Family Investment Funds in GIFT City: Regulatory, FEMA and Tax Considerations for Indian Family Offices



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1.1 A family office is a private wealth-management platform established by a high-net-worth or ultra-high-net-worth family to manage, preserve and transmit family capital. Unlike banks, mutual funds or portfolio managers, it does not ordinarily solicit money from the public. Its mandate is confined to investment management, tax and estate planning, succession, philanthropy, governance and allied administrative functions for the family.

1.2 In the Indian context, the relevance of family offices has increased materially with the growth of promoter wealth, liquidity events, private equity exits and intergenerational succession. Historically, Indian families seeking global diversification often used jurisdictions such as Singapore, Dubai, Mauritius and London. The emergence of Gujarat International Finance Tec-City, India's first International Financial Services Centre, and the Family Investment Fund framework seeks to provide an onshore alternative with international regulatory and tax features.

2. GIFT City and IFSCA: Jurisdictional and Regulatory Foundation

2.1 GIFT City, situated in Gandhinagar, Gujarat, is a multi-services Special Economic Zone established under the Special Economic Zones Act, 2005 and the SEZ Rules, 2006. Within this zone, the Government of India has notified India's International Financial Services Centre. The International Financial Services Centres Authority Act, 2019 established IFSCA as the unified regulator for financial services in the IFSC, replacing the earlier fragmented oversight of multiple sectoral regulators. Accordingly, a fund entity operating in GIFT IFSC must comply both with IFSCA registration requirements and the applicable SEZ approval framework.



3. Family Investment Fund: Legal Character and Regulatory Design

3.1 IFSCA does not license a "family office" as a separate regulatory category. Instead, it recognises a Family Investment Fund, or FIF, as a self-managed investment vehicle established in the IFSC to pool and invest the wealth of a single family. Such a family generally comprises lineal descendants of a common ancestor, together with their spouses and children. An FIF may be structured as a company, contributory trust, limited liability partnership or any other form permitted by IFSCA.

3.2 An FIF is registered as an Authorised Fund Management Entity, being the lightest category of FME registration. This reflects the private nature of the vehicle, since it manages family capital and does not raise money from public or unrelated investors. Nevertheless, the FIF remains subject to minimum net-worth, corpus, governance, principal officer, fit-and-proper and continuing compliance requirements.

4. Evolution of the FIF Regulatory Framework

4.1 The Family Investment Fund was first introduced under the IFSCA (Fund Management) Regulations, 2022. The framework provided Indian family offices with a regulated onshore structure capable of offering features similar to offshore private wealth platforms, while remaining subject to Indian regulatory supervision.

4.2 The 1 March 2023 IFSCA circular was significant because it clarified how the expression "single family" should apply to real-world family holding structures.

> *" It therefore permitted such entities to be treated as part of the single family where the family exercises control and holds at least 90% economic interest. "*

4.3 The circular recognised that family wealth is often held through companies, LLPs, partnerships, trusts and other entities. It therefore permitted such entities to be treated as part of the single family where the family exercises control and holds at least 90% economic interest. It also allowed additional investment vehicles within the FIF structure and permitted limited participation by employees, directors, the FME and service providers, subject to specified limits and disclosures.

4.4 The IFSCA (Fund Management) Regulations, 2025 repealed and replaced the 2022 framework.

4.5 The 2025 Regulations consolidated earlier clarifications, simplified the fund-management regime and incorporated ease-of-doing-business measures. For family offices, the principal importance of the 2025 regime lies in regulatory continuity: the FIF remains available as a dedicated private wealth vehicle, while the rules are presented in a more integrated and administratively workable form.

5. FEMA Considerations and Cross-Border Funding

5.1 The foreign-exchange treatment of an FIF is central to its practical utility. Since an IFSC unit is generally regarded as a person resident outside India for FEMA purposes, contributions by resident Indian families must be examined under the overseas investment framework, including the Liberalised Remittance Scheme for individuals and the Foreign Exchange Management (Overseas Investment) Rules, 2022 for other eligible persons. Offshore or non-resident family wealth can generally be deployed more directly, whereas resident-sourced funding requires closer analysis of remittance limits, investment characterisation and reporting obligations.

6. Tax Framework Applicable to FIFs and IFSC Fund Managers

6.1 The tax framework for GIFT IFSC is designed to enhance competitiveness with established offshore fund jurisdictions. It operates through statutory deductions, exemptions, delegated rules and CBDT notifications.

6.2 Profit-linked deduction.

6.3 Eligible IFSC units, including FMEs managing FIFs, may claim a profit-linked

deduction under Section 80LA of the Income-tax Act, 1961. Under the Income-tax Act, 2025, the corresponding benefit is carried forward in Section 147. The provision is intended to reduce the tax cost of eligible IFSC operations for the prescribed period.

6.4 Exemption for specified funds.

" Under the Income-tax Act, 2025, the corresponding benefit is carried forward in Section 147. "

6.5 Section 10(4D) exempts specified income of eligible specified funds, subject to statutory and rule-based conditions. Rule 21AIA and related CBDT notifications prescribe the operational requirements, including investor records, eligibility conditions and compliance reporting.

6.6 Withholding-tax relief.

6.7 CBDT notifications have also provided relief from tax deduction at source on specified payments to eligible IFSC units, subject to prescribed declarations and conditions. This reduces cash-flow friction for qualifying units that have opted for the applicable IFSC tax holiday.

6.8 Fund-manager safe harbour.

6.9 The fund-manager safe harbour provision seeks to ensure that the presence of an eligible fund manager in India does not, by itself, create a taxable business connection for an eligible offshore fund. This is relevant where a family office combines FIF activity with portfolio-management or advisory arrangements.

6.10 Indirect tax and SEZ benefits.

6.11 FIFs and FMEs located in the IFSC may also benefit from the broader SEZ fiscal framework, including customs and GST treatment available to SEZ units and exemptions relating to certain IFSC-executed transactions.

6.12 Taken together, the tax architecture seeks to offer India-based governance with a fiscal environment that approximates the advantages traditionally associated with offshore financial centres.

7. Institutional Ecosystem and Compliance Infrastructure

7.1 The viability of the FIF framework depends on the wider institutional ecosystem supporting it. GIFT City now hosts IFSC banking units, exchanges, custodians, fund administrators, brokers, auditors, law firms and advisors. In addition, FMEs are required to comply with IFSCA's anti-money-laundering, counter-terrorist-financing and know-your-customer framework, including record maintenance, transaction monitoring and appointment of appropriate compliance personnel.

8. Conclusion

8.1 The Family Investment Fund regime represents a significant step in India's attempt to retain and attract private wealth management activity within an Indian-regulated international financial centre. For non-resident and offshore family wealth, the framework is comparatively clearer and increasingly usable. For resident Indian families, however, the interface between IFSCA regulations and FEMA remittance rules remains a critical area for continued regulatory refinement. If implemented with clarity and consistency, GIFT City has the potential to emerge as a credible onshore alternative to established global family-office jurisdictions.

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