



GRC BULLETIN

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Exemption from withholding tax for payments made to units of the International Financial Services Centre (IFSC)

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CORPORATE LAWS

Authority

Ministry of Finance, Department of Revenue

Circular Date

Jun 20, 2025

Circular Number

F. No. 275/38/2025-IT(B)

Effective Date

Jul 01, 2025

MINISTRY OF FINANCE NOTIFIES EXEMPTION FROM WITHHOLDING TAX FOR PAYMENTS MADE TO UNITS OF INTERNATIONAL FINANCIAL SERVICES CENTRE (IFSC)

Applicability:

- Payers making specified payments to Units in an International Financial Services Centre (IFSC)
- BATF Service Providers, Broker Dealers, Finance Companies, Fund Management Entities, Recognized Clearing Corporations, Depositories, and Stock Exchanges operating as Units in IFSCs concerning the certification requirement under Regulation 4(g)(i)

Overview:

The Ministry of Finance (Department of Revenue), through Notification No. 67/2025 dated 20th June 2025, has exempted certain payments made to IFSC Units from Tax Deduction at Source (TDS) under specific provisions of the Income-tax Act, 1961, effective from 1st July 2025. This exemption is granted under the authority of Section 197A(1F), read with Section 80LA(1A) and (2) of the Act.

Key Highlights:

- The exemption applies to payments such as:
- Professional fees
- Interest income
- Rent
- · Advisory, management, and performance fees
- Commission, etc.

Applicable TDS sections ordinarily include **194A**, **194C**, **194H**, **194I**, **and 194J**. Under this notification, these are no longer applicable **if** the recipient is an eligible IFSC Unit.

Eligibility Condition

- The IFSC Unit (Payee) must furnish a statement-cum-declaration in Form No. 1 annually, specifying the ten consecutive assessment years for which it is claiming deduction under Section 80LA.
- Once the declaration is furnished, the payer is exempted from deducting TDS during the claimed 10-year period and must report these exempt payments in their quarterly TDS returns under Section 200(3) read with Rule 31A.

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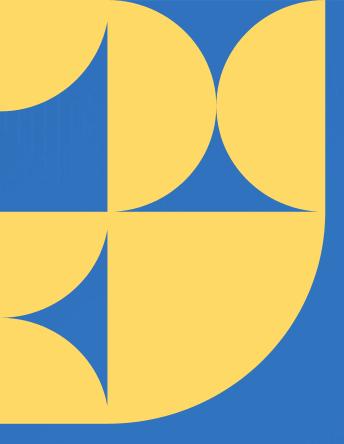
 The exemption applies only during the selected 10-year window under Section 80LA. TDS obligations will resume outside this window.

Purpose and Impact:

This notification is aimed at **enhancing the ease of doing business** in IFSCs and making India's international financial centres (especially **GIFT City**) more attractive for global players. By reducing compliance burdens and offering **TDS relief**, it supports the growth of a competitive financial ecosystem.

SOURCE: Click here for more details







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