GIFT City and IFSCA: Regulatory Overrides, Fiscal Concessions and Compliance Architecture

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A legal and regulatory bulletin on the statutory framework governing business at GIFT-IFSC

1. Introductory para:

1.1 The Gujarat International Finance Tec-City ("GIFT City"), Gandhinagar, houses India's first and, as yet, only International Financial Services Centre ("IFSC") — a jurisdiction carved out, quite literally, within the territory of India but designed to function, for financial-sector purposes, as though it were located outside India. What makes GIFT-IFSC a matter of continuing professional interest for lawyers, chartered accountants and company secretaries alike is not merely the tax concessions it offers, but the *statutory architecture* underlying it — a carefully layered structure in which one central legislation, the International Financial Services Centres Authority Act, 2019 ("IFSCA Act"), reconciles itself with, modifies, or operates alongside an entire constellation of pre-existing laws: the SEBI Act, 1992, the Reserve Bank of India Act, 1934, FEMA, 1999, the SEZ Act, 2005, the Income-tax Act, 1961, the CGST/IGST Act, 2017, and State stamp legislation.

1.2 This article attempts a structured reading of that architecture — what is genuinely "overridden," what is merely "modified," and what continues to apply with IFSC-specific carve-outs — and closes with a word on the single-window clearance mechanism that today ties the entire compliance lifecycle together.

2. Statutory Foundation: The IFSCA Act, 2019

2.1 The IFSCA Act, 2019 (Act No. 50 of 2019) received Presidential assent on 19th December 2019 and was brought into force in phases between April 2020 and October 2020. It establishes the International Financial Services Centres Authority as a unified, body-corporate regulator, replacing the erstwhile arrangement under which four separate regulators — RBI, SEBI, IRDAI and PFRDA — each regulated their respective segment of financial business within an IFSC, resulting in overlapping jurisdiction and consequent friction in ease of doing business.

2.2 Section 3(g) of the IFSCA Act defines an "International Financial Services Centre" by cross-reference to Section 18 of the SEZ Act, 2005 — a drafting choice that is, in itself, the first clue to how these two statutes interlock, and one to which we return below.

3. Unified Regulation: How SEBI, RBI, IRDAI and PFRDA Cede the Field

3.1 This is where the "override" that practitioners commonly speak of is, in fact, most precise and most emphatic in the statute.

3.2 Section 13(1)of the IFSCA Act provides, in terms, that *notwithstanding anything contained in any other law for the time being in force*, all powers exercisable by an "appropriate regulator" under the enactments listed in the First Schedule shall, within an IFSC, be exercised instead by the Authority, in so far as they relate to the regulation of financial products, financial services or financial institutions. The First Schedule identifies four appropriate regulators and the statutes each administers:

Ordinary regulator	Statutes whose IFSC-related powers vest in IFSCA
Reserve Bank of India	RBI Act, 1934; Banking Regulation Act, 1949; DICGC Act, 1961; FEMA, 1999; Credit Information Companies (Regulation) Act, 2005; Government Securities Act, 2006; Payment and Settlement Systems Act, 2007.
Securities and Exchange Board of India	SCRA, 1956; SEBI Act, 1992; Depositories Act, 1996.
IRDAI	Insurance Act, 1938; General Insurance Business (Nationalisation) Act, 1972; IRDA Act, 1999.
PFRDA	PFRDA Act, 2013.

3.3 Crucially, this is not a one-sided assertion. Section 33, read with the Second Schedule, simultaneously amends each of these parent statutes to insert a mirror-image provision for instance, Section 28C in the SEBI Act, Section 44A in FEMA, Section 51A in the Banking Regulation Act) expressly stating that the regulator's powers under that Act "shall not extend" to an IFSC and "shall be exercisable" instead by IFSCA. The override, therefore, works from both ends — a legislative technique an Indian practitioner would recognise as a belt-and-braces approach to avoiding future interpretive disputes.

3.4 Section 30 supplies the general, freestanding non-obstante clause — "the provisions of this Act shall have effect notwithstanding anything inconsistent therewith contained in any other law for the time being in force" — which operates as a residual overriding provision reinforcing Section 13.

3.5 A practical caution: this override is jurisdictional, not fiscal. It relocates the regulatory function—licensing, supervision, inspection and enforcement—from four regulators to one. It does not, by itself, determine tax, GST or stamp-duty consequences, which are addressed through separate legislative techniques discussed below.

4. IFSCA and FEMA: The Regulator Changes; Exchange Control Continues

4.1 Because FEMA, 1999 sits within the First Schedule as an RBI-administered statute, IFSCA does step into RBI's shoes for regulating financial institutions and products under FEMA within the IFSC — this is the effect of Section 13(1) coupled with the newly inserted Section 44A of FEMA itself.

4.2 This should not, however, be read as FEMA ceasing to apply. The substantive exchange-control character of the zone continues to flow from delegated legislation issued *under* FEMA — principally the Foreign Exchange Management (International Financial Services Centre) Regulations, 2015, which deem a financial institution or branch set up in the IFSC to be a "person resident outside India." Consequently, a transaction between such a unit and a person resident in India is treated as a resident–non-resident transaction, attracting FEMA's ordinary provisions rather than exempting the parties from FEMA altogether. RBI continues, from time to time, to amend allied regulations — for example, the Seventh Amendment (2025) to the Foreign Currency Accounts Regulations, 2015, which formally defines "IFSC" by reference to Section 3(g) of the

IFSCA Act and clarifies that foreign currency accounts permissible "outside India" may now also be maintained within an IFSC. The administrative authority has shifted; the underlying exchange-control law has not been switched off.

> *" It does not, by itself, determine tax, GST or stamp-duty consequences, which are addressed through separate legislative techniques discussed below. "*

5. IFSCA and the SEZ Act, 2005: Modification, Not Override

v5.1 **H**ere the drafting technique changes altogether, and this distinction is frequently glossed over in informal commentary.

5.2 GIFT-IFSC is not a creature of the IFSCA Act. It is, first and foremost, a Special Economic Zone notified under the SEZ Act, 2005, and the IFSC housed within it is expressly defined (Section 3(g), IFSCA Act) as one "set up... under section 18 of the Special Economic Zones Act, 2005." The SEZ Act therefore remains the *parent* enabling statute for the zone, its Approval Committee, its Development Commissioner, its customs and duty-free import framework, and the underlying unit-approval process.

5.3 Rather than overriding the SEZ Act, Section 31 of the IFSCA Act empowers the Central Government to notify modifications to the SEZ Act, its Rules, and orders issued thereunder, as applicable to financial products, services and institutions in an IFSC. This power was exercised by the Notification dated 28th February 2024 (S.O. 940(E)), which, among other things, reads in a proviso designating the "Administrator (IFSCA)" as ex-officio Chairperson of the Unit Approval Committee for units requiring IFSCA recognition, and prescribes a dedicated application Form 'FA' for such units. The result is a *harmonised* SEZ framework — the underlying SEZ Act architecture is retained, but its application to IFSC units is recalibrated so that a single functionary, the Administrator (IFSCA), presides over what would otherwise have been a separate SEZ approval track running parallel to the IFSCA licensing track.

6. Fiscal Architecture: Income-tax Concessions by Design

6.1 Taxation is where the "override" narrative breaks down most completely, and where an accountant's reading of the position diverges from a purely regulatory one.

6.2 The IFSCA Act does *not* purport to override the Income-tax Act for taxpayers. Section 26 of the IFSCA Act only exempts the Authority itself—the regulator, as a body corporate from income-tax on its own income; it has no bearing on the taxability of units operating in the IFSC. The benefits available to IFSC entities instead flow from specific amendments Parliament has, over successive Finance Acts, inserted directly into the Income-tax Act, using an IFSCA registration/permission as the trigger condition. The principal provisions an accountant preparing a tax computation for a GIFT-IFSC entity would reach for include:

- **6.3 Section 80LA — a** 100% profit-linked deduction for any 10 consecutive assessment years out of a 15-year block, available to eligible IFSC units holding permission or registration under the Banking Regulation Act, the SEBI Act or the IFSCA Act. The deduction is linked to specified financial services activity and requires a Chartered Accountant certificate in Form 10CCF along with the return of income.

- **6.4 Section 10(4D)** — **e**xemption for specified income of Category III Alternative Investment Funds and certain specified funds located in an IFSC, subject to prescribed conditions.
- **6.5 Sections 10(4F) and 10(4G)** — **e**xemptions for income of non-residents from royalty or interest on aircraft/ship lease rentals paid by an IFSC unit, and for income arising from specified derivative or non-deliverable forward transactions with an IFSC Banking Unit.
- **6.6 Section 47(viiad)** — **c**apital-gains relief on relocation of offshore funds into an IFSC structure, intended to facilitate onshoring of fund management.
- **6.7 Concessional MAT/AMT** — **a** reduced Minimum Alternate Tax / Alternate Minimum Tax rate of 9% for eligible IFSC units under Sections 115JB/115JC, subject to the interaction with the concessional corporate-tax regime under Section 115BAA.
- **6.8 Concessional withholding and TDS relaxations** — **t**argeted relaxations that reduce tax friction on cross-border capital flows involving IFSC units.

7. GST/IGST Treatment

7.1 **T**he CGST/IGST Act, 2017 similarly is not overridden by the IFSCA Act; it applies on its own terms, treating GIFT-IFSC as part of the SEZ framework for indirect-tax purposes. In broad summary:

- **7.2** **S**upplies of goods or services from the Domestic Tariff Area into an IFSC/SEZ unit are treated as zero-rated supplies under the IGST Act, subject to the applicable bond or Letter of Undertaking mechanism.
- **7.3** **S**upplies between eligible IFSC units are generally kept outside the ordinary GST cost chain, subject to the specific nature and place of supply.

7.4 **S**ervices rendered by an IFSC unit to an offshore client may qualify as export of services and therefore as zero-rated supplies, if statutory conditions are satisfied.

7.5 **W**here an IFSC unit renders services into the Domestic Tariff Area, ordinary GST consequences arise, broadly as an import-like supply into the domestic economy.

7.6 **T**he net effect, from an accounting standpoint, is a materially lower effective indirect-tax cost on genuine cross-border financial services business, while transactions that touch the domestic economy continue to attract GST in the normal course — a distinction that a compliance team must build into its invoicing and input-tax-credit workflows from day one.

8. Stamp Duty

8.1 **S**tamp duty is a State subject, and the IFSCA Act, being a Central enactment on financial regulation, cannot in constitutional terms "override" State stamp legislation. The relief here has instead come through executive action by the Government of Gujarat, which has granted exemption from, and reimbursement of, stamp duty and registration fees on instruments executed by units in GIFT-IFSC (including lease deeds and transaction documents relating to securities on IFSC exchanges and depositories), as part of its broader State incentive package for the zone. Separately, transactions in securities executed on recognised stock exchanges — including those set up in the IFSC — benefit from the centralised stamp-duty collection mechanism under the Indian Stamp Act, 1899, as amended, which in practice results in nil or negligible stamp incidence on such trades. The route is one of coordinated exemption and concession, not statutory override.

9. Overriding, Modifying and Harmonising: A Necessary Distinction

9.1 **B**ringing the above together, the loose description that "the IFSCA Act overrides SEBI, RBI, FEMA, the SEZ Act, the Income-tax Act, the

GST Act and Stamp Duty law" requires refinement before it can be relied upon in any note of advice:

Statute	Nature of relationship with the IFSCA Act
SEBI Act / SCRA / Depositories Act	True statutory override: Section 13(1) non-obstante clause and reciprocal Second Schedule amendments transfer IFSC-related regulatory power to IFSCA.
RBI Act / Banking Regulation Act / FEMA	True statutory override of regulatory power, while the underlying exchange-control and banking law continues to apply through IFSCA administration.
IRDAI Act / Insurance Act / PFRDA Act	The same power-transfer model applies: regulatory jurisdiction shifts to IFSCA while the parent laws remain substantively intact.
SEZ Act, 2005	Modification, not override: Section 31 recalibrates the SEZ Act for IFSC units, but the SEZ Act remains the enabling statute for the zone.
Income-tax Act, 1961	Not overridden: targeted exemptions and deductions are provided within the Income-tax Act itself, using IFSCA permission or registration as the qualifying trigger.
CGST/IGST Act, 2017	Not overridden: SEZ-linked zero-rating and domestic GST rules apply on their own terms.
State stamp-duty legislation	Not overridden: relief arises through State-government exemption or reimbursement mechanisms and centralised market-instrument collection rules where applicable.

9.2 The value of this distinction to a practitioner is practical: an argument built on Section 30's "overriding effect" will succeed cleanly where a genuine regulatory conflict with SEBI, RBI, IRDAI or PFRDA is in issue, but the same argument cannot be extended, without more, to resist an income-tax, GST or stamp-duty demand — those questions must be answered from within the fiscal statute itself, read together with the specific IFSC-linked exemption it contains.

10. Accounting and Compliance Overlay

10.1 For finance and accounts teams, GIFT-IFSC business carries a few structural features that flow directly from the above:

10.2 Functional currency : financial statements of IFSC units are typically maintained and reported in a foreign currency (commonly USD), consistent with Section 20 of the IFSCA Act, which requires transactions of financial services in an IFSC to be conducted in such foreign currency as may be specified by regulations.

10.3 Dual/parallel certification burden: beyond the statutory audit mandated under the Companies Act, 2013 (or the LLP Act, as applicable) and IFSCA's own regulatory returns, availing Section 80LA requires an *independent* Chartered Accountant's report in Form 10CCF, distinct from the tax-audit report under Section 44AB.

10.4 Ind AS / IFRS alignment: given the cross-border investor base, many IFSC entities voluntarily align their accounting policies with IFRS even while complying with Ind AS for Indian statutory purposes, requiring a reconciliation exercise that in-house accounts teams should plan for at the entity-structuring stage itself.

10.5 GST record-keeping: maintaining the Bond-cum-LUT and correctly bifurcating DTA-linked versus offshore-linked revenue streams is now a recurring, not a one-time, compliance exercise, and materially affects the input-tax-credit position.

11. Concluding Remarks: The Single-Window Imperative

11.1 The practical strength of GIFT-IFSC lies in combining statutory regulatory consolidation with a simplified procedural interface.

11.2 IFSCA's Single Window IT System now brings licensing, SEZ approval, GST registration, regulator no-objection workflows, validation, payment and digital-signature processes onto one platform.

11.3 Accordingly, any entry strategy for GIFT-IFSC should treat SWIT as the primary route for approvals and ongoing compliance, rather than reverting to the earlier multi-agency approach.

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