

GRC BULLETIN

JULY - 2025, VOLUME: I

MOF

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

[Click Here to Read Full Bulletin](#)



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 Under this notification, these are no longer applicable if the recipient is an eligible IFSC Unit.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**.



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

- 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](#)

Head Quarters:

Vasudha, 2nd Floor, No. 2, 38th Main Rd,
Rose Garden, JP Nagar Phase 6, J. P. Nagar,
Bengaluru, Karnataka 560078

Ph: 080 41673023

Email: info@ricago.com

Website: www.ricago.com

Subscribe to the Newsletter:

Subscribe

Disclaimer: This newsletter is prepared by Clonect Solutions Pvt. Ltd. and contains information about the statutory compliance updates for general information only. No claim is made as to warrant or represent that the information contained in this document is correct. Also, it should not be considered as legal or financial advice and under no circumstances Clonect Solutions Pvt. Ltd. shall be held responsible for any kind of damages arising there to.