



Aviation leasing and financing ecosystem at GIFT IFSC, India



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Note to reader

The Ministry of Civil Aviation, Government of India (MoCA), in collaboration with the Federation of Indian Chambers of Commerce & Industry (FICCI) and the International Financial Services Center Authority (IFSCA), is organizing the India Aircraft Leasing and Financing Summit 2025 in Gandhinagar, Gujarat, India.

This summit shall serve as a platform to discuss the opportunities and challenges within India's aircraft leasing and financing sector. Additionally, it aims to identify opportunities to strengthen India's position as a global aviation hub, with a particular focus on the role of International Financial Services Centre (IFSC) at Gujarat International Finance Tec-City (GIFT City).

This report provides an overview on the current situation of commercial aircraft leasing in India, and the future scope of leasing. The report highlights the significant potential for growth in this sector and underscores the importance of developing a robust leasing framework to support the explosive growth in India's aviation industry.

Chapter 1 talks about India's overall macro-economic growth in the past decade along with an evolving business ecosystem. It also covers how infrastructure and aviation are critical for achieving India's Vision of 2047.

Chapter 2 introduces the reader to the Indian aviation market. It highlights the growth of the aviation industry in India in past decade, its outlook, and envisaged growth in line with India's Viksit Bharat Vision @ 2047. It also introduces the reader to the leasing environment and role of GIFT IFSC in India.

Chapter 3 deep dives into GIFT IFSC, covering its vision and the journey so far. It encapsulates a detailed understanding about the business opportunities and innovative financial products and services available at GIFT IFSC along with the key business highlights.

Chapter 4 provides an overview of the jurisdictional comparison followed by a deep dive into the aircraft leasing opportunities available at GIFT IFSC. It also gives an overview on the leasing journey so far, followed by a brief on the regulatory framework, key enablers for aircraft leasing at GIFT IFSC. The report further covers potential tax benefits of the GIFT IFSC related to direct tax, indirect tax and other incentives.

Chapter 5 provides summary and way forward for the development of aircraft leasing and financing ecosystem in GIFT IFSC, India.





01

India's Economic Outlook



India's Economic Outlook

Indian economy has shown consistent growth in the last decade and steep recovery post COVID-19. The strong demographics and the policy and government initiatives have established India as global force. India is now one of the fastest-growing economy among G20 economies¹. Government's focus on holistic development has fast-tracked India's GDP growth in the past 10 years as it grew from USD 2.04 Tn to USD 4.11 Tn². The growth considering the backdrop that the first trillion (in GDP terms) mark was being achieved after 60 years of independence shows the momentum of growth².

India is primarily a domestic demand-driven economy, with consumption and investments contributing to 70% of the economic activity³. It is now seen as a country with immense potential which is backed by impressive performance, ambitious plans and a bright future.

The government has taken multiple steps to ease the business and push towards economic growth in the past decade. Some of the key drivers for India's growth are as below

- The GST system was implemented in 2017 has shown improved buoyancy over the pre-GST regime with consistently rising average monthly gross collections from USD 10.3 Bn in FY18 to USD 17.2 Bn in FY23. Additionally, it has also started reaping its long-term benefits as the number of GST taxpayers increased from 6.6 Mn at its introduction to 14 Mn in 2022, with a larger number of smaller businesses entering the regime⁴. This shift has proved instrumental in improving the tax collections of the government
- Schemes such as Make in India and PLI Scheme have also been implemented in FY14 and FY20 respectively with the objective to boost domestic manufacturing and attract foreign investment. This has led to a growth stimulus as more than USD 16 Bn worth of investments was realized by August 2024⁵.

- MSMEs have been given a push through schemes such as PM Mudra Yojna (PMMY), RAMP Program, and other credit guarantee schemes which have helped foster an ecosystem conducive for growth. Due to the various schemes, credit exposure of MSMEs stood at USD 310 Bn in Q3 2023⁶.
- The Foreign Trade Policy 2023 replaced the previous Foreign Trade Policy 2015-20 and aims at process re-engineering and automation to facilitate ease of doing business for exporters. It also focuses on emerging areas, facilitating e-commerce export and collaborating with states and districts for export promotion. Both the policies have been instrumental in enabling exports grow from USD 468 Bn to USD 779 Bn in the past decade^{7/8}.

As a result of these marquee initiatives, India has shown phenomenal improvement in the 'Ease of Doing Business' ranking which has jumped from 142nd in FY14 to 63rd in FY19 before the system was discontinued in 2021⁹. This has led to rising FDI inflows into the country as India attracted a cumulative FDI inflow of USD 667.4 Bn during the past decade ending in FY24¹⁰. This was an increase of 119% over the preceding decade¹¹. Owing to this, the total FDI inflows since 2000 have breached the USD 1 Tn mark.

As a result of these macroeconomic parameters, In last 10 years, India has moved from the 10th largest economy of the world to the 5th largest economy of the world¹². The economic growth has led to the rise in per-capita income of individuals which has increased by more than 70% in the last 10 years². Further, it has also resulted in the doubling of the disposable income in the same time frame. This overall rise in income and greater spending capacity has transformed the consumption behavior of people and led to an overall shift in the business ecosystem of the country.

	FY15	FY24
GDP (USD Tn)	2.1	4.1
GDP per capita (USD '000)	1.6	2.7
Exports (USD Bn)	264	776
Forex reserves (USD Bn)	341	656
Per capita disposable income (USD '000)¹³	1.2	2.1

Source: IMF Data Mapper; World Bank Trade Summary; and Euromonitor data on economies and consumer

1. Ministry of Finance Economic Survey FY25

2. IMF data on GDP (Current Prices)

3. World Bank Ease of doing business ranking archives, FY22

4. Department of Economic Affairs report on Indian Economy, FY24

5. Ministry of commerce and Industry press release on PLI Scheme, FY25

6. TransUnion CIBIL-SIDBI MSME Pulse Report on MSMEs, FY24

7. Ministry of Commerce and Industry press release on export and import data, FY09-22

8. Ministry of Commerce and Industry press release on FTP 2023, FY23

9. World Bank Ease of doing business ranking archives, FY22

10. Ministry of Commerce and Industry press release of FDI inflows, FY 25

11. IBEF data on Indian Economy Growth Rate, FY 25

12. Forbes report on global economies, FY25

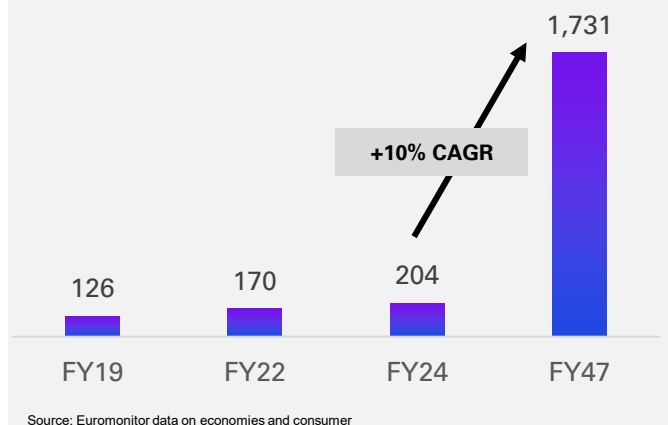
13. Euromonitor data on economies and consumer, KPMG analysis

India towards Viksit Bharat

The rising economic prosperity has led to multi-faceted changes in the country which has accentuated the Indian consumption and business patterns.

- Taking advantage of the supportive environment, the number of start-ups has increased from 452 in FY16 to more than 98,000 in FY24⁴.
- Social factors and livelihoods have also been changed due to the increase in urbanization which grew by 4% in the same time period (FY15-24) as nearly one-third of the population today lives in urban centres¹⁰.
- Moreover, development is not just confined to the urban centres of the country as rural areas are witnessing economic prosperity as well. We can assess this from the average monthly per capita expenditure (MPCE) in rural and urban India in FY24 which is estimated at USD 48.5 (INR 4,122) and USD 82.3 (INR 6,996) respectively. Considering the imputed values of items received through various social welfare programmes, these estimates rise to USD 50.0 (INR 4,247) and USD 83.3 (INR 7,078) respectively¹⁴. Owing to this sustained momentum of consumption growth in rural areas, the urban-rural gap in MPCE has declined to 70% FY24 from 84% in FY12¹⁵.
- Indian consumption pattern has changed over time as industries such as the e-commerce industry has grown from USD 13 Bn to USD 54 Bn in the span of 10 years¹⁶. This was driven by the nearly 3x growth in internet subscribers in the country which rose from nearly 350 Mn in FY15 to 954 Mn in FY24¹⁷.
- Tourism has grown in India as well as arrival of foreign tourists grow from 8.0 Bn in FY15 to 11.5 Bn in FY24. During the same time period, domestic tourism nearly doubled from 1.4 Bn to 2.3 Bn¹⁸. Impressively, this grow has occurred in the backdrop of the COVID-19 pandemic during which the entire sector plummeted globally.
- Moreover, Indians are spending more on transportation services which is expected to grow at a rate faster than the overall GDP growth rate. This can be attributed to the world class railways, roadways and aviation infrastructure alike developed¹³.

Expenditure on Transportation Services (USD Bn)



Viksit Bharat by 2047

Given the development's above, India has set base for the robust future ahead. Understanding the needs for future growth and to celebrate India's centenary as an independent nation, Government of India has devised growth strategy and plan to become developed nation by 2047. The vision will be a symbol of India's reliance and growth throughout the century and has below key targets:

- Transform into a high-income country with a projected GDP of USD 30-35 Tn, driven by sustained annual growth of 8%–10%.
- Achieve a per-capita income of USD 18,000 which is greater than a 6x growth from current levels¹⁹.
- Push exports by more than 10x of the current levels to USD 8 Bn.

In order to achieve such an ambitious vision, focus on capital expenditure to build a good infrastructure and logistics system at a nation-wide level is essential.

¹⁴. 1 USD = 85 INR. This standard conversion factor has been used throughout the report

¹⁵. Ministry of Finance Economic Survey FY25

¹⁶. Forbes data on E-commerce statistics in India, FY25

¹⁷. Ministry of Communications press release of Digital India, FY25

¹⁸. Ministry of Tourism statistics, FY14-24

¹⁹. Ministry of External Affairs website, FY 25

Focus on Infrastructure

To align with India's vision for 2047, a push towards advanced and modern infrastructure is a vital component. Realizing this long-term growth requirement, the government has launched holistic infrastructure development projects.

- Long-term interest-free loans of USD 11.5 Bn and USD 14.9 Bn offered to states by central government in FY23 and FY24 respectively. This has helped improve infrastructure, like schools, rural roads, electricity provision, etc. resulting in capital expenditure increasing by 47% in the six months between Q2-Q3 2023 compared to the same time period in 2022²⁰.
- The government has made large-scale public spending since 2014 to address the infrastructure and logistics. The effective Capital Expenditure by the Union government has risen from 2.8% of GDP in the fiscal year ending March 2014 to 4.5% in FY24. Dedicated programs for road connectivity (Bharatmala), port infrastructure (Sagarmala), electrification, railways upgradation, and new airports/ air routes (UDAN), among others, have enabled the modernisation of infrastructure. An overarching logistics ecosystem supports this enabling infrastructure through the National Logistics Policy 2022²⁰.
- Improvement in infrastructure, along with policies such as Make in India and PLI Scheme could drive the contribution of manufacturing sector to GDP from 17% to 25-30% by 2047²¹.
- Moreover, infrastructure enhancement will also fuel the growth of MSMEs which are integral to the Indian economy as they contribute approximately 30% to the overall GDP and 45% to the total exports²².

As a developed nation, aviation shall be critical sector to realise and support country's ambitions for 2047. In line with the same, the infrastructure of the aviation sector shall serve as a crucial enabler of growth. Among the fastest and one of the most advanced mode of transport, it's growth will have implications on both passenger and cargo movements. India's recognition of this trend is evident from the order book and future roadmap of Indian carriers. However, there is still work that needs to be done in order to become a dominating force at the global level.

Thus, the sector's expansion and modernization are essential to support the anticipated economic development and to enhance connectivity across the country. By improving infrastructure, increasing the number of airports and enhancing the efficiency of air travel, the aviation sector is slated to significantly contribute to the overall economic landscape of the country.



20. Department of Economic Affairs report on Indian Economy, FY24

21. Economic times article on Viksit Bharat @ 2047, FY25

22. Ministry of MSMEs press release on contribution of MSMEs to GDP, FY25



02

Indian Aviation Outlook and Role of IFSC



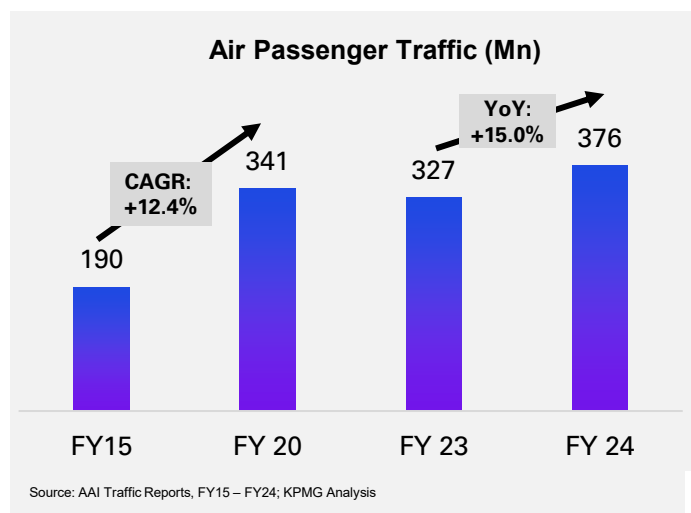
As highlighted in the previous section, India's burgeoning middle class, increasing urbanization, and robust industrial base, positions the country for sustained economic growth. In this context, the aviation sector is set to play a pivotal role in shaping the future of the Indian economy by enhancing connectivity, fostering trade, and stimulating economic development. As of FY24, it has become the third-largest domestic aviation market globally²³. Currently, the aviation market contributes approximately 5% to India's GDP²⁴. However, with the government's continuous focus on infrastructure expansion and capacity enhancement by airlines, this contribution is expected to grow further.

Historic trend

Prior to the COVID-19 pandemic, air passenger traffic in India exhibited consistent growth, achieving a CAGR of 12.4% from FY15 to FY20, culminating in 341 Mn passenger traffic in FY20²⁵. However, the aviation sector was significantly impacted by the pandemic due to travel restrictions imposed by various countries and the general public's reluctance to travel, driven by concerns over exposure to the virus in crowded airports and airplanes.

The Indian aviation sector has demonstrated a robust recovery following the pandemic, with air travel demand rebounding significantly. By FY23, passenger traffic had reached approximately ~96% of pre-COVID-19 levels, reflecting a strong resurgence. By FY24, air passenger traffic had surpassed pre-COVID-19 levels, reached 376 Mn passenger traffic, and achieved a CAGR of 7.9% from FY15 to FY24²⁶. This recovery was driven by the easing of travel restrictions, increased vaccination rates, renewed confidence in air travel safety protocols, and a strong

pent-up demand among the population. This resurgence underscores the resilience of the Indian aviation industry and its critical role in the nation's economic recovery.



23. IBEF Report on Indian Aviation Industry, FY24

24. IBEF Article on Rise of the Indian Aviation Market, FY23

25. AAI Traffic Reports, FY15 – FY24. Note: AAI traffic news includes arrival, departure, and transit passengers.

26. AAI Traffic Reports, FY20 – FY24. Note: AAI traffic news includes arrival, departure, and transit passengers.

Role of Indian Government

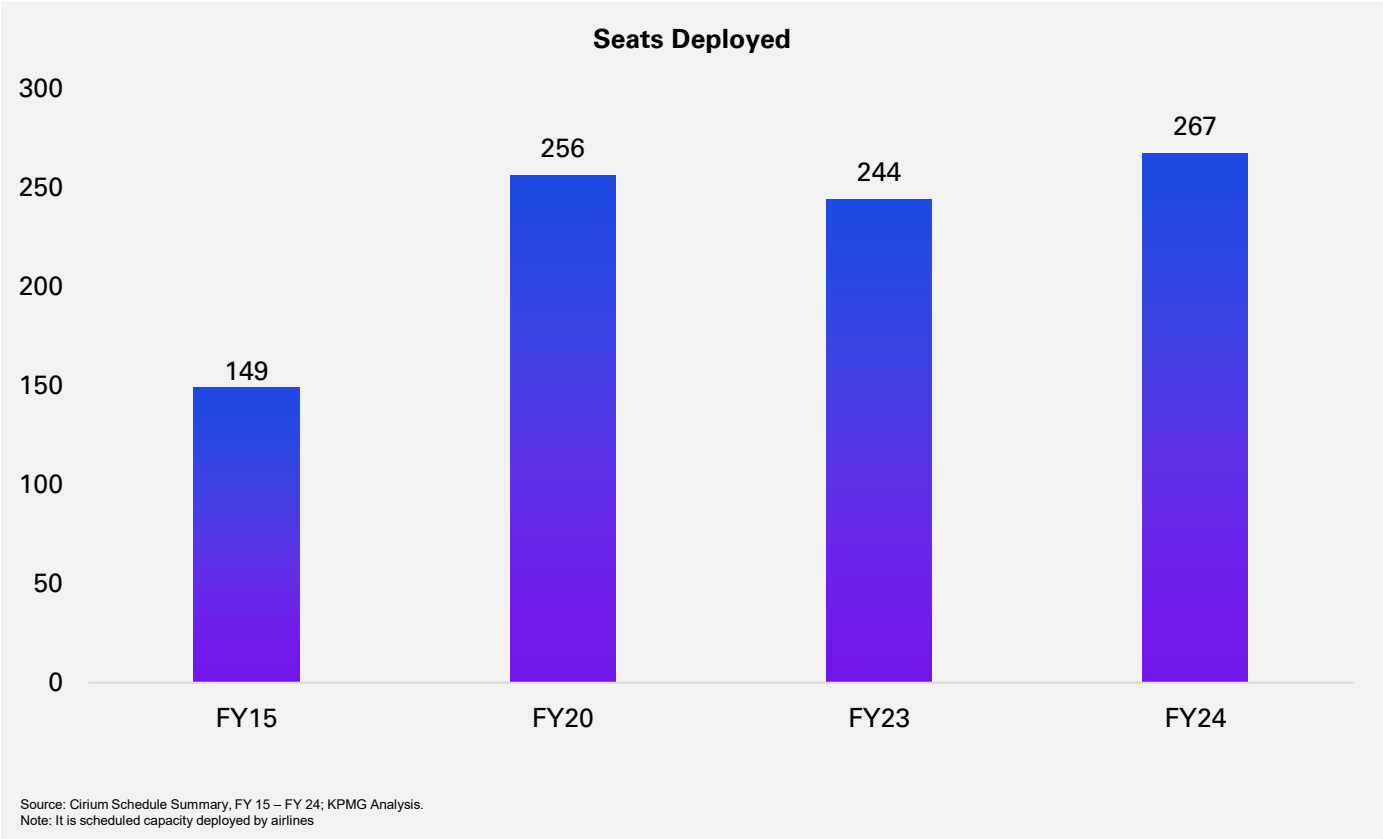
The Indian Government has played a crucial role in supporting and developing aviation industry in India through its initiatives and policy reforms:

- **National Civil Aviation Policy (NCAP) 2016²⁷:** This comprehensive framework was introduced by the Indian government to promote growth and development in the aviation sector. With a vision to create an ecosystem that makes flying affordable for the masses, one of the flagship initiatives under NCAP is the UDAN Scheme (Ude Desh ka Aam Nagrik), which aims to enhance regional connectivity by making air travel affordable and accessible.
 - Under UDAN scheme, the government has made 887 routes available, connecting 88 airports, 13 heliports, and 2 water aerodromes across Tier 2 and Tier 3 cities in India. Since its inception, the scheme has facilitated air travel for over 1.5 crore passengers²⁸.
- The government has also introduced policy reforms including the liberalization of the aviation

market, allowing 100% Foreign Direct Investment (FDI) in Green Field and Brownfield airport projects as well as scheduled air transport services²⁹.

- Additionally, tech initiatives such as Digi Yatra, which facilitates contactless, seamless processing of passengers at airports using Facial Recognition Technology is aimed to increase operational efficiency and enhance customer experience. The project has been launched across 24 airports nationwide and more than 4 cr. passengers have availed this facility³⁰.

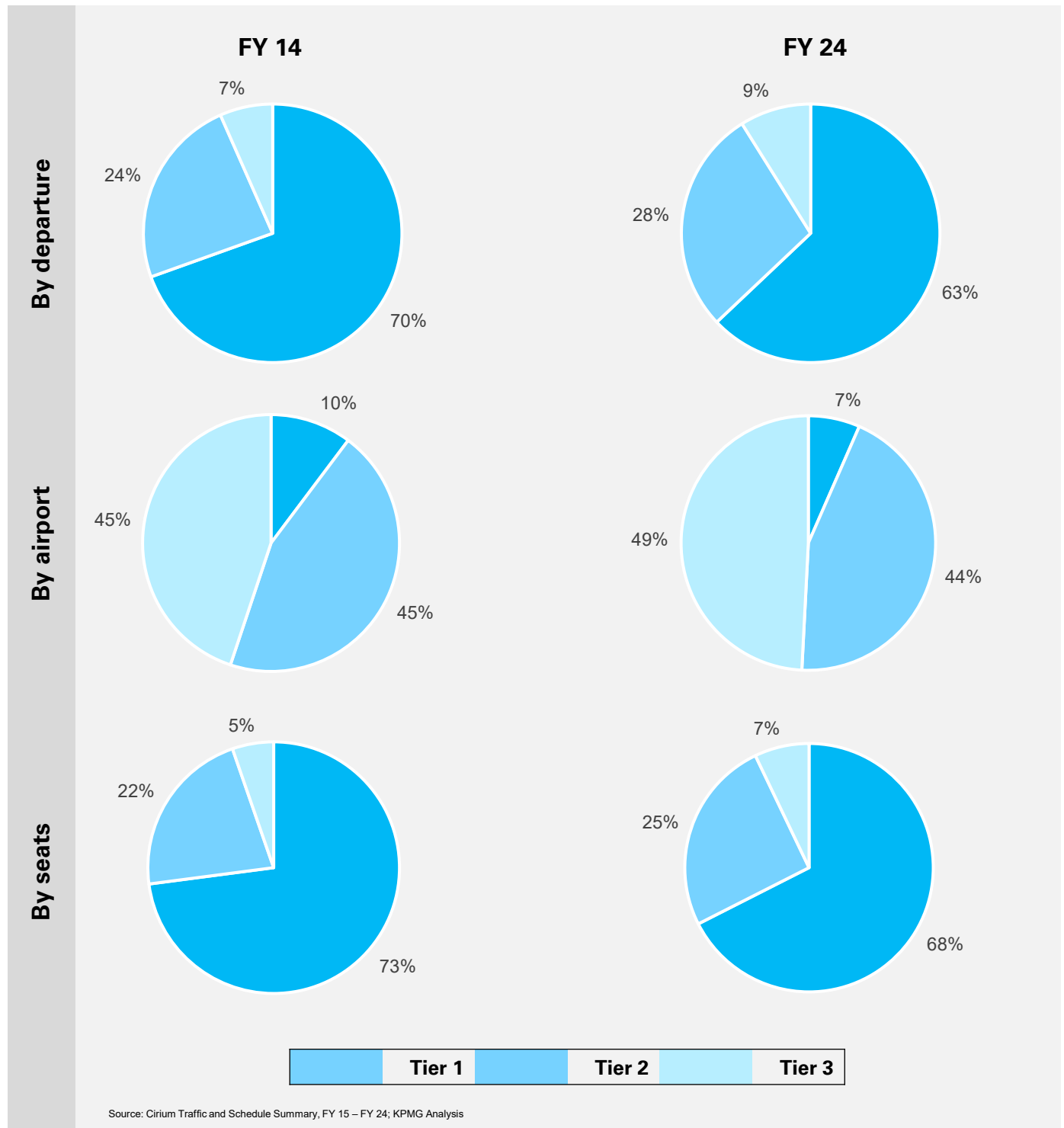
Driven by government initiatives, the number of airports has increased from 74 in 2014 to 159 in 2024²⁸. Additionally, with the support of the government and the growing demand for air travel in India, airlines are also enhancing their capacity. The number of seats deployed in the country currently stands at approximately 267 Mn, demonstrating a growth of 6.1% (CAGR) over the period from FY15 to FY24³¹.



27. AAI Report on NCAP, FY16
28. Budget Speech, FY25 and MoCA Inputs
29. National Investment Promotion & Facility Agency Report on Civil Aviation, FY19
30. Press Information Bureau Release on DigiYatra, FY24 and MoCa inputs
31. Cirium Schedule Summary, FY15 – 24. Note: Cirium data is calibrated in nature

The government's focus on Tier 2 and Tier 3 cities is fostering holistic growth across India. By enhancing infrastructure and improving connectivity, these cities are witnessing significant transformations and contributing to balanced regional development. This shift is evident from trends on both the demand and supply fronts.

The share of passenger departures from Tier 2 and Tier 3 cities have grown from 30% in FY15 to 37% in FY24. Similarly, the capacity added by airlines in these cities has witnessed a CAGR of 8.2%, compared to 6.1% overall over FY15 – FY24³².



32. Cirium Traffic and Schedule Summary, FY15 – 24. Note: Cirium data is calibrated in nature

Outlook of Indian Aviation Industry

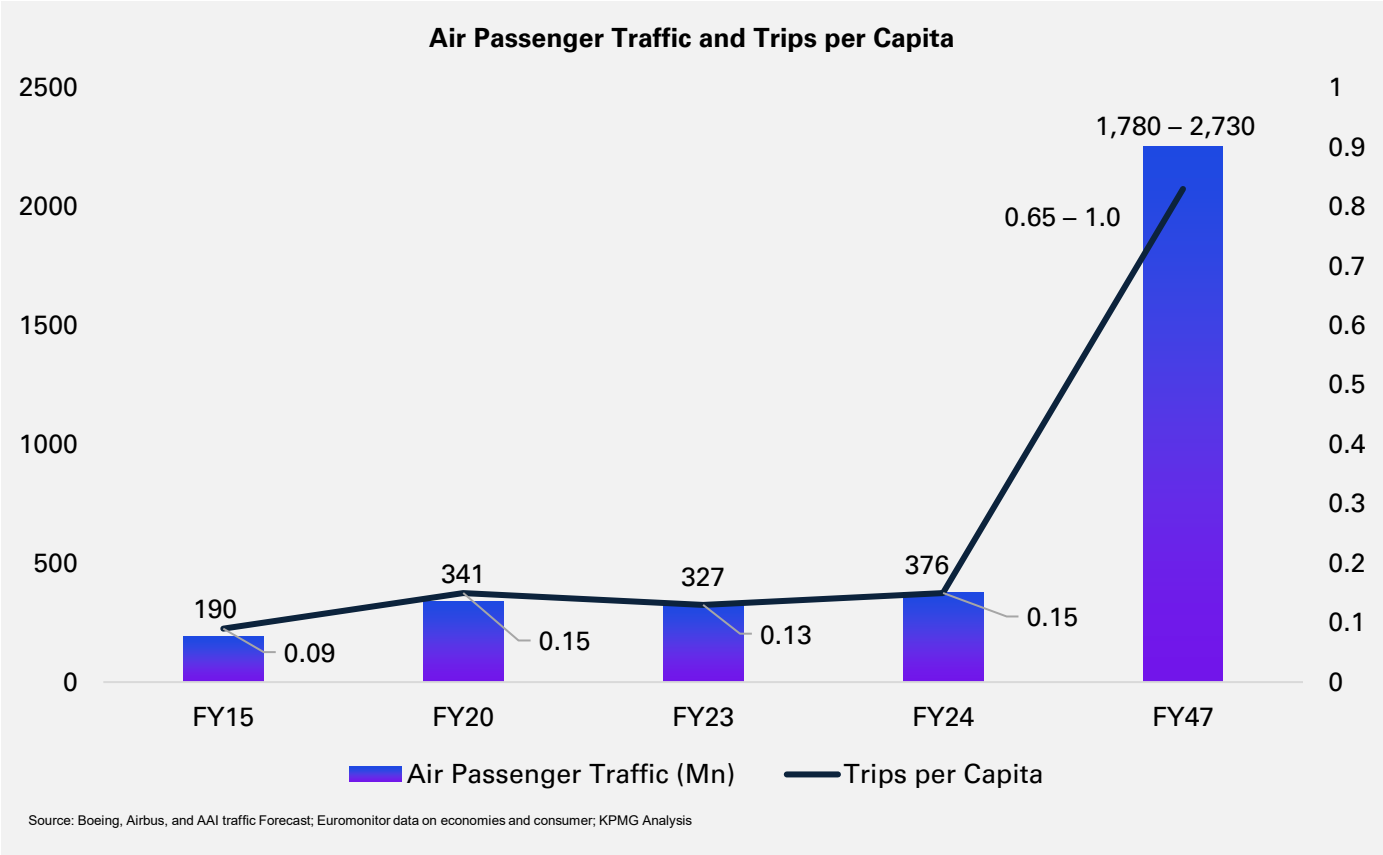
As part of Vision 2047, the Government of India aims to double the number of operational airports to 300 by 2047³³. This vision includes the development of both brownfield and greenfield airports. Currently, the government has accorded 'in-principle' approval for 21 airports, of which 12 have been operationalized and 9 are under construction. Additionally, the government plans to build 50 more airports in the next five years³⁴.

Furthermore, the government is actively involving private investment through the implementation of the Public-Private Partnership (PPP) model. Presently, 14 airports in India operate under the PPP model, additionally, the government has initiated the National Monetization Pipeline (NMP) in FY22 to unlock the value of public assets by involving private sector investment. Through this initiative, the government aims to generate USD 118 Bn³⁵ over FY25-FY30 by leasing core public assets and using the revenue generated to further boost infrastructure development. As part of this initiative, 25 airports

were earmarked for asset monetization over the years FY22-FY25³⁶.

Given the strong foundation and pipeline of airport infrastructure laid by the government, it is anticipated that passenger traffic will grow at a CAGR of ~7-9%³⁷, reaching ~1.8-2.7 Bn. This growth will position Indian aviation not only as a key driver of economic growth within the country but also as a significant player in the global aviation industry.

Although India is expected to gain significant momentum and catch up with developed nations in the aviation industry, it currently lags in terms of trips per capita³⁸, with a rate of 0.13 compared to 2.09 in the US and 2.13 in the UK in FY23. However, with anticipated economic growth, increased urbanization, more affordable travel options, and improved connectivity, India's trips per capita is projected to increase with CAGR 7-9%³⁹, compared to 2-4% CAGR in developed nations over the next two decades⁴⁰. This presents a substantial potential for India to achieve >2 trips per capita



33. AAI Draft Plan, FY24
34. Press Information Bureau Release on Greenfield Airports, FY24 and MoCA
35. 1 USD = INR 85
36. Press Information Bureau Release on PPP and NMP, FY24
37. Projected in accordance with Boeing, Airbus, and AAI estimates

38. Trips per capita is defined as Total number of trips taken in a country by its population
39. Assuming 75%-25% split among domestic and international traffic by 2047
40. Airbus global market forecast 2024 - 2043




Aircraft Fleet Outlook

The Indian aviation industry is experiencing unprecedented growth with air passenger traffic projected to reach 1.7-2.8 Bn by FY47⁴¹ and Indian government plans to double the number of airports to 300 by 2047⁴² and modernizing the existing ones as well. Airlines in India are responding to this projected demand by placing large orders for new aircraft. These capacity expansions are essential to meet the increasing demand for air travel and ensure seamless connectivity across the country.

IndiGo has placed a single order of 500 A320 aircraft making it one of the largest single aircraft purchase agreement⁴³ in commercial aviation history. It has also ordered 30 Airbus A350-900 aircraft to support its long-haul ambitions. Air India has also ordered a

total of 570 aircrafts comprising 490 narrow body aircrafts and 80 wide body aircrafts. Other airlines such as Akasa Air are also giving aircraft orders to ramp up its capacity⁴⁴.

In addition to placing orders to increase capacity, airlines are entering into leasing agreements to swiftly enhance their capacity to meet the growing passenger demand. In FY25, IndiGo entered into a damp lease agreement with Norse Atlantic Airways to lease Boeing 787-9 Dreamliners, aiming to expand its international network and long-haul flight operations. Similarly, in FY24, SpiceJet signed a lease agreement for ten Boeing 737 aircraft, including five 737 MAX planes, to enhance their market presence⁴⁵.

Recent Aircraft Orders (From FY23)	Boeing			Airbus				Total
	737 Max	777x	787-9	A320 Neo	A321 Neo	A350-900	A350-1000	
 IndiGo	-	-	-	135	375	30	-	540
 Air India	190	10	20	160	140	11	39	570
 Akasa Air	154	-	-	-	-	-	-	154

1,154 Narrow Body Aircraft

110 Wide Body Aircraft

Source: Boeing and Airbus orderbook, during the period FY23 to Jan'25



41. Projected in accordance with Boeing, Airbus, and AAI estimates

42. AAI Draft Plan, FY24

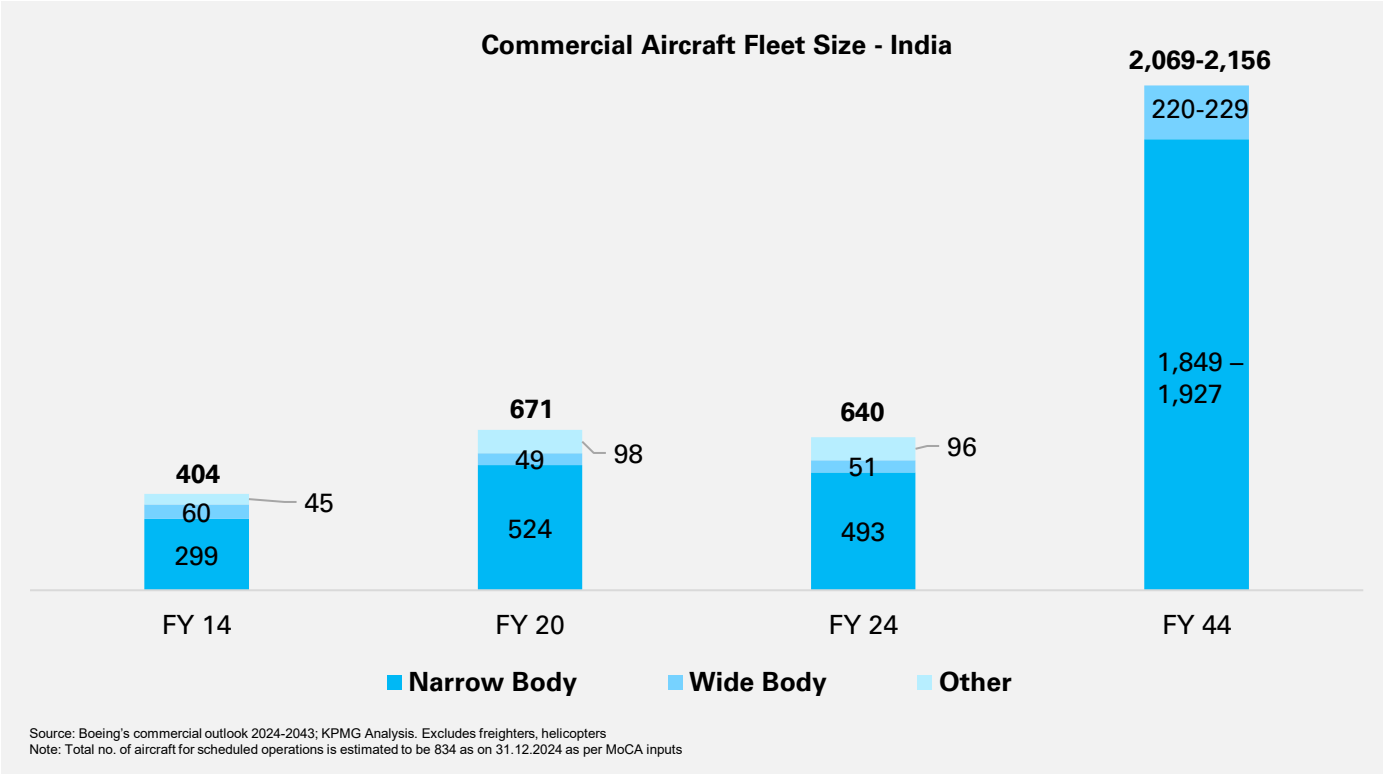
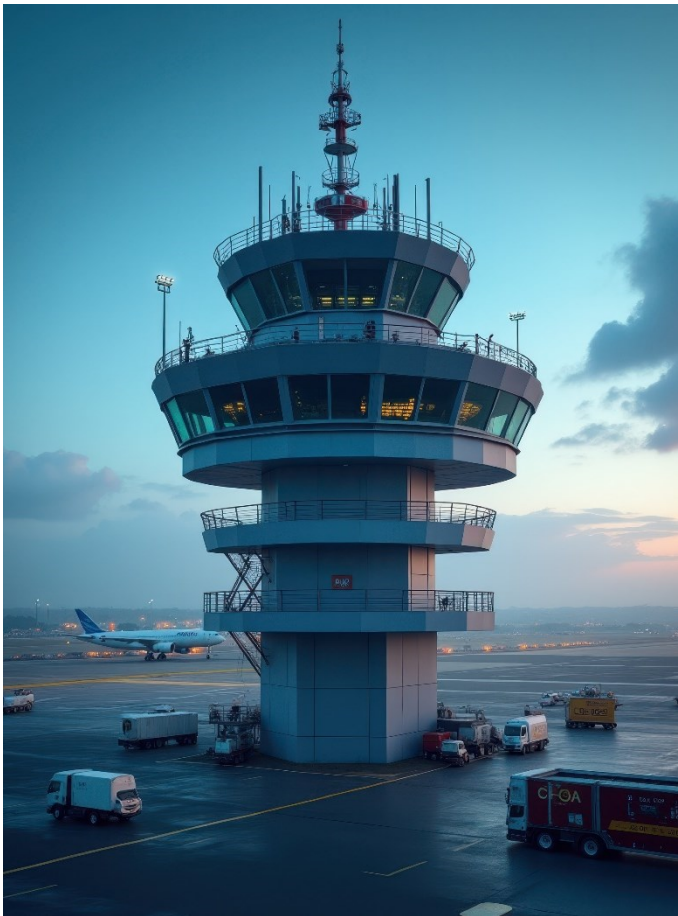
43. Boeing News Article on IndiGo A320 Aircraft purchase, FY24

44. Airbus and Boeing Order & Deliveries Book, 2023-2025

45. Press Release of IndiGo and SpiceJet, FY24 – FY25

Given the substantial growth in passenger demand and the corresponding increase in aircraft orders, it is anticipated that India's aircraft fleet size will expand to approximately 2,100-2,200⁴⁶ aircraft by FY44, achieving a CAGR ~6.0-6.3%. The rise in international travel and the entry of low-cost carriers into the long-haul segment will predominantly drive this growth, with wide-body aircraft expected to achieve a CAGR of ~7.6-7.8%. Despite this, the fleet composition will remain predominantly narrow-body, with narrow-body aircraft maintaining a share of approximately 89% in FY44⁴⁷.

Over the next two decades, India is projected to add approximately 1,350-1,450 narrow-body aircraft and 150-180 wide-body aircraft to its fleet⁴⁸. Given that aircraft are substantial investments, India is projected to require an investment of USD 210-255 Bn⁴⁹. To put this into perspective, the entire aviation industry in India was valued at USD 72 Bn in FY23⁵⁰. Over the next two decades, an investment of approximately 3-3.6 times this amount will be necessary solely to increase the aircraft fleet, (replacing current fleet may require additional investment) which constitutes just one component of the entire aviation ecosystem. Considering such investments required, the pressing question remains: how can such substantial investments be facilitated in India?



46. Projected in accordance with Boeing Commercial Outlook, 2024 -2043
47. DGCA Handbook on Civil Aviation Statistics, FY14 – 24
48. Note: Investments to replace current fleet will also be necessary in the future
49. Narrow body and wide body aircraft price assumed to be USD 120-125 Mn and USD 300-400 Mn respectively
50. IBEF Article on Rise of the Indian Aviation Market, FY23

Leasing Environment & Role of IFSC

Commercial airlines will require a substantial investment of USD 210-255 billion⁵¹ over the next two decades to augment capacity and meet growing passenger demand. This investment will further increase significantly with the inclusion of helicopters, business jets, engines, and the replacement of current assets. Owning all these assets would place a considerable burden on the financial statements of airlines. The high upfront costs, ongoing maintenance and operational expenses, depreciation, residual value risk, and financing challenges associated with aircraft ownership can strain an airline's financial resources and impact their overall financial health.

In such a scenario, having lessors in the ecosystem, who purchase aircrafts and subsequently lease them to commercial airlines, reduces the costs of operating an aircraft. This arrangement particularly benefits low-cost carriers by enabling them to offer competitive rates in the market. Additionally, the lower upfront costs and the flexibility to adjust aircraft capacity based on seasonal demand make leasing a popular choice in the aviation industry.

Currently, Ireland dominates the global aircraft leasing market⁵². However, given the substantial investments required in the Indian aviation industry, the presence of local lessors would create better opportunities and leasing environment. To support the growth of the aviation industry in India, such significant investments can be facilitated by the IFSC.

The IFSC offers access to global financial markets and currencies, enabling airlines and aviation-related businesses to raise capital from international investors. Additionally, the IFSC provides a robust regulatory framework and tax incentives for aircraft leasing and financing, allowing airlines to procure aircraft at competitive rates and reducing their financial burden.

In this context, India has taken a significant step by establishing the IFSC at GIFT City in Gujarat. As India's one of the first operational smart city, GIFT City houses the nation's sole IFSC, offering a competitive environment for financial and IT companies globally. This strategic move aims to attract international financial services and elevate India's status as a premier financial hub.



51. Narrow body and wide body aircraft price assumed to be USD 120-125 Mn and USD 300-400 Mn respectively
 52. IQEQ Article on Ireland as global capital on aviation finance, FY 25

03

GIFT City



Introduction

- Spread across 886 acres, GIFT consists of a Multi-Service Special Economic Zone (SEZ), which has been notified as India's maiden International Financial Services Centre, and an exclusive Domestic Tariff Area (DTA). An area of 261 acres has been demarcated as SEZ and an additional 625 acres has been demarcated as DTA. The city is situated on the banks of river Sabarmati and is strategically located between the business capital (Ahmedabad) and political capital (Gandhinagar) of Gujarat. Conceptualized as a vertical city, GIFT city hosts state of the art infrastructure such as District Cooling System (DCS), Automated Waste Collection System (AWCS), and Underground Utility Tunnel. Such high-quality infrastructure has contributed in developing GIFT City as one of the world's leading Smart City.
- The IFSC in Gandhinagar, Gujarat, is a significant initiative by the Government of India to create a global financial hub. The IFSC is designed to be a world-class smart city and a global financial and IT services hub.
- The International Financial Services Centres Authority 'IFSCA' is the unified regulator for the IFSC. The IFSCA is a unified authority for the development and regulation of financial products, financial services and financial institutions in IFSC in India. At present, the GIFT IFSC is the maiden international financial services centre in India. The main objective of the IFSCA is to develop a strong global connect and focus on the needs of the Indian economy as well as to serve as an international financial platform for the entire region and the global economy as a whole.
- The IFSC is designed to serve as an international financial platform, connecting the Indian economy with global markets. It aims to attract international financial institutions and businesses to set up operations in GIFT IFSC, India for foreign currency business in the region. The IFSC offers a range of innovative financial products and services, including banking, insurance, capital market, funds, finance company, holding company, aircraft leasing, ship leasing, bullion trading, Global Capability centres, University and Ancillary service providers . These products are designed to cater to the needs of both domestic and international markets. The IFSCA has established a comprehensive regulatory framework to ensure the smooth functioning of the IFSC. The Government of India has been proactive in promoting the IFSC by extending various tax incentives and regulatory simplifications in line with best practices followed in other international jurisdictions.
- The GIFT IFSC in Gandhinagar has strong growth prospects over the next decade, supported by government initiatives, regulatory enhancements, infrastructure development, and innovative financial products. With continued efforts to attract global investors and businesses, the IFSC is well-positioned to become a key player in the global financial landscape. The Government's commitment to making GIFT City a global financial hub will contribute significantly to the nation's economic growth.
- The IFSC is divided into two zones that include a DTA and SEZ. Apart from other advantages such as globally benchmarked regulations, competitive tax frameworks, low operating costs, other advantages offered by GIFT IFSC include single window application, strategic location, International Arbitration Centre, ease of doing business, etc.



Source - Update provided by IFSCA as on March 2025

Vision for GIFT IFSC

Quotes of Hon'ble Prime Minister of India, Shri. Narendra Modi

“

We want to make GIFT City the Global Nerve Center of New Age Global Financial and Technology Services*

“

GIFT IFSC's cutting-edge digital infrastructure provides a platform that enables businesses to increase efficiency*

“

GIFT City is an important gateway to connect India with global opportunities**



*Source - Press release issued by Prime Minister's Office dated 9 December 2023
**Source - Press release issued by Prime Minister's Office dated 29 July 2022

GIFT City Journey so far

Evolution of GIFT City and its journey is summarised as under:



Source - Update provided by IFSCA as on March 2025



Business opportunities at Gift IFSC

As mentioned above, IFSC offers range of innovative financial products and services in various businesses in financial services space. The same is highlighted below:



Business Highlights as on January 2025: GIFT IFSC*

770+

Number of IFSCA Registered entities

USD 96 Bn

Monthly turnover on IFSC International Stock Exchanges in Jan. 2025

USD 77 Bn

Total Banking Asset Size in Jan. 2025

200+

Funds registered with IFSCA

USD 64 + Bn

Cumulative Debt Listing on IFSC Exchanges

USD 1141 Bn

Cumulative Banking transactions

200+

Aviation Assets leased from IFSC (Jan 2025)

USD 50 Bn

Total targeted corpus of Alternative Investment Funds

USD 47 Bn

Derivative Transactions booked by banks in Jan. 2025



*Source - Update provided by IFSCA as on March 2025

Jurisdictional Comparison

Jurisdiction	Foreign jurisdiction (rest of the world)	GIFT IFSC	India DTA
Exchange Control Regulations	Offshore Non-Resident	Offshore Non-Resident	Onshore Resident
Currency	Respective Int'l Currency	Specified foreign currency	INR denominated
Tax	Offshore	Tax Holiday (Tax Resident)	Taxes as applicable
Law	Resident's Jurisdiction	Indian Jurisdiction (Carve Outs)	Indian Jurisdiction
Regulator	Respective Regulators	IFSCA (Unified Financial Regulator)	Respective Domestic Regulator

Source - Update provided by IFSCA as on March 2025





04

IFSC – aircraft leasing and financing



IFSC – aircraft leasing and financing

- Typically, the cost of purchasing an aircraft is extremely high and curtails the fleet expansion plan of the airlines. In such a scenario, it is economical for airlines, especially the low-cost airlines to lease aircraft as the cost gets spread across the lease period making it possible for the airlines to fly at competitive rates. Moreover, the leasing is also an efficient means to fulfill short-term capacity requirements.
- Ireland dominates global aircraft leasing business as it offers number of advantages and right ecosystem. Moreover, China has also become a major player in global aircraft leasing market in last decade. Following the footsteps of Ireland, aircraft leasing regime is introduced by countries like Singapore, Malaysia and Hong Kong for promoting aircraft leasing business in the jurisdiction.
- The Indian aviation industry is growing by leaps and bounds. The presence of local lessors would not only help airlines in terms of creating greater opportunities for better leasing terms and conditions but also help them navigate currency risks better. A developed airline leasing and financing industry in India would pave way for (i) development of airline industry; (ii) boost to maintenance, repair and operations industry; and (iii) employment generation.
- A working group for developing avenues for aircraft financing and leasing activities in India was constituted by the Ministry of Civil Aviation in May 2018. The working group observed that the IFSC provides a valuable platform to host aircraft leasing and financing business. Accordingly, the working group in its report 'Project Rupee Raftaar' dated 10 January 2019 laid down key regulatory changes required in the regulations including changes in tax laws for development of aircraft financing and leasing business in IFSC.
- Over the years, the Government of India has made various tax policy changes to make GIFT IFSC lucrative for aircraft leasing.



Source - Update provided by IFSCA as on March 2025

Aircraft Leasing journey so far



*Source - Update provided by IFSCA as on March 2025

Progress so far for aircraft leasing at GIFT IFSC*

- 33 Aircrafts lessors registered with IFSCA as of 31 January 2025.
- More than 60 aircrafts and similar number of engines leased from IFSC entity as of 31 January 2025.
- Leasing transactions executed for: Wide body aircrafts, Narrow body aircrafts, Turbo props commercial jets (ATR), Rotary wing (Helicopter), Trainer aircrafts, Business jets and Engines.

Brief Regulatory Framework

- Permissible activities:
 - Operating and Finance lease for an aircraft, sale and lease back, purchase, novation, transfer, assignment, and any such other similar transactions in relation to aircraft lease (including aircraft ground support equipment, aviation training simulation device).
 - Asset management support service for asset owned or leased by the IFSC entity or by any of its group entities set-up in IFSC in India.
 - Any other activity with prior approval of IFSCA are permissible activities.
- Prior approval of IFSCA required for undertaking aircraft leasing business.
- Possible to set-up IFSC Unit in the form of a Company, LLP or a trust for undertaking aircraft leasing business.
- Person(s) in control of the IFSC Unit to be from Financial Action Task Force compliant jurisdiction.
- IFSC Unit need to deploy resources in the GIFT city commensurate with the business operations.
- Minimum owned funds of USD 200,000 or equivalent foreign currency for operating lease and USD 3 million or equivalent foreign currency for finance lease.
- Exemption provided from applicability of prudential norms such as capital ratio, exposure ceiling, liquidity coverage ratio to entities engaged only in operating lease of aircraft from IFSC.
- As regards Finance lease of aircraft from IFSC, the prudential norms such as capital ratio, exposure ceiling, liquidity coverage ratio to apply.
- Restriction on transactions with person(s) resident in India in respect of purchase, lease or otherwise acquire aircraft (including assets covered under the regulations) where post acquisition from person resident in India, the asset will be operated or used solely by person(s) resident in India or to provide services to person(s) resident in India. Such restriction not to apply in following cases:
 - Acquisition of the aircraft by a lessor is from a person who is not a group entity of the lessor or;
 - Acquisition of aircraft by the lessor is a part of sale and lease back arrangement of aircraft which is being imported into India for the first time, or;
 - Aircraft is acquired by the lessor from the manufacturer of the aircraft in India.



Source - Update provided by IFSCA as on March 2025

Enablers for Aircraft Leasing at GIFT IFSC

- Department of Commerce in October 2022 introduced Rule 29A of the Special Economic Zone Rules, 2006 enabling import, acquisition, supply and export of aircraft to and from IFSC from any customs airport, port or landing station in India.
- Directorate General of Civil Aviation exempted IFSC based Aircraft leasing Units from any approval/NOC for import/acquisition of the Aircraft.
- Directorate General of Foreign Trade permitted the import of Aircraft by IFSC based Aircraft leasing Unit under its Import Policy.
- Flexibility to utilize office space and manpower between the group entities in IFSC subject to satisfaction of certain conditions.
- Insolvency and Bankruptcy Code, 2016 provisions pertaining to moratorium for prohibiting the recovery of any property by an owner or lessor where such property is occupied by or in the possession of the corporate debtor not to apply to transactions, arrangements or agreements, under the Convention and the Protocol, relating to aircraft, aircraft engines, airframes and helicopters.
- Government introduced Protection of Interests in Aircraft Objects Bill, 2025 in Indian Parliament on the lines of Cape Town Convention.



Source - Update provided by IFSCA as on March 2025

Tax Benefits

Direct Tax

100 per cent profit linked deduction/tax break for any 10 consecutive years out of block of first 15 years of operations at the option of the IFSC Unit

100 per cent profit linked deduction for capital gains arising on transfer of aircraft by IFSC Unit to any person during tax holiday period provided IFSC Unit operations are commenced before 1 April 2030*

Blanket income- tax/withholding tax exemption on interest on loan payable by IFSC Unit to a non-resident

Income-tax/withholding exemption on royalty and interest payable under head lease by IFSC Unit to a non-resident provided IFSC Unit operations are commenced before 1 April 2030*

Exemption from withholding tax on lease rentals payable to IFSC Unit during the tax holiday period (subject to completion of administrative formalities)

Capital gains exemption to non-resident shareholder(s) and aircraft leasing IFSC Unit engaged primarily in aircraft leasing business in respect of sale of shares of aircraft leasing IFSC Unit engaged primarily in aircraft leasing business subject to certain conditions provided aircraft leasing IFSC Unit operations are commenced before 1 April 2030*

Dividend payable by aircraft leasing IFSC Unit engaged primarily in aircraft leasing to another aircraft leasing IFSC Unit engaged primarily in aircraft leasing exempt from tax

Exemption from withholding tax on dividend payable by aircraft leasing IFSC Unit engaged primarily in aircraft leasing business to another aircraft leasing IFSC Unit engaged primarily in aircraft leasing business

Dividend payable by IFSC Unit to non-resident shareholder(s) taxable at 10.92 per cent. Thus, no requirement to satisfy onerous conditions for claiming tax treaty benefit.

Exemption from applicability of thin capitalisation provisions (provisions limiting interest deduction on loan granted by non-resident associated enterprise or guaranteed by associated enterprise) to IFSC aircraft Leasing Unit engaged in finance lease

Indirect Tax/Other incentives

- Import of aircraft not subject to basic custom duty (BCD) subject to conditions
- Import of specified aircraft on lease or outright basis by an Indian operator (for scheduled air transportation services) from an Indian lessor located in the IFSC is not subject to BCD
- Leasing of aircraft in the IFSC not subject to integrated goods and services tax (IGST) if services are procured for authorised operations
- Leasing of aircraft by a unit in the IFSC to an Indian company is subject to IGST under forward charge on lease rental payments
- Leasing of aircraft by a unit in the IFSC to a unit in the IFSC/SEZ or outside India is not subject to goods and services tax (GST)
- Stamp duty exemption (by Gujarat Government) on specified activities related to IFSC Units and on acquisition of any movable property (including aircraft) or immovable property for a period of 10 years commencing from 4 August 2020

Source - Inputs provided by IFSCA as on March 2025

* Sunset clause of 31 March 2025/31 March 2026 proposed to be extended to 31 March 2030 vide Finance Bill, 2025. The said proposals would become law once the Finance Bill is approved in both the houses of Indian Parliament and assent of President of India is received.

Summary and way forward

- With the government's focus on holistic and balanced growth across India, the country is expected to achieve a CAGR of 7-9 per cent in air passenger traffic over the next two decades, indicating a promising future. This trend is mirrored by Indian carriers such as IndiGo and Air India, which are placing record orders to meet passenger demand. Consequently, the aircraft fleet is expected to grow at a CAGR of 6.0-6.3 per cent, primarily driven by wide-body aircraft
- Given the substantial investment required for aircraft, the industry is increasingly shifting towards leasing rather than owning aircraft. This approach offers benefits such as maintaining asset-light financials, flexibility in adjusting capacity based on demand, and reduced operational costs. Establishing leasing infrastructure in India will not only bolster the aviation industry but also contribute to the country's economic growth
- The IFSC at GIFT City is a strategic initiative by the government to support the leasing industry in India. The IFSC provides access to global financial markets and currencies, enabling airlines and aviation-related businesses to raise capital from international investors. Additionally, the IFSC offers a robust regulatory framework and tax incentives for aircraft leasing and financing, allowing airlines to procure aircraft at competitive rates and reducing their financial burden
- In addition to providing a robust regulatory framework for the smooth functioning of the aircraft leasing industry at the IFSC, it also offers numerous tax benefits to incentivize participation. These incentives include, but are not limited to, deductions and exemptions on income, capital gains, and dividend payable. Furthermore, the introduction of the Protection of Interests in Aircraft Objects Bill aims to enhance legal protection for lessors by addressing concerns about aircraft repossession during airline insolvencies. The bill establishes a legal framework that ensures lessors can promptly reclaim their aircraft if an airline defaults on lease payments or goes bankrupt. By offering these protections, the bill aims to make GIFT City an attractive hub for international lessors, thereby supporting the growth of the aircraft leasing industry in India
- While the IFSC at GIFT City is a commendable initiative by the government to attract lessors to India and considerable grounds have been covered in last few years, there are aspects that need to be addressed to position India as a competitive player in the industry. GIFT City must continue to evolve its regulatory framework, tax incentives, address financing challenges, and facilitate ease of doing business to develop the aircraft leasing and financing ecosystem in GIFT IFSC



Source – Inputs from IFSCA as on March 2025

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