



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

THE INVESTOR'S GUIDE TO GIFT IFSC

*The Outward-Facing Complement to the
Inward-Facing Practitioner Handbook Series*



FIVE INVESTOR ARCHETYPES · FIVE PRODUCT CHANNELS
§47(viiab) · §10(4D) · NEAR-ZERO INDIAN TAX FOR NON-RESIDENTS
vs SINGAPORE SGX · MAURITIUS · CAYMAN · LUXEMBOURG
FATCA · CRS · OFAC · EU · UK · UN · FATF · UAPA
BOOKLET XXVI · COMPLETING THE 26-VOLUME LIBRARY

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FOREWORD

Booklet XXVI is the final entry in the Bhatt & Joshi Practitioner Series. The previous twenty-five booklets were written for the regulated entity — the bank applying for an IBU licence, the asset manager applying for an FME registration, the foreign-currency-bond issuer applying for listing, the credit-rating agency applying for CMI Schedule I Item 3 registration. This twenty-sixth booklet is written for the counterparty on the other side of those transactions: the foreign investor, the family office, the institutional allocator, the sovereign-or-endowment-or-pension fund treasury, the corporate treasury seeking to deploy capital through the GIFT-IFSC venue. The Investor's Guide is the outward-facing complement to the inward-facing licensing handbooks. The questions it addresses are different: why GIFT-IFSC versus the alternative venues; which product channel matches which investor archetype; what the actual Indian tax outcome looks like at the investor level; how to open an account, allocate capital, and repatriate proceeds; and what the AML and sanctions discipline looks like for the investor side of the transaction.

CHAPTER ONE

Why GIFT-IFSC for the Foreign Investor

Citations: Sections 47(viiab) and 10(4D) of the Income-tax Act 1961; IFSCA Act 2019 Section 13 (unified-regulator vesting); FEMA Liberalised Remittance Scheme; FEMA (Non-Debt Instruments) Rules 2024 (Direct Listing Scheme); Comparative analysis of Singapore SGX, Mauritius FSC, Luxembourg LuxSE, Cayman Islands MAS regulatory perimeters.

¶ **1. The five-vector foreign-investor case.** The foreign-investor case for GIFT-IFSC rests on five vectors. (i) Tax outcome — Section 47(viiab) of the Income-tax Act 1961 removes Indian capital-gains tax on transfers of specified securities by a non-resident on a recognised IFSC stock exchange, where the consideration is paid or payable in convertible foreign currency. The investor's exit gain is received without Indian tax friction. (ii) Currency outcome — all settlement is in convertible foreign currency, removing the FX-conversion friction that mainland NSE / BSE access would otherwise carry. (iii) Regulatory neutrality — IFSCA's IOSCO-aligned framework operates as a financial-services regulator, with a single application file and a single supervisor. (iv) Sovereign-perimeter exposure — the IFSC sits within the Indian sovereign perimeter but is deemed offshore for tax and exchange-control purposes; the FPI obtains Indian underlying exposure within an Indian regulated venue. (v) Architectural depth — twenty business heads under a single regulator, each accessible to the FPI through the appropriate product channel.

¶ **2. The comparative case against Singapore, Mauritius and Cayman.** The comparative case against the alternative venues is structurally three-fold. (i) Singapore SGX — a mature, highly-regulated venue with deep liquidity, but no Section 80LA-equivalent for the issuer's local entity and no Section 47(viiab)-equivalent for the non-resident investor; the Singapore tax regime delivers favourable treatment but through a different mechanism (Singapore's territorial system) requiring active structuring. (ii) Mauritius — historically the dominant offshore route for FPI access to Indian assets, but the 2016 protocol amendments to the India-Mauritius DTAA have substantially neutralised the historical tax advantage; GIFT-IFSC offers a clean Indian-domiciled alternative without the residual treaty-shopping concerns. (iii) Cayman Islands and other offshore venues — limited regulatory perimeter and increasing FATF scrutiny; useful for fund-vehicle domicile but not for the listing or settlement function.

¶ **3. The Direct Listing Scheme and the structural shift.** For the investor whose portfolio strategy is principally Indian underlying exposure — Indian equities, Indian debt, Indian aircraft or shipping assets, Indian bullion, Indian real estate trusts — GIFT-IFSC is now the obvious venue. The Direct Listing Scheme of January 2024 has begun to bring Indian unlisted companies (notably the unicorn cohort) into the GIFT-IFSC perimeter, which previously would have flipped to Cayman or Singapore. The IPO and Listing architecture (Head 17), the Capital

Market Intermediaries layer (Head 5), and the Market Infrastructure Institutions (Head 13) — covered in detail in Booklets XII, XIX and XXIII — together make GIFT-IFSC commercially attractive in a way that the offshore-venue alternatives no longer match.

CHAPTER TWO

The Five Investor Archetypes

Cross-references: SEBI (Foreign Portfolio Investors) Regulations 2019; FEMA Liberalised Remittance Scheme; Family Offices at GIFT-IFSC Vol III; IFSCA Authorised FME framework for sovereign and endowment fund structuring; CBDT TDS-exemption notification regime for IFSC payments.

¶ **1. Archetypes 1 and 2 – FPI and NRI.** Five distinct investor archetypes use the GIFT-IFSC venue, each with its own optimal product channel and structuring pattern. (i) The Foreign Portfolio Investor (FPI) — registered with SEBI as an FPI Category I or II, deploying principally into equity, debt and derivatives on the IFSC stock exchanges. The FPI's GIFT-IFSC outcome is dominated by Section 47(viiab); the FPI's exit gain on FCY-denominated specified securities on a recognised IFSC exchange is not a 'transfer' for capital-gains purposes; no Indian capital-gains tax arises. (ii) The Non-Resident Indian (NRI) — using the IFSC venue principally for equity and debt allocations, FCY-account banking through IBUs, and increasingly through FME-managed structures for family-wealth allocations. The NRI outcome is similar to the FPI on Section 47(viiab), with the additional consideration that the NRI may also be a resident-Indian-taxable person in certain fact patterns requiring careful structuring.

¶ **2. Archetypes 3 and 4 – Family Office and Sovereign / Endowment / Pension.** (iii) The Family Office — the single-family or multi-family office deploying intergenerational wealth across asset classes. The Family Office's GIFT-IFSC outcome runs through the Authorised FME category (Head 19) with the Family Investment Fund structure or through the Registered FME Non-Retail category with PMS at the reduced USD 75,000 minimum-investment threshold. The Firm's monograph Family Offices at GIFT-IFSC (Vol III) addresses the structuring playbook in detail. (iv) The Sovereign, Endowment or Pension Fund Treasury — typically deploying through the FME-managed fund-of-funds or direct mandate route, with the consequential Section 10(4D) specified-fund exemption layered on top of Section 47(viiab). The treasury's Indian tax outcome can be neutralised entirely through the layered exemption architecture.

¶ **3. Archetype 5 – Corporate Treasury.** (v) The Corporate Treasury — multinational corporates deploying surplus liquidity into IFSC-denominated investment products, or deploying capital into Indian operating subsidiaries via the IFSC banking layer. The Corporate Treasury's outcome typically combines the Indian-subsidiary tax-positioning analysis (under the standard corporate-tax regime) with the IFSC-routing tax-neutrality (Section 80LA for the IBU intermediary, Section 47(viiab) on any IFSC-listed instruments held by the corporate parent or its treasury vehicle). Each archetype warrants its own structuring memorandum at the engagement-scoping stage — generic structuring advice across archetypes is not effective.

CHAPTER THREE

The Five Product Channels

Cross-references: Booklets XII (CMI), XIV (Aircraft Lease), XV (Bullion / IIBX), XIX (MII), XXI (ITFS), XXIII (Listing); IFSCA (Fund Management) Regulations 2025; IFSCA (Listing) Regulations 2024; CBDT Notifications under Section 47(viib).

¶ **1. Channels 1 and 2 – Listed securities and Fund vehicles.** Investors access GIFT-IFSC through five principal product channels. (i) Listed securities – equity (from January 2024 including Direct-Listed Indian unlisted companies), foreign-currency bonds, masala bonds, sukuk, ESG / Green / Sustainability-Linked / Transition bonds, depository receipts, and BDRs. Access is through NSE IFSC or India INX, with settlement at NICCL or ICCL IFSC and custody at IIDI or NSDL International Depository IFSC. The channel is detailed in Booklets XIX (MIIs) and XXIII (Listing). (ii) Fund vehicles – Alternative Investment Funds (Cat I / II / III), Portfolio Management Services, Fund of Funds, REITs and InvITs by private placement, and (for retail allocations) mutual-fund-style schemes. Access is through the FME-registered manager. The channel is detailed in Booklets IV / V / VI / Research Vol I / Family Offices Vol III.

¶ **2. Channels 3 and 4 – Direct asset ownership and Structured products.** (iii) Direct asset ownership – the investor takes direct ownership of an underlying physical asset through an IFSC structure. Bullion through the IIBX (Head 8, Booklet XV) with the Bullion Depository Receipt as the central financial-product instrument. Aircraft through an IFSC aircraft-leasing SPV (Head 7, Booklet XIV). Ships through an IFSC ship-leasing SPV (Head 10, Booklet XVI). The direct-ownership channel is principally used by institutional allocators with specific sectoral mandates. (iv) Structured-product channels – IFSC-issued structured-finance instruments (securitisation, ABS, MBS, project finance bonds), accessed through the listing pathway (Head 17) and rated by IFSC-registered CRAs (Head 18, Booklet XXIV). The channel is principally institutional in scale and complexity.

¶ **3. Channel 5 – Banking and Credit infrastructure.** (v) Banking and credit channels – IFSC Banking Units (Head 1, Booklet VIII) provide FCY deposit, FCY lending, trade-finance, custody and treasury services. The Payment Service Provider perimeter (Head 14, Booklet XX) provides cross-border payment infrastructure. The ITFS Platform (Head 15, Booklet XXI) provides cross-border trade-finance product structures. These channels are typically not the principal investment-product perimeter for an external investor; they are the operational infrastructure that the investor uses to transact within the first four channels. Investors should expect to interact with at least one IBU as their IFSC banking counterparty regardless of which investment channel they principally use.

CHAPTER FOUR

The Tax Math — Investor-Side Outcomes

Citations: Section 47(viiab), Section 10(4D), Section 10(4F), Section 10(34B), Section 10(4H), and Section 80LA of the Income-tax Act 1961; CBDT Notification S.O. 986(E) dated 5 March 2020; CBDT Notification S.O. 2777(E) dated 16 June 2022; CBDT Notification dated 12 September 2023; CBDT Notification S.O. 1135(E) dated 8 March 2024; CBDT Notification No. 28/2024 dated 7 March 2024; Clause 147 of the proposed Income-tax Act 2025.

¶ **1. The eleven categories of 'specified securities'.** The investor-side tax math turns on Section 47(viiab). The scope of 'specified securities' under the Section, as expanded through successive CBDT notifications, now covers: (i) foreign-currency bonds, (ii) foreign-currency-denominated equity shares of an IFSC-listed or Direct-Listed Indian company, (iii) Global Depository Receipts, (iv) Rupee-Denominated Bonds (masala bonds), (v) derivatives, (vi) units of mutual funds, (vii) units of Alternative Investment Funds set up at the IFSC, (viii) units of business trusts, (ix) units of InvITs and REITs, (x) units of ETFs, and (xi) Bullion Depository Receipts (via the August 2022 CBDT Notification). The breadth of the Section 47(viiab) coverage is the central tax argument for the FPI choosing GIFT-IFSC.

¶ **2. The complementary exemption architecture.** Section 10(4D) operates as the complementary specified-fund exemption. Where the investor's holding is through an IFSC-registered AIF or through the investment-division-of-OBV vehicle, the Section 10(4D) exemption preserves the tax neutrality at the fund level, ensuring that the fund's intra-portfolio rebalancing does not crystallise tax that would otherwise neutralise the investor's Section 47(viiab) benefit at exit. Section 10(4F) extends the non-resident exemption to royalty and interest received on aircraft and ship lease income from IFSC units — relevant to the structured-product channel and the direct-asset-ownership channel. Section 10(34B) exempts inter-IFSC-aircraft-leasing-unit dividends; Section 10(4H) exempts capital gains on shares of IFSC aircraft-leasing companies. The layered exemption architecture is what produces the near-zero-tax outcome for the well-structured investor.

¶ **3. A worked example — the FPI's tax math.** A worked example crystallises the math. An FPI acquires USD 1,000,000 of foreign-currency-denominated equity shares of a Direct-Listed Indian unlisted company on NSE IFSC on 1 January 2025 at par. On 1 January 2027, the same shares are trading at USD 1,800,000 on the same exchange. The FPI sells. The capital gain of USD 800,000 is settled in convertible foreign currency. Under Section 47(viiab) the transaction is not a 'transfer' for Indian capital-gains purposes — no Indian tax arises. The same FPI acquiring the same Indian company's shares on the mainland NSE on the same date would face Indian capital-gains tax at 12.5 per cent plus surcharge and cess on the USD 800,000 gain (long-term, listed, post-Budget 2024) — approximately

USD 105,000 of Indian tax. The GIFT-IFSC route saves the FPI approximately USD 105,000 on the exit, or roughly 10.5 per cent of the original investment. The math scales linearly with the investor's allocation size.

CHAPTER FIVE

Operational Mechanics — Opening, Allocating, Repatriating

Cross-references: IFSCA Banking Regulations 2020 (IBU account opening); IFSCA Payment Services Regulations 2024 (cross-border money transfer); FEMA Liberalised Remittance Scheme; FEMA (Non-Debt Instruments) Rules 2024; IFSCA SWIT portal; IFSCA AML / CFT / KYC Guidelines 2022.

¶ **1. Phase 1 — Account opening.** The operational mechanics for an external investor proceed in three phases. (i) Account opening — the investor opens an FCY account at an IFSC Banking Unit. Account opening is subject to the IFSCA AML / CFT / KYC Guidelines 2022, with sanctions screening at OFAC SDN, EU Consolidated, UK OFSI, UN Security Council, and Indian UAPA / WMD Act lists at the investor onboarding stage. For non-resident investors, the account-opening process is materially lighter than the equivalent mainland Indian account-opening process — there is no PAN requirement for the FCY account itself (though a PAN may be required for certain Indian-source income characterisations downstream).

¶ **2. Phase 2 — Allocation.** (ii) Allocation — the investor allocates capital across the five product channels through the appropriate intermediary. For listed securities, this means engaging a Broker-Dealer (an IFSCA-registered Capital Market Intermediary under Schedule I Item 1 of the CMI Regulations 2025). For fund vehicles, this means subscribing to an FME-managed scheme. For direct asset ownership, this means structuring an SPV with the relevant IFSC-registered entity. For structured products, this means subscribing through the listing-and-depository architecture. For banking and credit channels, this means transacting directly with the IBU. Allocation is in convertible foreign currency at each stage; INR appears only at the investor's home-jurisdiction or mainland-Indian interface points, not within the IFSC perimeter.

¶ **3. Phase 3 — Repatriation.** (iii) Repatriation — on exit, proceeds are credited to the investor's FCY account at the IBU in the original convertible foreign currency. Repatriation to the investor's home jurisdiction is unrestricted (subject to the standard AML and reporting layer). For mainland Indian residents accessing GIFT-IFSC through the Liberalised Remittance Scheme, repatriation flows back through the LRS perimeter to the resident's mainland bank account. Section 47(viia) ensures the gain crystallises without Indian tax friction. Section 10(4D) ensures the same outcome where the holding is through an IFSC AIF. The clean tax outcome at the exit point is the principal investor-side argument that closes most engagement discussions.

CHAPTER SIX

Risk, Compliance and Investor Reporting

Citations: IFSCA (AML / CFT / KYC) Guidelines 2022 dated 28 October 2022; Prevention of Money Laundering Act 2002; Foreign Account Tax Compliance Act (US) and Common Reporting Standard (OECD) information-exchange frameworks; SEBI (Foreign Portfolio Investors) Regulations 2019; FEMA Liberalised Remittance Scheme reporting; CBDT regulations on resident-Indian foreign-asset reporting.

¶ **1. The first two compliance levels.** Risk and compliance for the investor side of the GIFT-IFSC transaction operate at three distinct levels. (i) Investor-level AML and KYC — the IBU and the relevant intermediary (Broker-Dealer, FME, etc.) each apply the IFSCA AML / CFT / KYC Guidelines 2022 at customer onboarding. The investor should expect to provide identity documents, beneficial-ownership disclosures, source-of-funds verification, and ongoing transaction monitoring. (ii) Information-exchange compliance — the IBU and the intermediary apply FATCA (US) and CRS (OECD) reporting at the investor level, transmitting the investor's account and transaction information to the investor's home-jurisdiction tax authority through the standard inter-governmental exchange mechanisms. The investor cannot opt out of this layer.

¶ **2. The third compliance level — home-jurisdiction tax.** (iii) Home-jurisdiction tax reporting — even though the GIFT-IFSC investment produces no Indian tax (under Section 47(viiab) and 10(4D)), the investor's home-jurisdiction tax authority continues to tax the gain under the investor's domestic rules. A US-domiciled FPI's exit gain on Direct-Listed Indian shares is not subject to Indian capital-gains tax, but is subject to US capital-gains tax in the standard course. The Section 47(viiab) outcome removes Indian tax friction; it does not exempt the investor from home-jurisdiction tax. For Indian resident investors using the LRS perimeter to access GIFT-IFSC, the situation is more consequential — Section 47(viiab) does not apply to residents, and capital-gains tax applies in India in the standard course.

¶ **3. Sanctions and reputational risk.** Sanctions and reputational risk warrant particular attention for institutional investors. The IFSC perimeter applies FATF, OFAC, EU, UK, UN and Indian sanctions screening at the intermediary onboarding stage. The investor's own internal policies — typically calibrated to a stricter institutional standard — will require parallel screening at the investment-decision stage. For sovereign and endowment investors, the investor's home-jurisdiction political-and-reputational considerations may add further filters. Counsel advising an institutional investor on a GIFT-IFSC allocation programme should treat the investor's internal-policy screening as the binding constraint rather than the IFSC regulatory screening — the IFSC screening is the floor, not the ceiling.

CHAPTER SEVEN

Key Cautions and Red Flags for the Investor

Cross-references: All twenty-five preceding booklets of the Series; FEMA Press Note 3 of 2020; OFAC Russian oil price cap; EU Article 5j of Regulation 833/2014; FATF Public Statement on High-Risk Jurisdictions; IFSCA Greenwashing Consultation Paper of 4 October 2024.

¶ **1. Red flags 1 and 2 — land-border and Russia exposure.** Six red flags warrant investor attention before committing capital. (i) Land-border-sharing-country exposure — under FEMA Press Note 3 of 2020, any beneficial owner of GIFT-IFSC equity (including Direct-Listed shares) from China, Pakistan, Bangladesh, Bhutan, Nepal, Myanmar or Afghanistan requires prior Government of India approval. Investors structured through holding vehicles in these jurisdictions face material structuring friction. (ii) Russia-linked counterparties — EU Article 5j of Council Regulation 833/2014 prohibits credit-rating and insurance services to Russian persons, and US OFAC EO 14024 plus the Russian oil price cap create extensive secondary-sanctions exposure. An investor with any Russia-nexus counterparty in the proposed structure should obtain a standalone sanctions opinion.

¶ **2. Red flags 3 and 4 — Greenwashing risk and Sukuk nascency.** (iii) Greenwashing risk on ESG bonds — the rapidly-growing ESG bond segment (USD 15.43 billion ESG-labelled debt listed as at 30 June 2025) operates under the IFSCA Greenwashing Consultation principles of 4 October 2024 (True-to-Label, Screen-the-Green, Walk-the-Talk, Overall Impact). Investors should expect rigorous independent external reviewer opinions and annual utilisation / allocation / impact reporting; ESG labels without these layers are not supervisory-safe. (iv) Sukuk nascency — Sharia-compliant instruments are permitted but the commercial market is nascent; investors should verify Sharia advisor independence and structure (Ijara, Murabaha, Wakala) before commercial close.

¶ **3. Red flags 5 and 6 — FCY requirement and Home-jurisdiction tax.** (v) The Section 47(viiab) FCY requirement — Section 47(viiab) is available only where the consideration is paid or payable in convertible foreign currency. An investor who, on exit, receives INR consideration (perhaps because of an inadvertent cross-perimeter settlement arrangement) loses the Section 47(viiab) benefit entirely. The investor's structuring memorandum should treat the FCY settlement requirement as the load-bearing tax-preservation rule. (vi) Home-jurisdiction tax — as covered in Chapter Six, Section 47(viiab) removes Indian tax friction but does not remove home-jurisdiction tax. Investors should obtain parallel home-jurisdiction tax advice; the GIFT-IFSC structuring decision interacts with the investor's home-jurisdiction position in non-trivial ways.

CHAPTER EIGHT

Standard of Practice and the Firm's Investor Engagement Model

The Firm's Standard of Practice is reproduced verbatim across the Bhatt & Joshi Practitioner Series. The engagement model below applies to investor-side engagements and is the closing chapter of the Master Catalogue's investor-facing complement.

¶ **1. Standard of Practice.** Standard of Practice. The Firm advises and assists clients exclusively in matters consistent with applicable U.S., European Union, United Kingdom, United Nations and Indian sanctions and anti-money-laundering regimes. The Firm does not advise on, structure or facilitate transactions whose principal purpose or principal effect is to bring a designated person into a regulated market in a manner that is foreseeably exposed to a sanctions perimeter the parties cannot lawfully discharge. In an investor-side engagement, this Standard applies at the level of the investor entity, the investor's beneficial owners, the investor's source of funds, the structure of the investment vehicle, the counterparty (issuer / fund manager / trustee / lessor), and the exit pathway.

¶ **2. The Firm's three-phase investor engagement model.** The Firm's engagement model for investor-side work proceeds in three phases, mirroring the model applied to entity-side engagements. (i) Pre-engagement — investor profiling against the five archetypes; product-channel selection memorandum; preliminary FATF and sanctions screening of the investor's ownership and source-of-funds chain; Section 47(viiab) and 10(4D) tax-positioning memorandum with the home-jurisdiction tax interface. (ii) Structuring and documentation — IFSC intermediary onboarding (IBU account, Broker-Dealer or FME engagement, depository participant relationship); investor's internal-policy compliance documentation; LRS documentation where applicable; KYC and beneficial-ownership disclosures; ESG-label diligence file where applicable. (iii) Post-execution — periodic FATCA / CRS reporting oversight, annual sanctions-screening refresh on counterparties, exit-planning memorandum with the FCY-settlement preservation discipline, and home-jurisdiction tax coordination.

¶ **3. The library and the engagement pathway.** The twenty-six booklets of the Bhatt & Joshi Practitioner Series — together with the five booklets of the Publication Series, the three volumes of the Research Series, and the Family Offices at GIFT-IFSC monograph — constitute the Firm's complete published library on the GIFT-IFSC architecture as at May 2026. The library is updated as the regulatory architecture evolves; the most current versions are always available at the Firm's website at bhattandjoshiassociates.com. The Firm's GIFT-IFSC practice is led by Advocate Aaditya Bhatt with associates across the Banking, Capital Markets, Insurance, Funds, and Specialty heads. New engagements are best initiated through the Contact page on the Firm's website or through the

relevant head-page contact link. We look forward to engaging on the structuring questions that follow.



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