

14 July 2021

**Attn:**

Shri Injeti Srinivas,  
Chairperson,  
International Financial Services Centres Authority,  
GIFT SEZ, GIFT City,  
Gandhinagar,  
Gujarat - 382355

Dear Shri Srinivas,

**Re: ASIFMA-CMTC Submission: Tax issues of operating in IFSC and recommendations for necessary amendments**

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On behalf of the members of the Asia Securities Industry & Financial Markets Association (ASIFMA)<sup>1</sup> and the Capital Markets Tax Committee of Asia (CMTC)<sup>2</sup>, we are writing to highlight key issues that are being / would be faced by capital market players and investment division of an Offshore Banking Unit from operating in Gujarat International Finance Tec-City (GIFT IFSC) and our recommendations for necessary amendments to overcome such issues.

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<sup>1</sup> ASIFMA is an independent, regional trade association with over 145 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative, competitive and efficient Asian capital markets that are necessary to support the region's economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the GFMA alliance with SIFMA in the United States and AFME in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region.

<sup>2</sup> CMTC is a financial services industry body consisting of a number of banks, investment banks, securities firms and other diversified financial services institutions operating in Asia who are represented through their regional tax directors. The main objects of the CMTC, according to its Constitution, are "to provide a forum for discussion by corporate tax managers responsible for the tax affairs of investment banks, securities firms, banks and other diversified financial services institutions of topical taxation issues in Asia affecting their capital and securities markets and similar activities; ... to keep members informed of up to date information on taxation matters affecting capital and securities markets, and to exchange views on the technical analysis thereof; [and] to represent the interests of its members through acting as the respected voice of investment banks, securities firms, banks and other diversified financial services institutions, and to participate in liaison or advocacy activities on tax matters either directly or indirectly through representation with other groups or societies concerned with or by fiscal matters."

We have attached herewith our submission/ representation on the following key aspects/ issues:

1. Reduction in rate of taxation for interest income in GIFT IFSC for an investment division of an Offshore Banking Unit and Category III AIF;
2. Exemption of dividend income for shareholders of an IFSC company and relax withholding tax requirement;
3. Non-applicability of General Anti-Avoidance Rules provisions for units in the GIFT IFSC including global-in house units;
4. Exemption from applicability of stamp duty for AIF in GIFT IFSC;
5. Clarification on permissibility of Category III AIF to trade securities listed on overseas exchange and its characterization;
6. Relaxation in withholding tax requirement on payments made to GIFT IFSC unit claiming tax holiday;
7. Exemption for investors in Category III AIF set-up in GIFT IFSC from filing of return of income and lender to AIF from obtaining PAN and filing of return of income;
8. Clarification that investors investing directly or indirectly in Category III AIF located in GIFT IFSC are exempt from indirect transfer provisions;
9. Directions for OBUs intending to operate as an FPI;
10. Concessional tax rate of 5% on interest income available to FPIs and foreign lenders on interest income should be extended to AIFs set-up in GIFT IFSC;
11. Need for relief to OBUs and other units in IFSC set up in IFSC from withholding obligation on ODI transactions; and
12. Allowing AIF in GIFT IFSC to undertake short sale of securities.

ASIFMA and CMTC have been regularly engaged with the Government of India on various tax and policy related matters. Our members look forward to the ongoing consultation on these important issues. For further information, please contact Patrick Pang, ASIFMA Head of Compliance and Tax ([ppang@asifma.org](mailto:ppang@asifma.org)) and Patrick Donovan, CMTC Chairperson ([patrick-j.donovan@ubs.com](mailto:patrick-j.donovan@ubs.com)).

Yours sincerely,



**Patrick Pang**  
**Head of Compliance and Tax**  
**ASIFMA**



**Patrick Donovan**  
**Chairperson**  
**CMTC**