

## INTERNATIONAL FINANCIAL SERVICES CENTRE — A SPECIAL REPORT

# India's IFSC: The Last Stable Harbour in a Fractured World

*As geopolitical storms redraw global capital flows, GIFT City emerges as the most tax-efficient, policy-stable, and talent-rich financial domicile of the coming decade.*

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There is a moment in every cycle of global uncertainty when capital stops asking where returns are highest and begins asking where it is safest. That moment has arrived — and it coincides precisely with India's International Financial Services Centre at GIFT City completing its most consequential phase of regulatory maturation. The confluence is not accidental. It may, in fact, be epochal.

From the sovereign wealth desks of Abu Dhabi to the hedge fund terraces of Mayfair, a single question circulates with increasing urgency: in a world where geopolitical rivalry is dismantling the post-1945 architecture of cross-border investment, where can a fund domicile itself with confidence that the rules governing it today will still govern it five years hence? For a growing cohort of sophisticated capital allocators, the answer is pointing, with striking consistency, to a purpose-built financial district on the banks of the Sabarmati.

<p><b>1,000+</b> ENTITIES REGISTERED <i>Banking, insurance, funds &amp; capital markets</i></p>	<p><b>20 Yrs</b> SECTION 80LA HOLIDAY <i>100% deduction, legislatively guaranteed</i> <b>15%</b> Tax certainty regime after 20 years</p>	<p><b>USD 4B+</b> DAILY FOREX TURNOVER <i>NSE IFSC &amp; BSE International, Q4 2025</i></p>
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## I. THE GEOPOLITICAL FRACTURE AND ITS CAPITAL CONSEQUENCES

The world that financial engineers designed their structures for — a rules-based order characterised by the free movement of capital across open markets — is being systematically dismantled. The US-China rivalry has crystallised from a trade dispute into a civilisational contest. Russia's invasion of Ukraine shattered European energy assumptions. And the weaponisation of the US dollar through sanctions has prompted institutional conversations about the durability of dollar-denominated structures as the universal safe harbour.

In this environment, the traditional offshore domiciles are each compromised in their own way. The Cayman Islands faces sustained FATF-driven compliance pressure. Luxembourg and Ireland carry the political risk of an increasingly fractured European Union. Singapore navigates the impossible geometry of commercial alignment with China and strategic alignment with the West. And Mauritius, long India's preferred conduit, has seen its treaty advantages progressively eroded by GAAR amendments and the effective dilution of the India-Mauritius DTAA. Into this vacuum steps GIFT IFSC — carrying the singular advantage of being caught in none of these crossfires, backstopped by India's celebrated strategic non-alignment, and domiciled in the world's fastest-growing major economy.

## II. THE TAX ARCHITECTURE: LEGISLATIVE GUARANTEE, NOT DISCRETIONARY CONCESSION

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Section 80LA of the Income Tax Act provides a 100 per cent deduction on income of IFSC units for ten consecutive assessment years chosen within the first fifteen. This is not a ministerial concession susceptible to budget-time reversal. It is a legislative guarantee embedded in statute — one that an assessment officer cannot unilaterally vary. The eligible categories are expansive: offshore banking, insurance, fund management, and — of particular current significance — interest on foreign currency deposits with Offshore Banking Units.

Consider the arithmetic of idle fund parking alone. A family office or fund holding USD 50 million in liquidity pending deployment can, through an IFSC-registered entity, earn interest at SOFR-linked rates of 4.5 to 5.5 per cent per annum — entirely free from Indian withholding tax. Annualised, this contributes 80 to 150 basis points of net IRR enhancement during the private fund deployment phase. In the competitive arithmetic of private markets fundraising, where LPs differentiate managers on net IRR to two decimal places, this is not a rounding error. It is a structural advantage.

Beyond Section 80LA, the GST framework treats services to and from IFSC units as zero-rated supplies. The stamp duty exemption removes a material friction cost from high-frequency securities operations. And the exemption from Securities Transaction Tax and Commodities Transaction Tax for IFSC exchange transactions provides a continuous cost advantage to market-making and arbitrage strategies. The Alternative Investment Fund pass-through structure under the IFSCA (Fund Management) Regulations, 2022 ensures that the fund vehicle itself carries no tax liability, with returns flowing to investors with full character preservation — a layered efficiency no post-GAAR Mauritius structure can replicate without residual treaty risk.

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***“GIFT IFSC offers something more valuable than a tax concession: it offers the predictability of sovereign intent, the depth of India’s talent pool, and access to the world’s fastest-growing economy — all within a single regulatory address.”***

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## III. POLICY CONTINUITY: THE IRREPLACEABLE ASSET

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The IFSCA — a unified, single-window regulator under a dedicated statute — has no domestic financial sector to distract it. Its entire mandate is directed at developing and supervising the IFSC, creating a regulator structurally predisposed to responsiveness, iterative reform, and friction removal. The speed with which it has issued regulations across fund management, banking, insurance, aircraft leasing, bullion trading, and fintech is without precedent in Indian regulatory history — and compares favourably with the cadence of established offshore centres.

Critically, the political consensus behind GIFT IFSC transcends normal partisan boundaries. The IFSC has received legislative, executive, and budgetary support across consecutive Finance Acts and Union Budgets, reflecting a recognition across the political spectrum that internationalising India’s financial sector is a strategic imperative. This bipartisan backing is, in the vocabulary of country risk analysis, an extraordinary asset. Contrast this with the experience of investors who relied on treaty-based structures through Mauritius before the 2016 protocol amendment, or through Cyprus before the Russian sanctions restructuring — where concessions rested on bilateral political relationships that could be, and were, renegotiated without the fund manager’s participation or consent. GIFT IFSC’s domestic statutory basis provides a different and more durable foundation entirely.

## IV. THE TALENT DIVIDEND: INDIA’S STRUCTURAL MOAT

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The history of financial centres is, in significant measure, a history of talent ecosystems. By this standard, GIFT IFSC operates from a position of structural advantage that no greenfield financial centre in the past quarter-century has enjoyed at inception. India produces annually in excess of 1.5 lakh Chartered Accountants, over 90,000 Company Secretaries, and a rapidly growing cohort of CFA, CFP, and FRM-qualified professionals. Its technology talent base — the largest in the world by any reasonable measure — is already embedded in the architecture of virtually every major global financial institution.

The implication is straightforward: GIFT IFSC can offer, within a concentrated geographic area, the full range of professional skills required to establish, manage, administer, and audit a sophisticated international financial operation — at cost structures that London, Singapore, and New York cannot approach. A fund manager who has navigated the Indian capital markets, FEMA, RBI's ECB regulations, and SEBI's disclosure regime has, by the time they arrive at GIFT IFSC, been subjected to a regulatory education that most international peers have simply not experienced.

## V. THE FULL-SPECTRUM PROPOSITION: BEYOND FUND MANAGEMENT

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GIFT IFSC's ambition extends well beyond fund management and treasury efficiency. The India International Bullion Exchange creates, for the first time, a mechanism for price discovery and physical settlement of gold within a regulated Indian exchange environment — of enormous strategic significance for a country importing 700 to 800 tonnes annually. The aircraft leasing framework, modelled on the Irish CARES regime that made Dublin the world's dominant leasing jurisdiction, positions GIFT IFSC to challenge that near-monopoly in a sector generating over USD 150 billion in annual global lease payments. And the Global In-House Centre framework is drawing multinational banks and insurance groups — Standard Chartered, HSBC, Bank of America among them — to establish captive service operations within the IFSC, bringing the institutional validation that is, for most counterparties, the most credible signal of a jurisdiction's seriousness.

## VI. THE VERDICT: A RACE TO THE TOP

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The standard critique of offshore financial centres is that they compete by stripping away tax and regulation until nothing remains except an empty shell and a tax number. GIFT IFSC's most important claim to distinction is that it is attempting precisely the opposite: to compete by adding substance, depth, regulatory credibility, and institutional infrastructure, while offering tax efficiency as a complement to, rather than a substitute for, genuine financial sector development. The IFSCA's substance requirements — requiring Fund Management Entities to have genuine decision-making presence within the IFSC — align with, rather than conflict with, the OECD's BEPS Action 5 minimum standards. This is not accidental. It reflects a deliberate strategic choice to build a jurisdiction that survives the next wave of OECD reform rather than one merely exposed to it.

For the senior partner of an international private equity firm evaluating where to domicile the management company for its next Asia-Pacific fund, the calculus is increasingly clear: a Section 80LA tax holiday on management fee income; a pass-through eligible investment fund structure that is treaty-neutral because it is domestic; access to India's capital markets without STT friction; OBU-based treasury management free of withholding tax; and a single-window regulator that is responsive and reform-oriented. That is not a race to the bottom. That is — for the first time in the history of Indian offshore finance — a race to the top. And at this inflection point in global economic history, GIFT IFSC is extraordinarily well-positioned to win it.



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