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**WHITEPAPER ON  
EASE OF DOING BUSINESS  
IN GUJARAT INTERNATIONAL FINANCE TEC-CITY  
(GIFT CITY) IN INDIA**

Knowledge Partner



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# Whitepaper on Ease of Doing Business in the Gujarat International Finance Tec-City (Gift City) in India



## Introduction

The World Bank was a pioneer in drawing world's attention on 'Ease of Doing Business' ("**EODB**") by publishing a report in early 2000s. It ranked 190 (one hundred and ninety) economies of the world on 10 (ten) parameters, which indicated how easy it was to do business in a country. In the last annual report on EODB, India ranked at the 63rd position in terms of Business Regulations.

Following the trend and keeping in mind the above, the Government of India through the Department for Promotion of Industry and Internal Trade ("**DPIIT**") introduced the Business Reforms Action Plan ("**BRAP**"). The objective of BRAP is to layout a series of reforms targeted at increasing transparency and improving the efficiency and effectiveness of regulatory framework and services for businesses in India. The BRAP includes recommendations across 12 (twelve) reform areas, which include Labour Regulation Enablers, Contract Enforcement, Registering Property, Inspection Reform Enablers, Single Window System, Land Availability and Allotment, Construction Permit Enablers, Environmental Registration Enablers, Obtaining Utility Permits, Paying Taxes, Access to Information and Transparency Enablers.

Considering the developing landscape of India and its rapidly growing contribution in global finance and world business, the emergence of the Gujarat International Finance Tec-City or as it is more popularly known - the '**GIFT City**', represents India's strategic endeavour to establish a pivotal hotspot for fostering international trade and investment. GIFT City is India's first operational greenfield Smart City and International Financial Services Centre ("**IFSC**"), conceptualized as a financial and technology hub.

The evolution of GIFT City is an opportunity to set out reforms towards providing a thriving financial ecosystem and is set-up with a vision of national importance, as the Country is at the thresholds of realizing its dream of becoming a Developed Nation.

As an ambitious project, GIFT City offers a revolutionary launchpad for legacy and modern businesses, rooted in cutting-edge technology and is equipped with a host of incentives and infrastructural benefits. In recent years, GIFT City has presented competitive benefits for offshore investors including, direct and indirect tax exemptions under GST, dividend distribution tax and capital gains tax, incentives for investors and operational benefits.



### Synopsis of the High-Level Round Table Deliberation

On January 19, 2024, a High-level Round Table Deliberation on 'Ease of Doing Business (EODB) in the Gift City' was hosted by the National Committee on Ease of Doing Business, Indo-American Chamber of Commerce (IACC) along with its knowledge partner, Shardul Amarchand Mangaldas & Co. at the NSE International Exchange (NSE IX) in GIFT City, Gujarat, to discuss the issues, challenges and complexities faced by the industries while incorporating and setting-up businesses in the GIFT City and the overall expectations of the stakeholders for doing business in the GIFT City. The event was well attended by Mr Praveen Kamat, General Manager, Division of Market Infrastructure Institutions & Technology (Capital Markets Department) of the International Financial Services Centre Authority (IFSCA) and other representatives from the IFSCA, being the Regulator in the GIFT City, representatives from the NSE IX Exchange, Accountants, Banks, Insurance companies and Academicians.

### Learnings and Proposed Action Points

Following are some of the important learnings and action points proposed at the roundtable deliberation to address the issues, challenges and complexities faced by stakeholders for doing business in the GIFT City:

Major Points	Important Discussions and Learnings
Global Reach, Visibility and Awareness of the GIFT City	<ul style="list-style-type: none"> <li>• The extant opportunities in GIFT City include a wide range of services such as capital market transactions, banking services, offshore investment management, funds, family offices, insurance and other financial transactions.</li> <li>• In spite of the IFSCA, being the Regulator in the GIFT City, there are some critical issues and challenges, currently faced by potential investors in the GIFT City which include:               <ul style="list-style-type: none"> <li>➤ General awareness of the opportunities, incentives, benefits and various options available in the GIFT City.</li> <li>➤ Longer timelines for approvals/receiving permissions for setting-up businesses, which has reduced the overall attractiveness of GIFT City.</li> <li>➤ To validate know your client (KYC) details pursuant to the anti-money laundering guidelines, currently the same can be authenticated and validated only through an Indian IP address even in respect to trades/transactions proposed to be entered into and executed from an overseas jurisdiction, this could potentially result in loss of potential inbound investment/clientele in the IFSC jurisdiction. In view of the aforesaid, there is an increasing need for a globally accepted unified registration model to enter into and execute trades/transactions on the exchanges in GIFT City.</li> </ul> </li> </ul>
Working Hours of Banks in the Gift City/Real Time Settlement	<ul style="list-style-type: none"> <li>• While there are entities like the NSE IX exchange and other exchanges dealing in capital market transactions that are operating in the GIFT City for around 24 (twenty-four) hours a day given the markets and trades in international zones, Banks in the IFSC jurisdiction that are working on a 9 AM to 5 PM 'banking hours' model are at a disadvantage, because of which settlement of trades executed after the above time period, is currently is only possible the following working day.</li> <li>• Considering that the exchange/currency in IFSC is a 'freely convertible currency' and not rupee denominated, Banks in the GIFT City are finding it increasingly difficult to settle the trades owing to operating issues - such as lack of an IFSC specific Indian Financial System Code (IFSC) code.</li> </ul>



Major Points	Important Discussions and Learnings
Early Mover Disadvantage	<ul style="list-style-type: none"> <li>• There are several direct, indirect tax and other exemptions which are available in the GIFT City which inter alia include a 100% direct tax exemption for units set-up in the IFSC for 10 (ten) consecutive years out of 15 (fifteen) years. The benefits should commence from the time of actual operations, as the time taken to set-up business, obtain approvals and licensing may vary.</li> <li>• Any unit/business which was set-up or incorporated at the time of inception of the GIFT City and who are availing tax benefits, have already reached a half-way mark, at the time where businesses are just starting or setting-up their operations in GIFT City.</li> <li>• Accordingly, by the time units/businesses begin to earn substantial profits from operations in the GIFT City, they may no longer be eligible for tax benefits set out above.</li> </ul>
Insurance / Re-insurance Support	<ul style="list-style-type: none"> <li>• Insurance companies need a new license and fresh approval, each time they intend to launch or write a new insurance product for their customers from the GIFT City. Separate set of regulatory approvals are also required for some financial and insurance products.</li> <li>• This has resulted in a delay/loss of opportunities for inbound investment in insurance and financial products in the GIFT City.</li> </ul>
Lack of Precedents and Templates of Model Clauses and requirement for Law Firms and Dispute Resolution Forums	<ul style="list-style-type: none"> <li>• Contracts or Agreements entered by entities in IFSC are governed by international laws. Being the first operational IFSC in India, currently, the Indian entities setting-up businesses in GIFT City are facing issues in respect to dispute resolution provisions due to lack of understanding of the implications of international laws.</li> <li>• In view of the above, there is an immediate need for Indian law firms to have offices with lawyers with an understanding of international laws, who can advise businesses in the GIFT City in respect to dispute resolution provisions and implications under international laws at cost effective rates.</li> <li>• The Central Government along with the IFSCA should consider setting-up of IFSC specific Courts and Arbitration centres, with a view to making India an International Arbitration Hub and resolving IFSC disputes on a fast-track basis.</li> </ul>



Major Points	Important Discussions and Learnings
Lack of Social Infrastructure	<ul style="list-style-type: none"> <li>• While the GIFT City was initially conceptualised in 2007 and formally set up in 2015, till date construction of office spaces, residential apartments, schools, hospitals, hotels and retail shops is still largely underway.</li> <li>• People who are employed and are working out of the GIFT City say that the city is currently lack of a social life, social infrastructure and recreational facilities, which are necessary for a young and energetic workforce and accordingly, businesses are finding it extremely difficult to attract and retain good talent.</li> <li>• Given that GIFT City was conceptualised as a competitor/alternative to other tax favourable jurisdictions such as Dubai International Financial Centre (DIFC), Singapore and Mauritius, one must bear in mind the attractiveness of GIFT City over other similar jurisdictions. This in turn will ensure that the right kind of talent that is required to front and run businesses and operations, makes the transition to GIFT City.</li> <li>• To create top of the line residential, recreation, facilities with great schools, colleges, hospitals, shopping areas, restaurants, sports facilities to ensure great talent can be attracted to GIFT City.</li> <li>• To set up world-class global institutions along with the necessary educational, entertainment and hospitality infrastructure. To foster multi- disciplinary educational experience within GIFT City to enable world-class education to be imparted from GIFT City whether through physical and/or virtual formats.</li> </ul> <p>The IFSCA through its International Financial Services Centres Authority (Setting up and Operation of International Branch Campuses and Offshore Education Centres) Regulations, 2022 (the “<b>IBC-OEC Regulations</b>”) is encouraging foreign universities and foreign educational institutions to set-up their international branch campus or offshore education centres in GIFT IFSC. This will make the GIFT IFSC an international educational centre available to both Indian and foreign students in multi-disciplinary fields.</p> <ul style="list-style-type: none"> <li>• The success of the GIFT City depends on great social infrastructure to attract the best talent pool.</li> </ul>

### Recommendations and Way Forward

As a next step, a cohesive and unified framework is required to be established which shall adopt a functional model to provide assistance to different stakeholders in the GIFT City for setting-up of business, its day-to-day operations and for addressing issues/concerns that may be faced at different stages of operating business in the GIFT City:

- (i) The Central and State Government along with the IFSCA, need to come up with short-term, mid-term and long-term visions and implement a ‘proof of concept’ strategy to create awareness about the opportunities available in GIFT City and to strategically place GIFT City as a focal point of innovation and infrastructure, which is rooted in cutting-edge technology and equipped with a host of incentives and benefits.
- (ii) Considering the current global position of India and the overall capability, capacity and competency of the available resources and infrastructure, it is important to encourage them and make them aware about the potential of GIFT City, to foster continuous growth and development. The momentum of GIFT City powered by a dynamic regulatory landscape and geographical position, presents financial and technology entities with a lucrative proposition.

- (iii) For achieving the above, a Steering/Nodal Committee (“**Steering Committee**”) formed on the principles of ‘scalability and investment’ may be set up at the Central level. This Steering Committee shall prepare standard operating procedures (SOPs), checklists and implementation strategies for developing a reliable image for the **creation of a “Financial and Technology Hub in the GIFT CITY”**. Further, after considering various propositions and to be able to effectively execute its plans, the Steering Committee may also create a panel of government/regulatory agencies of Gujarat and GIFT City.

It is of paramount importance that the Steering Committee comprises of the following experts:

- Central and State Government representatives;
  - ISFCA representatives;
  - Representatives from various financial institutions, private equity funds, alternate investment funds, multinational corporations, major government institutions such as RBI, SEBI and other local authorities;
  - Representatives from the NSE IX exchange, Banks and Insurance officials;
  - Industry Players;
  - Economic experts and Academicians;
  - Advisors and consultants for law, overseas investments, direct and indirect taxation, finance and accounting, IT and software, etc.; and
  - Advisors for law and policy issues.
- (iv) A clear vision needs to be set out by the Steering Committee that will be tailored as per the strengths, strategic location and key indicators of growth of the business in GIFT City, while taking into account the measures, rules, regulations and notifications set out by IFSCA from time to time. This vision will be instrumental in identifying, creating and implementing pre-fixed time-based goals of the Steering Committee.
- (v) The Central Government can aim to implement a ‘GIFT Promotion Policy’ for encouraging companies and industries while incorporating and setting-up businesses in the GIFT City, which can be promoted through various incentives for manufacturing, tax incentives, non-fiscal support, innovation and other tailor-made incentives to such industries to ensure timely maintenance and scalability of growth of the GIFT City.
- (vi) Landmark innovations/solutions, research and development, services and learnings must be documented properly, shared and made available to everyone by hosting them on various government portals and on the GIFT City website.
- (vii) Encouraging hybrid models for companies in GIFT City to set-up operations in remote locations till such time that the business is fully operational for such companies in GIFT City and global, financial, social infrastructure is operational in and around GIFT City. This will need to be evaluated from the standpoint of taxation, billings and other operational issues and regulations.
- (viii) To create GIFT City Satellite Parks across the country to enable a great feed of business from all parts of the Country. The IFSCA and other regulators, to deliberate to enable the application of GIFT City regulatory framework to such GIFT City Satellite Parks.
- (ix) The State Government and IFSCA authorities must also set-up and create a functioning online e-governance portal incorporating the following:
- A single window ‘Knowledge Sharing’ platform which will work as a central repository for all laws, guidelines, financing mechanics, best practices and other SOPs available as on date which must be updated, revised or modified from time to time.
  - A ‘Best Practices’ section on such platform where sustainable best practices can be shared by various stakeholders by way of creating awareness, providing necessary information and encouraging others to adopt such best practices.
  - An ‘E-forum’ with a personal connect for query resolutions may be created to enable individual businesses to interact with the government and regulatory machinery, in respect to any issues and/or difficulties faced by them and/or to propose initiatives and recommendations to improve the existing infrastructure and facilities. Based on these issues/queries and recommendations, a ‘Knowledge Bank’ can be created to widely share such information, queries, responses and news on relevant topics.



- (x) Lastly, it is necessary for the stakeholders of the GIFT City to host an 'Awareness Summit' by inviting key stakeholders, with international and domestic reach, from the following sectors:
- A rich mix of large/mega, medium, small and micro companies and investment/fund houses;
  - Central and State Government representatives;
  - ISFCAs representatives;
  - Representatives from various financial institutions, private equity funds, alternate investment funds, multinational corporations, major government institutions such as RBI, SEBI and other local authorities;
  - Representatives from the NSE IX exchange, Banks and Insurance officials;
  - Industry Players;
  - Economic experts and Academicians;
  - Advisors and consultants for law, overseas investments, direct and indirect taxation, finance and accounting, IT and software, etc.; and
  - Advisors for law and policy issues.

As a part of this Awareness Summit, a mutual commitment must be forged amongst all interested stakeholders, along with making available effective financial and regulatory support, to create a robust ecosystem, to establish and project the GIFT City in India as a pivotal hotspot for fostering international trade and investment.

**The GIFT City is the perfect destination for international businesses to come and set-up their business, invest in the Indian markets, take advantage of the immense Indian talent pool and thriving marketplace. To make this a reality, it is essential for the GIFT City to offer the foreign companies, businesses, expat communities not only a seamless global business experience, ease in doing business, banking and investment but also offer a comfortable, exciting and engaging social experience and world class social infrastructure, amenities and entertainment to draw global talent.**

# About SAM & Co.

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Our Firm is known globally for its exceptional practices in General Corporate, Mergers & Acquisitions, Private Equity, Competition Law, Insolvency & Bankruptcy, Dispute resolution, International Commercial Arbitration, Capital Markets, Banking & Finance, Tax, Intellectual Property, Data Protection & Data Privacy, Technology Law and Infrastructure, Energy and Project Finance.

The Firm has a pan-India presence and has been at the helm of major headline transactions and litigations in all sectors, besides advising major multinational corporates on their entry into the Indian market and their business strategy. Currently, the Firm has over 820 lawyers including 166 Partners, offering legal services through its offices at New Delhi, Mumbai, Gurugram, Ahmedabad, Kolkata, Bengaluru, and Chennai - [www.amsshardul.com](http://www.amsshardul.com).

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