



GIFT IFSC:

Key enablers for Aircraft Leasing



INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY



International Financial Services
Centres Authority (IFSCA)

1

IFSCA has been established as a unified financial regulator by the Government of India under the IFSCA Act, 2019

2

The Authority is mandated to develop and regulate Financial Institutions, Financial Services and Financial Products in the International Financial Services Centre (IFSC) in India

3

To develop and regulate IFSC's in India, IFSCA has been vested with powers of four sectoral regulators namely- RBI*, SEBI*, IRDAI* & PFRDA*

*RBI- Reserve Bank of India, *SEBI- Securities and Exchange Board of India, *IRDAI- Insurance Regulatory and Development Authority & *PFRDA- Pension Fund Regulatory and Development Authority

Overview - IFSC

BUSINESS ACTIVITIES



International Financial Services
Centres Authority (IFSCA)



BANKS

- Indian banks
- Foreign banks



CAPITAL MARKET

- Stock/Commodity Exchanges
- Clearing Corporation
- Depository
- Broker Dealer



ASSET MANAGEMENT

- Alternate Investment Fund
- Investment Advisers
- Wealth Management
- Portfolio Managers
- Custodial Services



INSURANCE

- Indian Insurer
- Indian Reinsurer
- Indian Broker
- Foreign Insurer
- Foreign Reinsurer



Other Financial Institutions

- Finance Company
- Global Corporate Treasury Centre
- International Trade Finance Services Platform



Emerging Activities

- Global Fintech Hub
- Global In-House Centres
- International Bullion Exchange
- Aircraft Leasing & Financing
- Ship Leasing & Financing
- Ancillary Services/Professional Service Providers

Business Highlights: GIFT IFSC

\$14.6 Bn

Stock Exchanges Avg. daily turnover* in **August 2022** compared to \$ 3.4 Bn in **Sept. 2020**

\$6.4 Bn

Total amount committed by **Alternative Investment Funds (AIFs)** till **August 2022**

\$ 33 Bn

Total Banking Asset Size in **August 2022** compared to \$ 14 Bn in **Sept. 2020**

\$ 241 Bn

Cumulative Banking transactions till **August 2022** compared to \$ 45 Bn in **Sept. 2020**

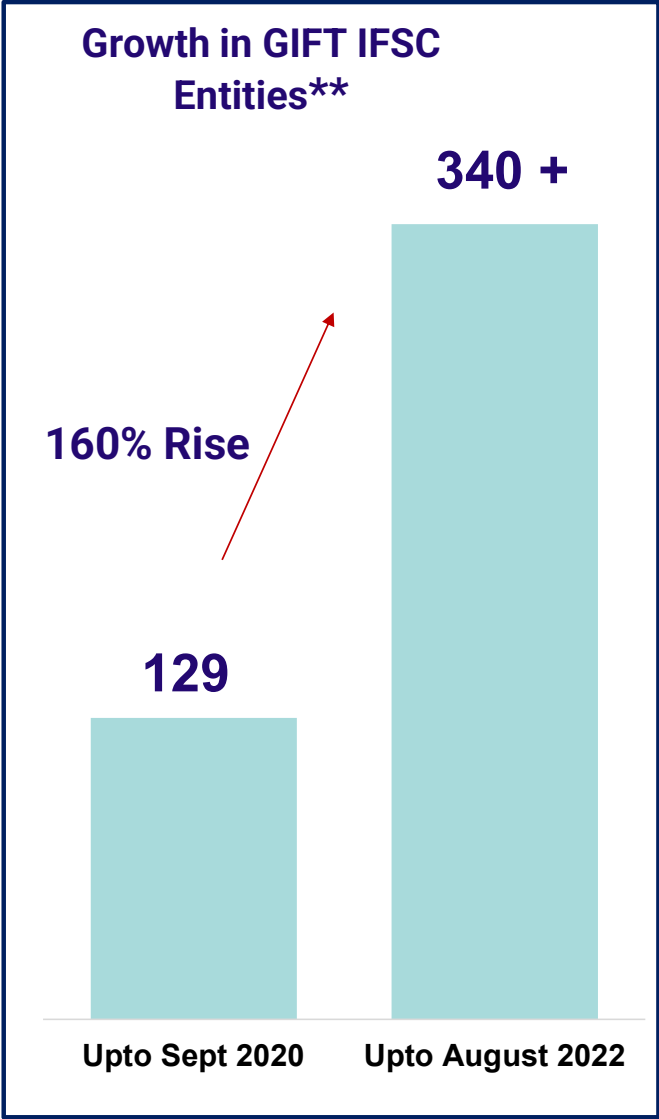
\$ 338 Bn

Cumulative Derivative transactions by Banks till **August 2022** compared to \$ 22 Bn in **Sept. 2020**

5000+



Employment in GIFT SEZ in **July 2022** compared to 2500 + employment in **Sept. 2020**



*Notional Turnover Value

**Including entities who have either applied to IFSCA or obtained SEZ IFSC approval

Aircraft Leasing Business in GIFT-IFSC

Aircraft Leasing and Finance:



International Financial Services
Centres Authority (IFSCA)

“As the world’s third largest domestic aviation market, the time is ripe for India to enter into **aircraft financing and leasing activities** from Indian shores. This is critical to the development of a self-reliant aviation industry, creating aspirational jobs in aviation finance, besides leveraging the business opportunities available in India’s financial Special Economic Zones (SEZs), namely, **International Financial Services Centre (IFSC)**. Government will implement the essential elements of the regulatory roadmap for making India a hub for such activities.”

Hon’ble Finance Minister (Union Budget 2019-20)

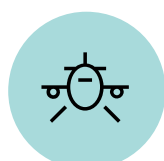
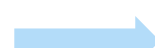
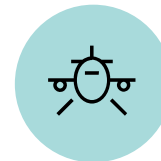
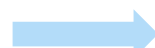
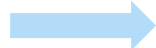
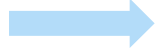
Aircraft Leasing and Finance:

Aircraft Leasing Potential in India:

1. Aircraft leasing activity expected to generate annual lease revenue of **\$ 5 Bn**
2. Leasing is a preferred choice in India – **70-80% of total fleet size**
3. India has the **3rd largest** aircraft order book globally

Progress so far:

- 17 Aircraft lessors registered with IFSCA
- 11 Aircrafts leased out of GIFT IFSC
- Leasing transactions executed for: **Turbo Props Commercial Jets (ATRs), Rotary Wing (Helicopters), Trainer Aircrafts, Business Jets**



Oct 2020: Finance Ministry notified “**Operating lease of aircraft, engines & parts**” as a financial product

Feb 2021: Budget announcements on **tax incentives** for the aircraft leasing industry in IFSC

Feb 2021: IFSCA “**Framework for Aircraft Operating Lease**”

Aug 2021: **1st Aircraft** leased from GIFT IFSC arrives in India

May 2022: Financial lease also enabled under Aircraft Leasing Framework

Aug 2022: **17 lessors** registered
11+ Aircrafts leased

IFSCA: Framework for Aircraft Lease



International Financial Services
Centres Authority (IFSCA)



Permissible Activities

- **Operating & Finance** lease for an aircraft, sale and lease back, purchase, novation, transfer, assignment, and any such other similar transactions in relation to aircraft lease.
- Lease of Aircraft Ground Support Equipment
- Asset Management of Owned & Leased fleet
- Any other activity with prior approval of IFSCA.



Eligibility

- The person controlling the entity shall be located in a FATF compliant jurisdiction or jurisdiction permitted by the Government of India.
- The entity shall deploy resources commensurate with the business operations in IFSC.



Capital Requirement:

- Minimum owned funds of **USD 200,000 or equivalent foreign currency for operating lease**
- Minimum owned funds of **USD 3.0 million or equivalent foreign currency for finance lease**



Permitted Structure

- A company or a LLP or a trust or any other form as may be specified by the IFSCA.



Currency

- To deal in freely convertible foreign currency only.
- Administrative expenses in INR

GIFT IFSC: Key attractions for Aircraft Leasing



International Financial Services
Centres Authority (IFSCA)

Low-Cost structure in IFSC

**Low Minimum Owned Funds
requirement**

Enabling regulations

**NIL WHT on lease rental received
from Indian Lessee**

**10 Consecutive years tax holiday
out of 15 years for IFSC lessors**

**No capital gains tax on disposal of
aircraft during tax holiday period**

**NIL withholding tax on interest
payments to non-residents**

No Stamp Duty

NIL Minimum Alternate Tax (MAT)

**Access to Global Capital Market
and Financial Ecosystem**

Global Leasing Platform

**Free movement of capital
(including repatriation)**

Aircraft Leasing : Key Advantages



International Financial Services
Centres Authority (IFSCA)

Benchmark	Enablers in IFSC	Comparison with Ireland
Business Income	<p>Tax holiday for any consecutive 10 years out of the first 15 years of operations</p> <p>Tax holiday at each Operating Company level</p>	<p>Corporate tax rate in Ireland: 12.5% (Group Consolidation allowed)</p> <p>No need for Group consolidation at IFSC</p>
Capital Gains Tax	<p>Capital Gains arising from transfer of aircraft or aircraft engine is eligible for a 100% deduction, if the company establishes before 2024</p>	<p>Capital Gain on Disposal of aircraft is taxable as business income (up to original cost; excess gains taxable as capital gains)</p>
MAT	<p>NIL Minimum Alternate Tax (MAT) where IFSC company opts for lower tax regime</p>	<p>IFSC based lessor at par with Irish lessor</p>

Aircraft Leasing : Key Advantages



International Financial Services
Centres Authority (IFSCA)

Benchmark	Enablers in IFSC	Comparison with Ireland
Withholding tax on lease rentals paid by Indian lessee to IFSC based lessor	May 16, 2022: Indian lessee don't have to pay WHT on lease rentals paid to the IFSC based lessor. Earlier this WHT was 2% compared to NIL WHT deducted on lease rental paid to Irish lessors.	IFSC based lessor are now at par with Irish lessor
Withholding tax on lease rental or royalty paid by IFSC unit to non-residents	<ul style="list-style-type: none"> NIL WHT on Aircraft Lease payments paid to non-residents by units in the IFSC (commencing before 31 March 2024) No WHT on interest paid to non-residents 	<p>IFSC based lessor can raise debt from global investors at competitive rate</p> <p>IFSC lessors at par with Irish lessors</p>
Stamp Duty	Aircraft Leasing entities granted waiver from stamp duty on all activities related to setting up of units in the IFSC and acquisition of any movable property (including aircraft) or immovable property for a period of 10 years.	<p>Considering large value transactions, stamp duty waiver will significantly benefit lessors</p> <p>IFSC lessor at par with Irish lessors</p>

Aircraft Leasing : Key Advantages



International Financial Services
Centres Authority (IFSCA)

Benchmark	Enablers in IFSC	Comparison with Ireland
Indirect taxes	Leasing of aircraft by a unit in IFSC to an Indian operator is subject to IGST on forward charge mechanism on the lease rental. For Irish leases, Airlines pay IGST on RCM.	IFSC-based lessor will be better positioned to manage assets and quick redeployment if needed.
Finance lease & Operating lease	IFSC Unit can execute both Operating lease as well as Financial lease	IFSC unit at par with Ireland
GST on lease rental	5% for IFSC based lessor	5% for Ireland based lessor

Aircrafts Leased from GIFT IFSC:



Commercial Passenger Aircraft

- 2 Aircrafts
- Type: 72 seat ATR
- Value: USD 18 mn
- End use: RCS UDAN Operator
- Ownership: Outside India



Heli Tourism (Char Dham)

- Type: 6 seat Airbus H124
- Value: USD 3.2 mn
- End use: Char Dham Yatra
- Ownership: GIFT IFSC



Business Jet

- Type: 10 seat Gulfstream G200
- Value: USD 2.5 mn
- End use: Corporate Charter
- Ownership: GIFT IFSC



Trainer Aircraft

- Type: Technam twin engine
- Value: USD 0.5 mn
- End use: Pilot Training (FTO)
- Ownership: GIFT IFSC



- Type: 19 seater Bombardier 6500
- Value: USD 50 mn
- End use: Corporate Charter
- Ownership: GIFT IFSC



Leased to Indonesian Operators

- 2 Aircrafts
- Type: 26 seat Mi 172 Helicopter
- Value: USD 7 mn
- End use: Disaster Management
- Ownership: Outside India



- Type: 26 seat Mi 172 Helicopter
- Value: USD 7 mn
- End use: State Govt.
- Ownership: Outside India



Business Jet

- 2 Aircrafts
- Type: Hawker 800 XP
- Value: USD 3.5 mn
- End use: Charter Aggregator
- Ownership: Outside India

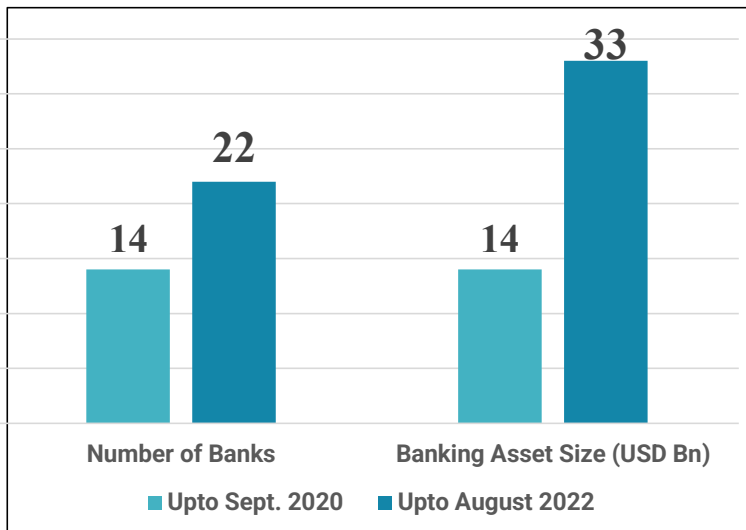
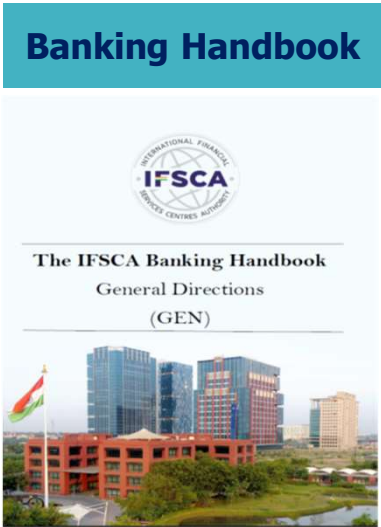
Turbo Props Commercial Jets (ATRs), Rotary Wing (Helicopters), Trainer Aircrafts, Business Jets have been leased

Enabling Eco-System at GIFT IFSC

GIFT IFSC: Banking Ecosystem



International Financial Services Centres Authority (IFSCA)



8 Foreign Banks



14 Indian Banks



Fund Industry Ecosystem:

AIFs (Venture Capital Funds, Private Equity Funds, Debt Fund & Hedge Funds)



Portfolio Managers/Investment Advisors





International Financial Services
Centres Authority (IFSCA)

Professional Service Providers

- IFSCA issued **Ancillary Services Framework 2021** to enable Professional Services from IFSC
- GIFT IFSC is being developed as a regional hub for specialist Professional Service Providers on the lines of leading International Financial Centres like **UK, Dubai, Singapore and Qatar**
- Ancillary services include Legal Service, Asset Managers, Auditing & Accounting Firms, Management Consultancy Service, Trusteeship Services, Secretarial Services, etc.

Consulting Service*

Price Waterhouse & Co LLP



Trustee Service



Asset/Fund Administration



Legal Services



Accounting Services



Price Waterhouse & Co LLP

Thank You