Connectivity - 20 minutes from Ahmedabad airport, & bus service available from Ahmedabad**

**Social amenities - Business club, school, hotel, residential apartments, etc**

**15,000+ employees in GIFT City**

**District Cooling Plant**

Energy efficient and sustainable air conditioning system

**Water Treatment Plant**

24x7 Potable water from any Tap throughout city

**Underground Utility Tunnel**

"DIGGING FREE CITY"

**Automated Waste Collection & Segregation Plant**

"One of its kind" city level waste collection system

A judicious combination with the latest technology and global best practices in infrastructure service delivery are in place

# International Financial Services Centres (IFSC)

## What is International Financial Services Centre (IFSC)

**Set-up to undertake financial services transactions**

**Deals with the flow of finance, financial products and services across borders**

**International Financial Services Centres Authority (IFSCA) established in April 2020**

**IFSCA is the unified regulator for IFSC – SEBI, RBI, IRDAI, PFRDA**

**IFSC Unit - treated as a ‘non-resident’ under Indian exchange control regulations**

**Dealings in Freely convertible Foreign Currency**

# IFSC Ecosystem

**Banks**
- Indian banks
- Foreign banks

**Capital Markets**
- Stock/Commodity Exchanges
- Clearing Corporation
- Depository
- Broker Dealer

**Financial Institutions**
- Finance Company
- Global Corporate Treasury Centre
- International Trade Finance Services Platform

**Insurance**
- Indian Insurer
- Indian Reinsurer
- Indian Broker
- Foreign Insurer
- Foreign Reinsurer

**Emerging Activities**
- Aircraft and Ship Leasing
- Global Fintech Hub
- Global inhouse centres
- International Bullion Exchange
- Sustainable Finance
- Ancillary Services/Professional Service Providers

**Asset management**
- Alternate Investment Fund
- Investment Advisers
- Wealth Management
- Portfolio Manager
- Custodial Services

# Overview of recent business growth @ GIFT City

| Parameters | Upto Sept 2020 | Upto March 2023 |
|---|---|---|
| **Number of IFSC entities** | **129** | **458** |
| **Banking Sector** | | |
| Number of banks | **14** | **23** |
| Banking Asset size | $ 14 Bn | $ 38 Bn |
| Total banking transactions | $ 53 Bn | $ 422 Bn |
| Total derivative transactions (including NDF) | $ 65 Bn | $ 535 Bn |
| **Capital Markets** | | |
| Monthly turnover on IFSC Exchanges | $ 21.7 Bn | $ 29.5 Bn |
| Cumulative debt listing on exchanges | $ 23 Bn | $ 50.6 Bn |
| Green / ESG / Sustainable Debt Listing | $ 2.1 Bn | $ 9.25 Bn |
| **Fund Management** | | |
| Fund Management Entities (FMEs) | N/A | 63 FMEs |
| Funds / Schemes | N/A | 51 Funds |
| Total Commitment to Funds | N/A | $ 14.6 Bn |

| Parameters | Upto Sept 2020 | Upto March 2023 |
|---|---|---|
| **Insurance** | | |
| No. of insurance firms and brokers | 17 | 23 |
| Reinsurance - Gross Premium booked | $ 45 Mn | $ 202 Mn |
| Reinsurance Premium transacted by intermediaries | $ 158 Mn | $ 682 Mn |
| **Aircraft and Ship Leasing** | | |
| Registered Aircraft Lessors | N/A | 20 |
| Registered Ship Lessors | N/A | 4 |
| Total Aircraft/ engines leased | N/A | 29 |
| **FinTech** | | |
| Number of FinTech Registered | N/A | 35 |
| FinTech approved under incentive scheme | N/A | 05 |
| Number of hackathons | N/A | 07 |
| **Bullion Exchange** | | |
| Qualified suppliers | N/A | 14 |
| Qualified jewelers | N/A | 81 |
| Quarterly bullion trade on IIBX | N/A | 411 kgs |

*Source: Desktop research*

# Tax regime for units for IFSC

| Particulars | Considerations |
| --- | --- |
| **Tax regime** | |
| Income-tax | • 100% tax exemption for 10 consecutive years out of 15 years<br>• MAT / AMT @ 9% of book profits applies to Company / others setup as a unit in IFSC<br>– MAT not applicable to companies in IFSC opting for new tax regime<br>• Dividend paid to shareholders of company in IFSC<br>– Taxable in the hands of recipient |
| Goods and Services Tax | • No GST on services –<br>– received by unit in IFSC<br>– provided by IFSC / SEZ units to offshore clients<br>• GST applicable on services provided to DTA |
| Other taxes duties | • State Subsidies – Lease rental, PF contribution, electricity charges (Gujarat IT-ITeS Policy 2022-27) |

# Ship Leasing in IFSC

**Regulated by IFSCA (Finance Company) Regulations, 2021**

### Eligibility

- India as well as Foreign Entity

### Form of Set-up

- Company
- Subsidiary
- LLP
- Branch of a company

### Type of Activities

- Operating Lease
- Financial Lease
- Hybrid of Financial and Operating Lease
- Captive Asset Management Services

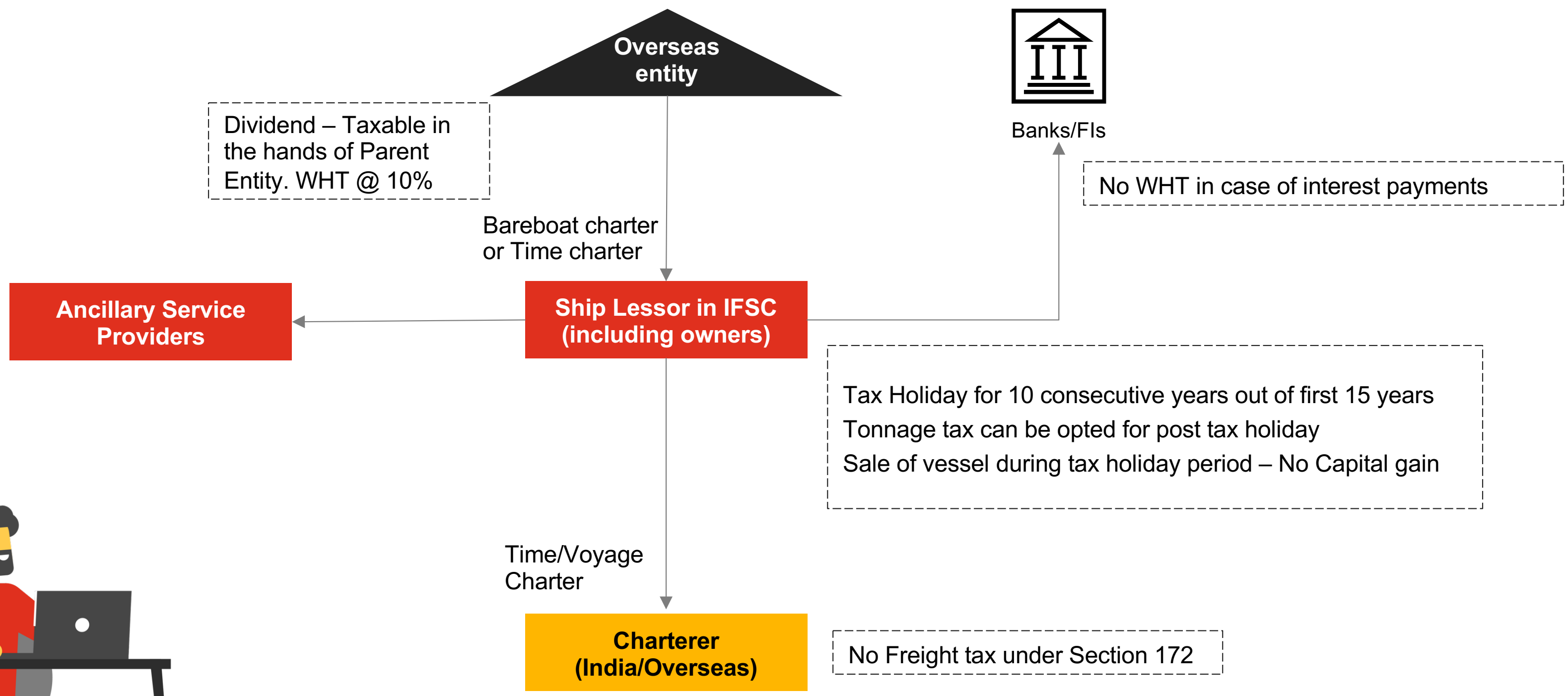
### Currency of Operations

- Freely convertible Foreign currency
- INR for admin expenses
- Rupee Derivatives and USD-INR derivatives, subject to conditions

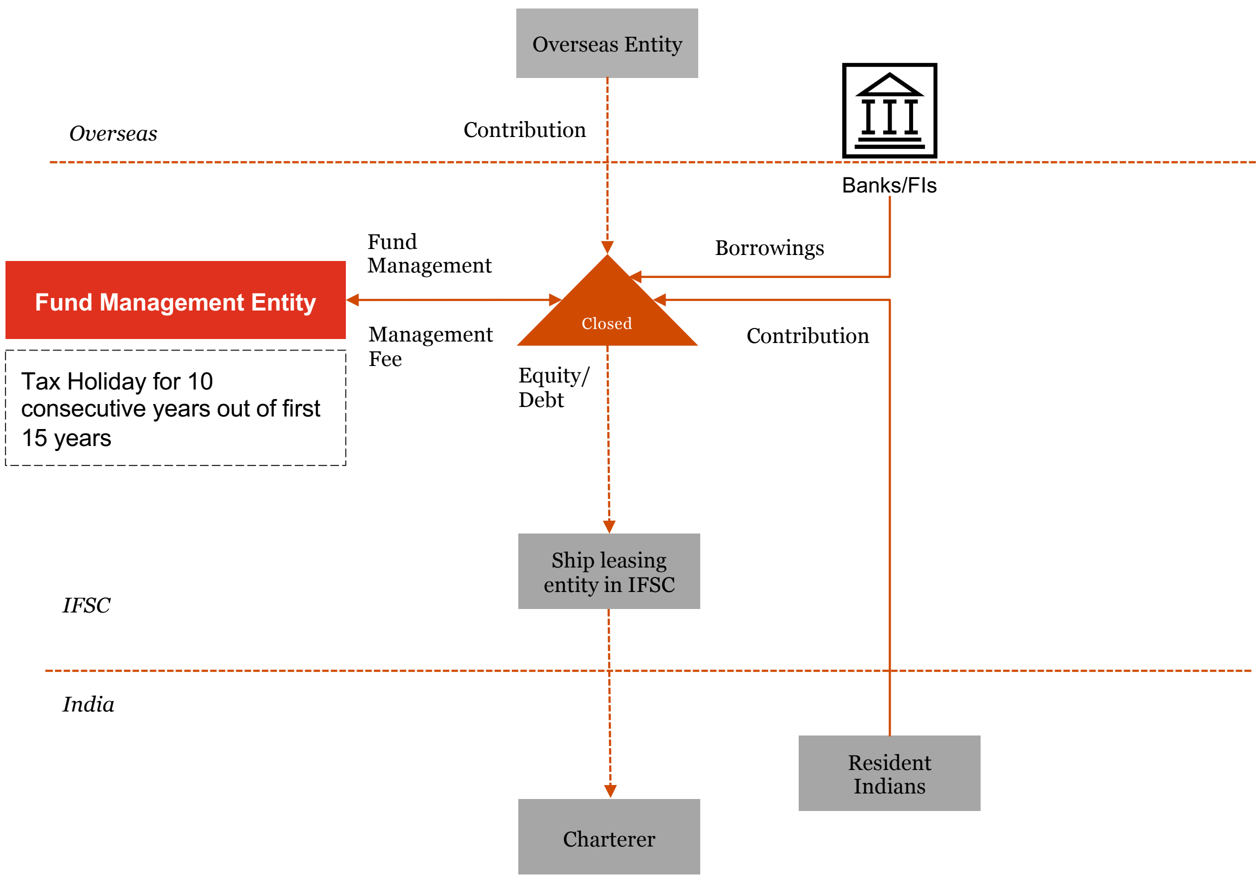
### Ancillary Services

- Third Party Asset Management Support Service
- Ship Broking Services
- Legal Services

# Ship Owning and Leasing in IFSC




# Fund Set-up in IFSC

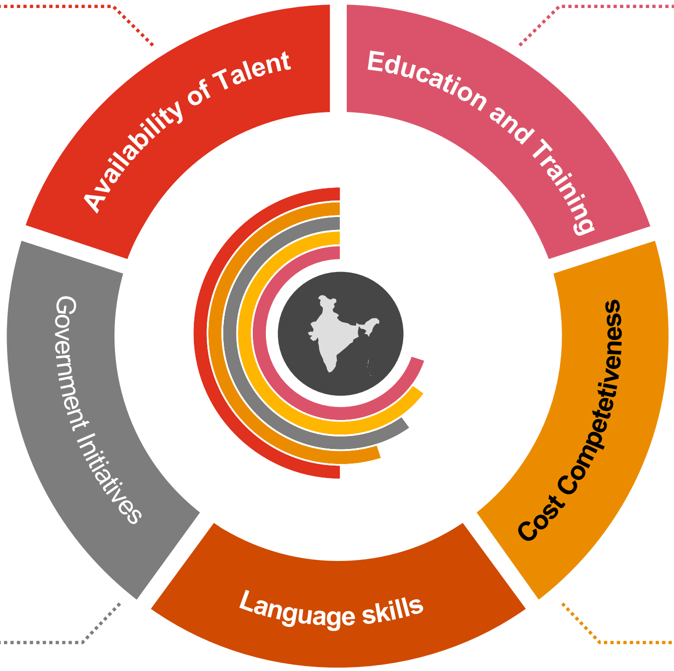



## Key Considerations

- Permitted to invest in securities and buy and sell securities
- Leveraging permissible
- Lending in the form of loans **not permitted**
- Investment in unlisted securities of a single party restricted to 25%
- No WHT in payments to Banks/Fis
- Finance lease to overseas entities possible
- Finance lease to Indian entity : FEMA considerations

# GIFT IFSC : A pool of maritime talent

- India produces a significant number of well-trained **marine engineers, naval architects, ship managers, maritime lawyers, and logistics professionals**




- **Gujarat Maritime University (GMU) and Indian Maritime University (IMU)** offers a range of undergraduate and postgraduate courses such as
  - Nautical Science,
  - Marine Engineering,
  - Naval Architecture,
  - Shipbuilding,
  - Port and Shipping Management.

- As a part of **Sagarmala project**, skill development programmes are being implemented

- **Relatively lower cost of living and labour costs** in India make it an attractive destination for shipping companies

- Availability of a large **English-speaking talent pool**

While Singapore also has a well-established maritime talent pool, India's advantage lies in its larger talent pool and cost competitiveness. Companies operating in India IFSC can leverage these factors to access skilled maritime professionals at a more competitive cost compared to Singapore.

# Gujarat Maritime Board & Gujarat Maritime Cluster

**India's first autonomous State Maritime Board to develop, administer and regulate the Non-Major Ports of Gujarat**

**Vision for Gujarat Ports**

"To capture the strategic advantage of India's longest coastline which Gujarat is endowed with and develop the coastal areas comparable with global standards to make them growth engines of the State and place Gujarat prominently on the international shipping map"

**10 GMB Group of Ports**

- GMB Jetties
- Captive Jetties
- Private Jetties
- Private Ports

**First ever Maritime Cluster, 100% subsidiary of Gujarat Maritime Board**

**Dedicated Ecosystem of Ports, Shipping and Logistics services**

**Aimed to create synergistic capabilities and opportunities amongst the stakeholders**

01 Regulators and Trade Associations

02 Ports and Shipping businesses

03 Banks and Financial Institutions

04 Ancillary and Intermediate services

# Ancillary Services Framework – Legal Services

## Arbitration under English law

Arbitration can be conducted under English law in India if the parties involved in the arbitration agreement specify English law as the governing law in their arbitration agreement

## Permissible Services

- **Qualified Jurisdiction**: Practice of law in India pertaining to the laws of their primary qualification jurisdiction.
- **International Arbitration:** Representation of foreign entities in international arbitration cases conducted in India, even if foreign law is not involved.
- **Non-Court Proceedings:** Legal expertise and representation in non-court proceedings where knowledge of foreign law is essential.
- **Legal Advice:** Legal advice on the laws of their primary qualification country and various international legal matters is permitted.
- Foreign lawyers and law firms can practice in India, **including opening law offices**, while adhering to specific conditions and limitations.

**GIMAC - Special Alternate Dispute Resolution (ADR) center set-up with special focus on commercial disputes pertaining to maritime and shipping sector.**

**SIAC opened its Second Representative Office in India in GIFT City**

# Gujarat International Maritime Arbitration Centre

**GIMAC - Special Alternate Dispute Resolution (ADR) center**

Mission: To organize and manage arbitration proceedings in disputes pertaining to different sectors, with special focus on commercial disputes pertaining to maritime and shipping sector.

- GIMAC has developed world class infrastructure comparable with best arbitration centers across the globe
- The GIMAC envisions to be an efficient ADR center with rules and regulations matching other globally renowned maritime arbitration institutions

**Special features**

- Best in class rules & regulations
- Foreign Arbitrators allowed
- Foreign lawyers allowed on fly-in and fly-out basis
- State of the Art Technology

**Seat of Arbitration in IFSC treated as International Commercial Arbitration**

**Special Bench of Gujarat High Court to be designated for Appeal**

**Implementation of Arbitral Award under International Convention**

# Singapore International Arbitration Centre (SIAC)

**SIAC opened its Second Representative Office in India in GIFT City**

- SIAC aims to provide a neutral and independent dispute resolution platform to parties, thereby enabling them to undertake large international financial transactions from GIFT IFSC
- GIFT companies will also start adopting SIAC's model clause as their preferred dispute resolution clause for international contracts exceeding a certain value
- Such international dispute resolution mechanism will be useful in making GIFT IFSC a global financial hub along the lines of London, Dubai, Hong Kong, Singapore and New York

## The Economic Times

"SIAC and GIFT will collaborate to promote to all companies and investors in GIFT, the use of arbitration and related dispute resolution services such as the Arb-Med-Arb service jointly provided by SIAC and the Singapore International Mediation Centre"

# Thank you

Data classification: DC0 (Public)



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