

## What is GIFT City?

GIFT City, or Gujarat International Finance Tech City, is India's first operational International Financial Services Centre (IFSC), envisioned as India's answer to global financial hubs like Dubai and Singapore. Situated near Ahmedabad, it offers a regulatory-friendly and tax-efficient environment for financial institutions and investors.

*GIFT City aims to provide a regulatory friendly and a tax efficient environment for financial institutions and many investors.*

## Key Benefits for NRIs:

GIFT City addresses several key concerns for NRIs, making it a highly attractive investment destination:

**Currency Depreciation Mitigation:** NRIs can invest and withdraw in foreign currencies, mitigating losses due to rupee depreciation.

*With the launch of GIFT City funds, NRIs can invest in their respective foreign currencies and withdraw the proceeds in the same currency itself.*

**Remote Investing:** NRIs, including those in the US and Canada, can invest and withdraw remotely, overcoming geographical restrictions.

*GIFT City funds allow NRIs based out of any country including US and Canada to invest or withdraw when they are away from India.*

**Tax Efficiency:** GIFT City funds offer tax advantages, including exemption from TDS in India and a simplified tax structure. **Note** that PFIC taxation is still applicable to US-based NRIs.

*GIFT City funds are completely free from such TDS in India and NRIs can take home the complete proceeds without any deductions here.*

**Ease of Banking:** NRIs can open foreign currency bank accounts (savings and current) in GIFT City, offering greater flexibility compared to traditional FCNR accounts.

*If you have a bank account in the GIFT City branches of the bank you can have foreign currency normal bank account like a savings bank or a current account.*

**Access to Global and Indian Markets:** GIFT City offers investment opportunities in both Indian and international markets, allowing NRIs to diversify their portfolios.

*These banking units offer offshore mutual funds allowing investors to benefit from International markets as well.*

**Dollar-Denominated Insurance:** NRIs can purchase dollar-denominated insurance policies through GIFT City, providing protection against currency fluctuations.

*You can buy insurance in the form of a dollar-denominated policies and it will be away from Indian law because it is located in GIFT City.*

**Investment Flexibility:** GIFT City offers a variety of investment options, including AIFs, global equity market funds, bonds, term deposits, and opportunities in startups.

*The key participants in the GIFT IFSC are international stock exchanges, IFSC banking units, brokers and intermediaries. You also have insurance companies and asset managers.*

## Investment Options and Considerations:

- **AIFs:** Currently, the primary investment vehicle in GIFT City is Category 3 AIFs, suitable for high net worth individuals due to the minimum investment requirement of \$150,000.
- **Retail Funds & ETFs:** Though not yet available, GIFT City plans to offer retail funds and ETFs, potentially expanding access to a wider range of investors.
- **Minimum Investment:** The high minimum investment for AIFs poses a limitation for some NRIs. However, newer funds may have lower minimums, and efforts are underway to reduce the overall threshold.

*The minimum investment amount can be as low as \$100 for the newer funds.*

## Regulatory Landscape:

GIFT City operates under the purview of the International Financial Services Centre Authority (IFSCA), ensuring a robust regulatory framework aligned with international best practices.

## Overall Outlook:

GIFT City presents a promising avenue for NRI investors, offering a unique blend of advantages:

- **Protection from Currency Risk**
- **Tax Benefits**
- **Ease of Access**
- **Diverse Investment Opportunities**
- **Strong Regulatory Oversight**

While challenges like high minimum investment amounts exist, the continuous development and expansion of GIFT City suggest a positive future for NRI participation in India's growth story.