

# GRC BULLETIN

JULY - 2025, VOLUME: I

## MOF

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 Under this notification, these are no longer applicable if the recipient is an eligible IFSC Unit.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](#)



## 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](mailto:info@ricago.com)

Website: [www.ricago.com](http://www.ricago.com)

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