



A BHATT & JOSHI PRACTITIONER HANDBOOK
PRACTITIONER SERIES · BOOKLET X · MAY 2026 · FIRST EDITION

FINANCE COMPANIES AND TREASURY CENTRES AT GIFT

*A Practitioner's Handbook on the IFSCA (Finance Company)
Regulations 2021 and the GRCTC Framework 2025*



IFSCA (FINANCE COMPANY) REGULATIONS 2021 — NOTIFN IFSCA/2020-21/GN/REG010
GRCTC FRAMEWORK — IFSCA CIRCULAR 4 APR 2025
FEMA (BORROWING & LENDING) (1ST AMDT) REGS 2026 — FC AS RECOGNISED LENDER
FEM (OVERSEAS INVESTMENT) RULES 2022 — RULE 2(2) IFSC CARVE-OUT
INCOME-TAX ACT 1961 §80LA(1A) · §115JB(7) · §10(15)(ix)

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FOREWORD

Booklet X of the Practitioner Series addresses the Finance Company / Finance Unit and Global Regional Corporate Treasury Centre (GRCTC) pathways at GIFT City IFSC. The framework is the IFSCA (Finance Company) Regulations 2021 — Notification IFSCA/2020-21/GN/REG010 of 25 March 2021, Gazette Notification 573 of 31 March 2021 — as amended in 2022, supplemented by the GRCTC Framework Circular F. No. IFSCA/24/2024-Banking-FC/01 of 4 April 2025.

CHAPTER ONE

Regulatory Architecture and Permission Map

Citations: IFSCA (Finance Company) Regulations 2021, Notification IFSCA/2020-21/GN/REG010 of 25 March 2021; consolidated to 1 July 2022 by Notification IFSCA/2022-23/GN/REG026.

REGULATION 3 — REGISTRATION (VERBATIM)

An entity shall commence business as a Finance Company or Finance Unit, as the case may be, in International Financial Services Centres (IFSCs) only after obtaining a certificate of registration from the Authority for carrying out the activities specified in Schedule to these regulations.

Source: IFSCA (Finance Company) Regulations 2021, Regulation 3.

REGULATION 3 — STRUCTURE (VERBATIM)

A Finance Company can be set up either as a subsidiary or a joint venture, or as a newly incorporated company under the Companies Act, 2013, or in any other form as may be specified... Provided that if the parent of a Finance Company is carrying out a regulated financial activity in its home jurisdiction, it shall obtain a No-objection Certificate from its home country regulator... A Finance Unit can be set up if the applicant is an incorporated entity in its home jurisdiction... The

applicant entity and/or its promoters shall be from a FATF compliant jurisdiction...

Source: IFSCA (Finance Company) Regulations 2021, Regulation 3.

REGULATION 4 – PRUDENTIAL (VERBATIM)

A Finance Company or a Finance Unit... shall maintain a minimum capital ratio at eight per cent. of its regulatory capital to its risk-weighted assets. The sum of all the exposures... to a single counterparty or group of connected counterparties shall not exceed twenty-five per cent. of its available eligible capital base without the approval of the Authority.

Source: IFSCA (Finance Company) Regulations 2021, Regulation 4.

CHAPTER TWO

Permitted Activities – Core, Non-Core and GRCTC

Citation: Regulation 5, IFSCA (Finance Company) Regulations 2021, as amended w.e.f. 4 July 2022.

REGULATION 5(1)(ii) – PERMITTED CORE ACTIVITIES (VERBATIM)

(a) Lend in the form of loans, commitments and guarantees, credit enhancement, securitisation, financial lease, and sale and purchase of portfolios; (b) Factoring and forfaiting of receivables; (c) Undertake investments, including subscribing, acquiring, holding, or transferring securities or such other instruments, as may be permitted by the Authority; (d) Buy or Sell derivatives; (e) Global/Regional Corporate Treasury Centres; and (f) Any other core activity as may be permitted by the Authority.

Source: IFSCA (Finance Company) Regulations 2021, Regulation 5(1)(ii).

REGULATION 5(1)(iii) – PERMITTED NON-CORE ACTIVITIES (VERBATIM)

(a) Merchant Banking; (b) Authorised person; (c) Registrar and Share Transfer Agent; (d) Trusteeship Services; (e) Investment Advisory Services; (f) Portfolio Management Services; (g) Operating lease of any products, including aircraft lease, ship lease or any other equipment...; (h) International Trade Financing Services Platform; (i) Distribution of financial products (including mutual fund units and insurance products); (j) Function as trading and clearing members or professional clearing member of exchanges and clearing corporations set up in IFSCs; (k) Asset Management support services... (l) Undertaking to act as facilitators of permissible activities...; (m) Any other activity without involving a customer interface, as may be permitted with the prior approval of the Authority...; (n) any other activity, as may be permitted and classified as a non-core activity by the Authority...

Source: IFSCA (Finance Company) Regulations 2021, Regulation 5(1)(iii).

CHAPTER THREE

Net-Owned-Fund Tiers – The Schedule, Decoded

Citation: Schedule to IFSCA (Finance Company) Regulations 2021, as amended w.e.f. 4 July 2022.

Row · Activity scope	Minimum Owned Fund
Row 1 — One or more Non-Core activities only (no Core activity)	Higher of USD 0.2 million or the amount required for the specific non-core framework
Row 2 — One or more Core activities (with or without Non-Core), except GRCTC	Higher of USD 3 million / minimum regulatory capital for the core activity / amount required for the non-core framework
Row 3 — Global/Regional Corporate Treasury Centre (GRCTC)	Higher of USD 0.2 million or the amount in the relevant regulatory framework

¶ **1. The category logic.** The Schedule's three-row architecture maps cleanly to a category logic adopted in practitioner usage: Category I (Non-Core only — USD 0.2 million); Category II (Core, with or without Non-Core — USD 3 million); Category III (GRCTC — USD 0.2 million plus the GRCTC Framework substance test).

VERIFICATION FLAG — USD 5 / 10 / 20 MILLION TIERS

Practitioner notes occasionally refer to USD 5, 10 or 20 million tiers in the FC Schedule. These tiers are NOT in the current Schedule. The USD 5 million line existed pre-2022 for "Permitted Specialised Activities" (credit enhancement, factoring / forfaiting) and was folded into Core w.e.f. 4 July 2022; the USD 20 million figure is the IBU minimum capital under the IFSCA (Banking) Regulations 2020, not an FC threshold. Practitioners should rely on the three-row Schedule.

CHAPTER FOUR

The GRCTC Framework — Substance, Activities, Fees

Citation: IFSCA Circular F. No. IFSCA/24/2024-Banking-FC/01 of 4 April 2025 — Framework for Finance Company/Finance Unit undertaking the activity of Global/Regional Corporate Treasury Centres.

CLAUSE 6 — OWNED FUND (VERBATIM)

A Finance Company/Finance Unit undertaking the activity of GRCTC shall have and maintain a minimum owned fund of USD 0.2 million at all times.

Source: IFSCA GRCTC Framework, 4 April 2025, Clause 6.

CLAUSE 3(2) — SUBSTANCE TEST (VERBATIM)

the Applicant undertakes to employ at least five (5) qualified personnel, based in IFSC, to undertake the permissible activities including the Head of Treasury and the Compliance Officer before commencement of operations.

Source: IFSCA GRCTC Framework, 4 April 2025, Clause 3(2).

CLAUSE 12 – SERVICE-RECIPIENT SCOPE (VERBATIM)

A Finance Company/Finance Unit undertaking the activity of GRCTC may undertake permissible activities for its Group Entities and/or for the Group Entities of its Parent and/or for the branch(es) of such Parent or Group Entities...

Source: IFSCA GRCTC Framework, 4 April 2025, Clause 12.

¶ **1. Permissible GRCTC activities.** Permissible GRCTC activities (Clause 13): raising capital by issue of equity; borrowing including inter-company deposits; credit arrangements (lending, credit guarantees, performance bonds); transacting and investing in financial instruments; OTC and exchange-traded derivatives; FX in specified currencies; factoring and forfaiting; re-invoicing centre; liquidity management (pooling, netting, cash concentration); maintaining counterparty relationships; managing insurance and pension obligations of service recipients; advisory on financial / risk management and capital-market activities; acting as holding company.

¶ **2. Fees and scope.** Fees (Clause 18): application fee USD 1,000; registration fee USD 12,500; recurring fee USD 25,000 per annum. Service-recipient scope expressly extends beyond the immediate group to the parent's group entities and the branches of such parent or group entities — useful for a regional / global treasury hub.

CHAPTER FIVE

Cross-Border Plumbing — ECB and ODI Interfaces

Citations: FEMA (Borrowing and Lending) (First Amendment) Regulations, 2026 — Notification FEMA 3(R)(5)/2026-RB of 16 February 2026; FEM (Overseas Investment) Rules 2022 of 22 August 2022.

¶ **1. ECB — the FC as recognised lender.** The 2026 ECB amendment expanded the definition of "eligible lender" to include IFSC-set-up financial institutions and their branches. An IFSCA-registered Finance Company / Finance Unit is now a recognised lender for ECB to Indian residents — subject to the standard ECB stack (MAMP, all-in-cost ceiling for negotiated facilities, end-use restrictions, Form ECB reporting).

¶ **2. ODI — the FC as the outbound holding-and-finance vehicle.** The FEM (Overseas Investment) Rules 2022 carve out IFSC-routed outbound flows from the standard ODI stack. Rule 2(2) provides that nothing in the Rules applies to an

investment made outside India by an IFSCA-registered financial institution in an IFSC. An Indian entity not itself engaged in financial services may ODI into a foreign financial-services entity (other than banking / insurance) through an IFSC vehicle, without the three-year net-profit test; the financial-services regulator decides on approval within 45 days, failing which deemed approval applies.

CHAPTER SIX

Tax, Transfer Pricing and the Comparator

Citations: Section 80LA(1A); Section 115JB(7) for 9% MAT; Section 10(15)(ix) for non-resident interest exemption; CBDT Notification 28/2024; Finance Act 2025 deemed-dividend carve-out; Rule 10TD safe-harbour as amended by CBDT Notification 124/2023; Income-tax Act 2025 Section 147 (operative 1 April 2026).

¶ **1. The tax stack.** The tax stack for a GIFT IFSC Finance Company / GRCTC is among the most generous in the regional comparator: 100% deduction under Section 80LA(1A) for ten consecutive assessment years out of fifteen (extended to twenty-of-twenty-five by Union Budget 2026-27 if enacted as proposed); 9% MAT under Section 115JB(7); Section 10(15)(ix) non-resident interest exemption on monies borrowed by the IFSC unit after 1 September 2019; CBDT Notification 28/2024 withholding-tax exemption on specified payments to IFSC units; Finance Act 2025 carve-out of GRCTC inter-company advances from Section 2(22)(e) deemed-dividend treatment; and Rule 10TD safe-harbour for intra-group loans (CRISIL-bucketed spreads above the currency-specific reference rate, post-CBDT Notification 124/2023).

6.1 Comparator with Hong Kong CTC and Singapore FTC

- Hong Kong CTC (Inland Revenue (Amendment) (No. 2) Ordinance 2016) — 8.25% concessional profits tax for qualifying CTCs.
 - Singapore Finance & Treasury Centre Incentive under §43G ITA / EDB approval — 10% concessional rate for approved FTC income.
 - GIFT GRCTC under §80LA(1A) + §115JB(7) — 9% MAT effective, with 100% holiday for 10-of-15 years (proposed 10-of-25). The GIFT proposition undercuts both on entry cost (USD 0.2 mn capital floor vs no statutory minimum, but de-facto substance-tested at HK and SG).
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