

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO. 4637

TO BE ANSWERED ON FRIDAY, MARCH 23, 2018/CHAITRA 02, 1940 (SAKA)

"IFSC"

QUESTION

4637

SHRIMATI POONAM MAHAJAN:

Will the Minister of FINANCE be pleased to state:

- (a) Whether the Government has set up International Financial Services Centres (IFSC) under the aegis of Special Economic Zones in the country;
- (b) if so the details thereof and the locations identified for the same;
- (c) Whether the Government has enacted legal frameworks in order to regulate and govern such centres and if so, the details thereof; and
- (d) The manner in which the Government is likely to incentives private institutions to set up branches in such financial centres?

ANSWER

**MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI SHIV PRATAP SHUKLA)**

(a) and (b): Section 18 of the Special Economic Zones (SEZ) Act, 2005 provides for the setting up of an International Financial Services Centre (IFSC) in an SEZ. Subsequent to the approval received under the SEZ Act, the country's first IFSC has become operational at the Gujarat International Finance Tec-City (GIFT), Gandhinagar.

(c): Guidelines and regulations have been brought out by the sectoral Ministries/ Regulators, viz, Ministry of Corporate Affairs, Reserve Bank of India, Securities and Exchange Board of India and Insurance Regulatory Development Authority of India with a view to facilitate the setting up of businesses in IFSC. The Union Budget 2018-19 announced the establishment of a unified authority for regulating all financial services in IFSCs in India.

(d): With a view to facilitate setting up of businesses in the IFSC, the following tax benefits were announced in Union Budget 2016-17:

- The companies located in IFSC shall not be liable to Dividend Distribution Tax.
- Minimum Alternate Tax shall be charged at the rate of nine per cent from units located in IFSC.
- The transaction in foreign currency of sale of equity share or units of equity oriented funds or units of a business trust taking place on a recognized stock exchange established in IFSC shall not be liable to Securities Transaction Tax. The gains arising from transfer of such long term capital asset shall be exempt from tax.

- The transaction in foreign currency of sale of commodity derivatives taking place on a recognized association established in IFSC shall not be liable to commodity transaction tax.

Additionally, in Union Budget 2018-19, the following tax benefits were announced :

- Transfer of derivatives and certain securities by non-residents shall be exempt from capital gains tax.
- Non-corporate taxpayers operating in IFSC shall be charged Alternate Minimum Tax (AMT) at concessional rate of 9% at par with Minimum Alternate Tax (MAT) applicable for corporates.

Apart from the above, prevailing financial concessions as per the Special Economic Zones Act, 2005 and the Special Economic Zones Rules, 2006 will be applicable to IFSCs within the SEZs.
