



PRESS RELEASE

The Committee for Development of Avenues for Ship Acquisition, Financing and Leasing from GIFT IFSC in India has submitted its Report to International Financial Services Centres Authority (IFSCA)

The Committee, constituted by IFSCA on 24 June 2021 under the chairpersonship of Ms. Vandana Aggarwal with representatives from Government of India, Gujarat Maritime Board, industry and finance experts, and academicians, has submitted its Report titled S.A.F.A.L. (Ship Acquisition, Financing and Leasing) to IFSCA on 28 October 2021.

The Committee observed that India, despite having a large coastline, growing domestic market and international seaborne trade, deep-rooted maritime traditions, and skilled seafarers, it continues to have a smaller share in international shipping sector, thus becoming a net importer of shipping services especially ship finance.

The Committee carried out a 360-degree examination of the existing legal and regulatory regime in IFSC in India for ship acquisition, financing, and leasing, comparing it with those of global top-ranking marine hubs. It developed financial models to gauge the gap in costs, including capital and operating costs and tax costs, of doing this business in IFSC and these hubs. It has identified bottlenecks to the realization of India's shipping sector's growth story. It held extensive stakeholder consultations towards working out the changes required for seeding a robust Ship Acquisition, Financing And Leasing (SAFAL) regime at India-IFSC. To this end, it also holistically considered the supportive links of ship building, flagging, operating, and repairs and recycling in the shipping value chain. Focus remained on enabling cost-effective and competitive delivery of shipping services on ships owned and leased from India-offshore IFSC which is on par with overseas competitors.

It has presented the critical and necessary changes required to bring this greenfield venture to India IFSC. These cover legal and regulatory domains, direct and indirect taxes, ship finance, and ease of doing business drawing upon global best practices. The Report provides useful recommendations for realizing the true transformational potential of India's shipping industry. It finds that the time is opportune for imparting a brand value to Indian-flagged vessels. This can be done by carving out a share in global cross trades, securing gainful transactions for India's marketplace, promoting decarbonization and greening of the blue oceans, and leveraging India-IFSC Maritime for achieving the Maritime India Vision 2030 and beyond.



Essentially, the Committee has found that the concept of IFSC, conceived for financial services, should be naturally extended to SAFAL products and services, including ancillaries. This may entail notifying vessel leasing or operating lease of any equipment as a 'financial product' to enable ship leasing entities to set up a unit in IFSC. It has proposed the introduction of a new category of 'Indian IFSC-controlled tonnage' with global benchmarking of regulation, tonnage tax and other tax and seafarer regimes, besides overcoming pricing and other limitations of the existing ROFR regime for import of bulk cargoes. Direct and indirect tax changes have been proposed based on the competitive gaps identified through the financial models developed for India-IFSC.

The Report of the Committee can be accessed through the weblink:

<https://ifsc.gov.in/CommitteeReport>

Gandhinagar

November 11, 2021