

Business Standard

GIFT City expects relief from the companies law

An international body may undertake arbitration in SEZ

Rajesh Bhayani | Mumbai March 01, 2016 Last Updated at 22:48 IST



After income tax incentives announced in the Budget on Monday, units in the GIFT City finance SEZ are expecting relief from certain provisions of the Companies Act and the establishment of a mechanism for appeals.

Units in the SEZ will be eligible to 100 per cent tax exemption on income for the first five years and 50 per cent in the next five years.

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The GIFT City management is in talks with Hong Kong, London, and Singapore arbitration centres and, subject to approval by the government, one of them is likely to set up shop in the SEZ.

Companies planning to start operations in the GIFT City SEZ have told the government some provisions of the Companies Act like filing information and formation of boards should not apply to them because they are to be deemed as foreign companies.

“We are working with the government on both issues and hope to see progress,” said Ajay Pandey, managing director and group chief executive officer, GIFT City.

The units in the SEZ will be regulated by the Reserve Bank of India, the Securities and Exchange Board of India and the Insurance Regulatory and Development Authority of India (Irdai), but their rulings will need a legal dispute redressal mechanism. An international arbitration centre may be roped in to undertake that job at GIFT City.

"We welcome the regulations for development of the International Financial Services Centre (IFSC) in India," Pandey said. "Along with the Budget announcements, the recent information-technology policy and waiver of stamp duty on share broking transactions in GIFT City will aid the development of India's first IFSC," he added.

The Gujarat government had proposed in its budget last week that transactions of brokers with registered offices in the domestic area of GIFT City would be exempt from stamp duty.

YES Bank and Federal Bank have clocked transactions of \$100 million in the 40 days they have been doing business in the GIFT City SEZ. New India Assurance and General Insurance Corporation have applied to Irdai for licences to operate in the SEZ.

The BSE (formerly Bombay Stock Exchange) is waiting for changes to the Companies Act and a dispute redressal mechanism before launching operations in the IFSC. All major stock and commodities exchanges have signed undertakings with GIFT City to start operations.

"More steps are needed to make the IFSC globally competitive," said Nishith Desai of Nishith Desai and Associates. "Singapore provides a tax rate of 10 per cent for fund management and investment advisory activities. There are also special tax incentives for banks and insurance companies," he said. "While the Budget relaxations may be a good start, a bigger push will be needed to bring the IFSC on a par with financial centres around the world," Desai added.

MEASURES FOR GIFTS

- Minimum Alternate Tax reduced from 18.5% to 9% in IFSC
- Transaction taxes (STT & CTT) waived
- Dividend Distribution Tax abolished
- Long-Term Capital Gains Tax waived

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