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International Law Firm

# AIRCRAFT LEASING & FINANCING IN IFSC, GIFT CITY

Tax Benefits & Incentives



Aircraft leasing has become the backbone of the global aviation industry, with a significant majority of airlines operating leased fleets rather than owning aircraft outright. In India, this trend is even more pronounced, with nearly 80% of commercial aircraft acquired through leasing structures

Recognizing the strategic importance of aviation finance, the Government of India established the Gujarat International Finance Tec-City (GIFT City) as an International Financial Services Centre (IFSC) to develop a domestic aircraft leasing ecosystem and reduce reliance on offshore jurisdictions such as Ireland and Singapore.

Aircraft leasing in GIFT City is governed by the International Financial Services Centres Authority (IFSCA), a unified regulator overseeing all financial activities within the IFSC. IFSCA has a dedicated framework for Aircraft Leasing enabling registration of lessors. The framework permits a wide range of activities, including: (a) Operating leases (b) Financial leases (c) Sale-and-leaseback transactions and (d) Asset management and related aviation services. IJ's detailed compilation of regulatory framework on aircraft leasing and financing can be [accessed here](#).

A typical aircraft leasing structure in GIFT IFSC involves: (a) Aircraft Manufacturer / Seller; (b) IFSC, GIFT City based Lessor (SPV or leasing company); and (c) Indian Airline (Lessee). The IFSC, GIFT City entity acquires the aircraft and leases it to the airline, generating periodic lease rentals while retaining ownership of the asset. This structure enables efficient capital deployment, risk allocation between lessor and airline and access to global funding markets.

# Tax Benefits & Incentives

One of the most compelling aspects of having aircraft leasing entity in IFSC, GIFT City is its globally competitive tax regime. We have summarised broadly direct and indirect tax benefits and financial incentives on aircraft leasing and financing from IFSC, GIFT City.

## Direct Taxes

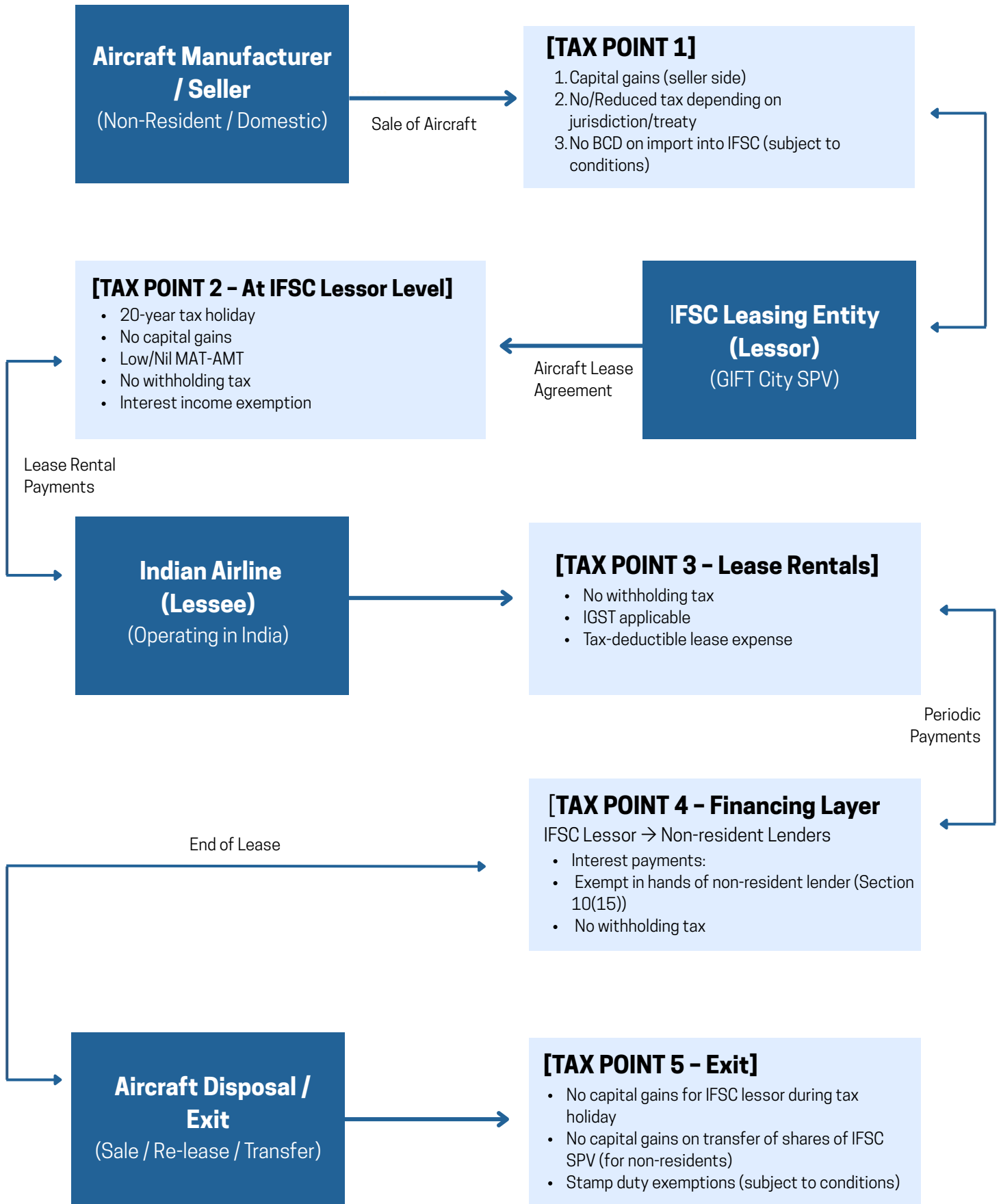
	Income Tax Act, 1961	Benefits & Incentives
1	Section 80 LA	A 20-year tax exemption window, available at any point within the first 25 years of operations
2	Sec32(2)	Unused depreciation may be carried forward indefinitely to offset against profits in future years
3	Sec115JB and 115JC	Minimum Alternate Tax (MAT) and Alternative Minimum Tax (AMT) are capped at 9% of book profits
4	Sec115BAA & 115BAB	Companies registered within the IFSC that opt for the new tax regime are fully exempt from MAT

	<b>Income Tax Act, 1961</b>	<b>Benefits &amp; Incentives</b>
5	Sec10(4F)	Payments of interest or royalty arising from lease transactions made by an IFSC unit to non-residents are not subject to withholding tax
6	Sec 80 LA, 10 4(H)	Gains arising from the disposal of aircraft are not taxable during the applicable tax holiday period
7	Sec 10(4H)	Non-residents and other IFSC units are not liable to capital gains tax on the transfer of shares in a special purpose vehicle
8	Sec194-l	Lease payments (including supplemental lease rentals) from Indian entities to IFSC units are not subject to tax deduction at source during the tax holiday period
9	Sec10(15)	Interest earned by a non-resident lender on amounts paid by an IFSC unit is fully exempt from tax
10	Sec115A	Dividend payments made by IFSC units to non-resident shareholders attract a reduced withholding tax rate of 10%
11	Sec10(34B)	Dividends distributed by an IFSC unit to its parent company also situated within the IFSC are exempt from income tax

## Indirect Taxes

	Provision/ Notification	Benefits & Incentives
1	Notification No. 50/2017-Customs and the IGCR Rules	Aircraft imported into the IFSC are exempt from Basic Customs Duty (BCD), provided the requisite conditions are met
2	Notification No. 50/2017-Customs	Specified aircraft leased or purchased outright by Indian operators from lessors based in the IFSC are similarly not subject to BCD
3	Section 16 of the IGST Act, 2017 r/w Notification No. 9/2017-Integrated Tax (Rate)	Aircraft leasing activities carried out within the IFSC are not subject to Integrated GST (IGST) when the services form part of authorised operations
4	Section 5 of the IGST Act, 2017 r/w Notification No. 8/2017-Integrated Tax (Rate)	When an IFSC unit leases aircraft to an Indian company, IGST applies to the lease rental payments under the forward charge mechanism
5	Section 16 of the IGST Act, 2017	Leasing of aircraft by an IFSC unit to another IFSC or SEZ unit, or to an entity outside India, is entirely outside the scope of GST
6	Notification by Gujarat Government	Stamp duty is waived on specified transactions for a period of 10 years beginning August 2020

# Flowchart




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Aircraft leasing in GIFT City represents a transformative shift in India's aviation and financial landscape. With a robust regulatory framework, significant tax incentives, and increasing market participation, GIFT IFSC is well-positioned to emerge as a global aircraft leasing and financing hub. For investors, lessors, and airlines, GIFT City offers a unique opportunity to participate in India's high-growth aviation market through a tax-efficient, globally aligned, and strategically located platform.

To access our aviation, aircraft financing and leasing experts, connect with our GIFT City office at [giftcity@indiajuris.co.in](mailto:giftcity@indiajuris.co.in)

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