STUDY NOTES · BASIC CONCEPT

What all can Indians invest in through GIFT City? What is this?

Indian Economy

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GIFT City, or Gujarat International Finance Tec-City, is India's pioneering operational greenfield smart city and International Financial Services Centre (IFSC), established to serve as a global financial and technology hub. Located in Gujarat, it aims to attract international financial services and bring back financial activities that traditionally moved to offshore centers.

A key aspect of GIFT City is its International Financial Services Centre (IFSC), which functions as an "offshore" financial hub within Indian territory. All financial activities within the IFSC are regulated by a single entity, the International Financial Services Centres Authority (IFSCA), which consolidates the regulatory powers of various domestic financial regulators, ensuring a unified and consistent regulatory environment.

GIFT City offers several benefits to attract global financial participation, including a 10-year income tax holiday, exemptions from certain capital gains taxes, GST-free services for IFSC SEZ units, and the ability to operate and transact in major foreign currencies, primarily the US dollar.

Gateway to Global Stocks:

GIFT City provides Indian investors with a streamlined pathway to invest in global stock markets. Through IFSC exchanges like NSE IFSC and India INX, investors can trade in global equities, including US-listed stocks, and even fractional shares. Instruments such as Unsponsored Depository Receipts (UDRs) offer access to major US-listed companies.

The investment process typically involves opening an account with an IFSC-registered broker and remitting funds under the Reserve Bank of India's (RBI) Liberalised Remittance Scheme (LRS), which permits Indian residents to remit up to USD 250,000 per financial year for permissible transactions.

Gateway to Mutual Funds

The IFSC in GIFT City facilitates investment in "Offshore Mutual Funds" or "GIFT City Funds." These funds are launched by Asset Management Companies (AMCs) through their banking units in GIFT City and are regulated by IFSCA. They allow investors to access global markets and diversify their portfolios across a wide range of

international securities, including equity and debt, with the flexibility to invest and redeem in major foreign currencies like USD and EUR. Both Indian residents (under LRS) and Non-Resident Indians (NRIs) can invest in these funds.

Specific offerings include Alternative Investment Funds (AIFs) and Portfolio Management Services (PMS). Investors can also benefit from tax advantages, such as exemption from Tax Deducted at Source (TDS) under current GIFT City regulations, and potential advantages from tax treaties for NRIs.

Gateway to Insurance

GIFT City is also a growing hub for the international insurance sector. IFSCA has established a comprehensive framework for the establishment and operation of IFSC Insurance Offices (IIOs) and IFSC Insurance Intermediary Offices (IIIOs). These offices are permitted to conduct various insurance businesses, including life, general, health, and re-insurance. Insurance intermediaries, such as direct brokers, composite brokers, and reinsurance brokers, can operate within GIFT City IFSC, catering to clients within the IFSC, other Special Economic Zones (SEZs) in India, and international markets.

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