



A NEW CHAPTER FOR MARITIME FINANCE IN GIFT IFSC

Analysis of the Government Exemption
for Foreign Vessels under the
Coastal Shipping Act, 2025



REGULATORY REFORM

Removing a key
licensing barrier



GLOBAL COMPETITIVENESS

Strengthening GIFT IFSC as a
leading maritime hub



OPERATIONAL EFFICIENCY

Faster deployment.
Lower cost. Greater certainty.



ECOSYSTEM GROWTH

Unlocking opportunities for
investors, lessors and lenders

JULY 2026

A Thought Leadership Publication

Implications. Opportunities.
The Road Ahead.



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Executive Summary

India's ambition to establish GIFT International Financial Services Centre (GIFT IFSC) as a globally competitive hub for aircraft and ship leasing has been evident through a series of regulatory and fiscal reforms introduced over the past few years. Tax incentives, foreign currency operations, a dedicated financial regulator, and a liberalised business environment have collectively positioned GIFT IFSC as India's gateway to international financial services.

However, despite these reforms, one important operational bottleneck continued to exist for the maritime sector. Foreign vessels chartered through GIFT IFSC structures were still required to obtain a licence under the Coastal Shipping Act before undertaking eligible coastal operations in India. This additional regulatory layer diluted some of the operational advantages that GIFT IFSC sought to offer.

The Central Government's Notification S.O. 3690(E) dated 7 July 2026 addresses this issue by exempting foreign vessels chartered by GIFT IFSC units from the requirement of obtaining a licence under Section 11 of the Coastal Shipping Act, 2025. Although concise in form, the notification has significant legal, commercial and strategic implications for India's maritime finance ecosystem. It represents a shift from offering only fiscal incentives to removing practical regulatory barriers that influence investment decisions.

Introduction

The success of any international financial centre depends not only on attractive tax incentives but also on the ease with which business can be conducted. Global investors and leasing companies evaluate jurisdictions on the basis of regulatory certainty, operational efficiency, transaction costs and execution timelines.

This principle has long guided the development of leading maritime jurisdictions such as Singapore, Hong Kong, Dubai and Ireland. These jurisdictions have succeeded because they combine sophisticated financial infrastructure with simplified regulatory processes that facilitate the efficient deployment of maritime assets.

India has made considerable progress in developing GIFT IFSC as an international financial centre capable of competing with these global jurisdictions. The establishment of a unified regulator under the International Financial Services Centres Authority (IFSCA), together with various tax concessions for leasing businesses, has already attracted increasing interest from international ship owners, leasing companies and financial institutions.

Nevertheless, a significant operational issue remained unresolved. While the financing and leasing transaction could be structured through GIFT IFSC, the deployment of foreign vessels continued to require a separate statutory licence under Indian shipping law. The latest notification effectively removes this friction and aligns operational regulation with India's broader policy objective of making GIFT IFSC an internationally competitive maritime leasing jurisdiction.

Regulatory Position Prior to the Exemption

Before the issuance of this notification, foreign vessels intending to undertake coastal shipping activities within India were generally required to obtain a licence under Section 11 of the Coastal Shipping Act, 2025. This requirement applied irrespective of whether the commercial transaction was structured through GIFT IFSC.

In practical terms, this meant that even where:

- the ship was financed through GIFT IFSC;
- the leasing entity was incorporated in GIFT IFSC;
- the charter agreement was executed through GIFT IFSC; and
- the financing institutions were located within IFSC,

the foreign vessel still remained subject to an additional governmental approval before commercial deployment.

The financial transaction and the operational approval therefore remained disconnected.

While the financing ecosystem had evolved, the operational regulatory framework had not kept pace.

The Commercial Challenge

Shipping is fundamentally an asset-intensive business where revenue is generated only when a vessel is operational. Every additional day that a vessel remains idle translates directly into lost charter income, reduced asset utilisation and lower returns for owners and financiers.

Unlike many industries, maritime transactions are highly time-sensitive. Charter parties often commence immediately after financing closes. Cargo commitments, port schedules and commercial obligations are carefully coordinated across multiple jurisdictions. Any regulatory delay affecting vessel deployment can have cascading commercial consequences.

The requirement to obtain a separate licence introduced uncertainty into an otherwise streamlined transaction. International lessors had to factor additional regulatory timelines into transaction planning. Financiers had to assess execution risks arising from pending governmental approvals. Legal advisors were required to coordinate separate regulatory processes, increasing both documentation and advisory costs.

Although the licence itself was not necessarily difficult to obtain, the existence of an additional approval created friction within transactions that international leasing markets generally seek to minimise.

The Regulatory Reform

Recognising this practical difficulty, the Central Government has exercised its powers under Section 37 of the Coastal Shipping Act, 2025 to exempt foreign vessels chartered by units established in GIFT IFSC from the requirement of obtaining a licence under Section 11 of the Act.

The notification is relatively brief, yet its implications are extensive.

Rather than introducing another incentive, the Government has removed an existing regulatory hurdle.

This distinction is important because sophisticated investors often value certainty and simplicity as much as tax benefits.

Commercial Implications for Ship Leasing

From a commercial perspective, the exemption substantially improves transaction efficiency.

The most immediate benefit lies in the reduction of execution timelines. Once a vessel is chartered through a qualifying GIFT IFSC entity, one layer of regulatory approval is eliminated. This enables faster deployment of vessels, quicker commencement of charter operations and more predictable transaction scheduling.

The exemption also enhances the utilisation of maritime assets. A commercial vessel represents a high-value capital asset capable of generating significant daily charter income. Delays in deployment directly affect cash flows, financing obligations and overall project economics. By removing licensing delays, the notification enables earlier revenue generation and improves asset productivity.

The reform further reduces transaction costs. Legal documentation, regulatory filings, compliance management and administrative coordination associated with licence applications are significantly reduced. Although these costs may appear modest individually, they become material in large-scale fleet leasing transactions involving multiple vessels.

Perhaps more importantly, the notification enhances regulatory certainty. Global shipping finance relies heavily upon predictable execution. Banks, export credit agencies, leasing companies and institutional investors place considerable importance on jurisdictions where regulatory approvals are limited and clearly defined. Simplifying the operational approval process therefore improves the overall bankability of transactions structured through GIFT IFSC.

Impact on Maritime Financing

The notification is equally significant from a financing perspective.

Modern ship financing involves a complex network of lenders, lessors, insurers, security trustees and investors spread across multiple jurisdictions. Every additional regulatory approval increases transaction risk and may influence financing costs.

By removing one regulatory layer, India strengthens the confidence of international lenders considering GIFT IFSC as a financing jurisdiction.

Lower execution risk can translate into improved financing terms, faster loan disbursements and greater willingness among international financial institutions to participate in Indian maritime transactions.

This aligns closely with the Government's broader objective of developing GIFT IFSC not merely as a leasing destination but as a comprehensive maritime financial centre.

Who Stands to Benefit?

The primary beneficiaries are international ship owners and global leasing companies seeking efficient jurisdictions from which to structure leasing transactions involving India.

International banks and maritime financiers also benefit through reduced execution risk and enhanced transaction certainty.

Indian shipping companies stand to gain from easier access to foreign-flagged vessels through GIFT IFSC leasing structures, potentially improving fleet availability and operational flexibility.

Equally significant is the benefit to the broader GIFT IFSC ecosystem. Increased leasing activity generates opportunities for law firms, banks, trustees, insurers, ship registries, maritime consultants, tax advisers and other professional service providers operating within the IFSC.

The reform therefore has multiplier effects extending well beyond ship owners themselves.

A Strategic Step Towards Global Competitiveness

International maritime centres compete not only through taxation but through regulatory efficiency.

Singapore's success in maritime finance has been built on the principle that regulatory processes should facilitate, rather than delay, commercial transactions. Dubai and Hong Kong have similarly focused on creating predictable legal environments that encourage international capital.

India's latest reform reflects a comparable policy philosophy.

Instead of creating another fiscal incentive, the Government has removed a practical impediment that directly affected business operations.

This approach is likely to be viewed positively by international investors because it addresses an operational concern that influences real commercial decisions.

Final Thoughts

The exemption granted under Notification S.O. 3690(E) is more than a procedural relaxation under the Coastal Shipping Act. It represents an important policy signal regarding India's commitment to developing GIFT IFSC into a globally competitive maritime leasing and financing jurisdiction.

The true value of the reform lies not merely in eliminating a licence requirement, but in reducing regulatory friction, enhancing commercial certainty and improving the overall efficiency of cross-border ship leasing transactions.

As India continues to strengthen its maritime finance ecosystem, reforms of this nature will play an increasingly important role in attracting international capital, expanding leasing activity and positioning GIFT IFSC alongside the world's leading maritime financial centres.

The notification demonstrates an evolving regulatory philosophy, one that recognises that global competitiveness is achieved not only through incentives, but also through the removal of unnecessary barriers. For the maritime industry, this may well be one of the most significant aspects of the reform.

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