



## **Exemptions to IFSC Companies under Companies Act, 2013**

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- ❖ **Meaning:** - An IFSC (International Financial Service Centre) caters to customers outside the jurisdiction of the domestic economy. IFSCs are set up in special economic zones as a unit of SEZ or as a special economic zone after approval from central government, and deal with flows of finance, financial products and services across borders.
- ❖ **Specified IFSC Public Company:-** an unlisted public company which is licensed to operate by the Reserve Bank of India or the Securities and Exchange Board of India or the Insurance Regulatory and Development Authority of India from the International Financial Services Centre located in an approved multi services Special Economic Zone set-up under the Special Economic Zones Act, 2005 (28 of 2005) read with the Special Economic Zones Rules, 2006 (herein after referred to as “Specified IFSC public company”)
- ❖ **Specified IFSC Private Company:-** a private company which is licensed to operate by the Reserve Bank of India or the Securities and Exchange Board of India or the Insurance Regulatory and Development Authority of India from the International Financial Services Centre located in an approved multi services Special Economic Zone set-up under the Special Economic Zones Act, 2005 (28 of 2005) read with the Special Economic Zones Rules, 2006 (hereinafter referred to as “Specified IFSC private company”)
- ❖ **Services offered by IFSC(s):-**
  1. Fundraising services for individuals, corporations and governments
  2. Asset management and global portfolio diversification undertaken by pension funds, insurance companies and mutual funds

**Note:**

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# International Financial Services Centre & exemptions to IFSC Companies

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## What is an International Financial Services Centre (IFSC)?

An IFSC caters to customers outside the jurisdiction of the domestic economy. Such centres deal with flows of finance, financial products and services across borders. London, New York and Singapore can be counted as global financial centres. Many emerging IFSCs around the world, such as Shanghai and Dubai, are aspiring to play a global role in the years to come. An expert panel headed by former World Bank economist Percy Mistry submitted a report on making Mumbai an international financial centre in 2007. However, the global financial crisis that unfolded in 2008 made countries including India cautious about rapidly opening up their financial sectors.

## What are the services an IFSC can provide?

1. Fundraising services for individuals, corporations and governments
2. Asset management and global portfolio diversification undertaken by pension funds, insurance companies and mutual funds
3. Wealth management
4. Global tax management and cross-border tax liability optimisation, which provides a business opportunity for financial intermediaries, accountants and law firms.
5. Global and regional corporate treasury management operations that involve fundraising, liquidity investment and management and asset liability matching
6. Risk management operations such as insurance and reinsurance
7. Merger and acquisition activities among transnational corporations

## Can an IFSC be set up in a special economic zone (SEZ)?

The SEZ Act 2005 allows setting up an IFSC in an SEZ or as an SEZ after approval from the central government.

## What does an IFSC require?

IFSCs such as Dubai International Financial Centre and Shanghai International Financial Centre, which are located within SEZs, have six key building blocks:

1. Rational-legal regulatory framework
2. Sustainable local economy

3. Stable political environment
4. Developed infrastructure
5. Strategic location
6. Good quality of life

### Exemptions to IFSC Companies under Companies Act, 2013:

In exercise of powers under the Section 462(1) of Companies Act, 2013 (“the Act”), the MCA has exempted the Companies which are licensed to operate by the RBI or SEBI or IRDA from the International Financial Services Centre (“IFSC”) located in an approved multi-services Special Economic Zone set-up under the Special Economic Zones Rules, 2006 (“IFSC Public/Private Company”).

Further, separate exemptions have been provided for public and private limited companies.

Following are key exemptions:

S. No.	Provisions of Companies Act, 2013	Exceptions/Modifications/Adaptions for IFSC Private Company	Exceptions/Modifications/Adaptions for IFSC Public Company
1.	Clause 41 of Section 2 (Financial Year)	Financial year of such Company which is subsidiary of a foreign company, may same as financial year of its holding and approval of the Tribunal will not be required.	Financial year of such Company which is subsidiary of a foreign company, may be same as financial year of its holding and approval of the Tribunal will not be required.
2.	Cause (a) of sub-section (1) of Section (4)	To have suffix “International Financial Services Company” or IFSC as part of name.	It shall have a suffix “International Financial Services Company” or “IFSC” as part of its name.
3.	Cause (c) of sub-section (1) of Section (4)	It shall state its object to do financial services activities, as permitted under Special Economic Zones Act, 2005 read with Special Economic Zones Act, 2006.	It shall state its object to do financial services activities, as permitted under Special Economic Zones Act, 2005 read with Special Economic Zones Act, 2006.
4.	Sub-section 1 of Section 12	Can have registered office only in IFSC located in the approved multi-services SEZ set up under Special Economic Zones Act, 2005 read with Special Economic Zones Act, 2006.	Can have registered office only in IFSC located in the approved multi-services SEZ set up under Special Economic Zones Act, 2005 read with Special Economic Zones Act, 2006.
5.	Sub-section 2 and 4 of Section 12	It is 60 days instead of 30 days of its incorporation period for intimating to Registrar for situation of registered office address and any change in situation of registered office address.	It is 60 days instead of 30 days of its incorporation period for intimating to Registrar for situation of registered office address and any change in situation of registered office address.
6.	Sub-section (3) & (7) of Section 42	This sub-section of section 42 relating to <b>private placement shall not apply</b> .	This sub-section of section 42 relating to <b>private placement shall not apply</b> .

7.	Sub-section (6) of Section 42	The time frame for allotment of securities is 90 days from the date of receipt of application money for such securities instead of 60 days.	The time frame for allotment of securities is 90 days from the date of receipt of application money for such securities instead of 60 days.
8.	Section 43 (kinds of share capital)	This section is already not applicable to private Companies, where the memorandum or articles of association of such company provides otherwise.	This section shall not apply, where the memorandum or articles of association of such company provides for it.
9.	Section 47 (voting rights)	This section is already not applicable to private Companies, where the memorandum or articles of association of such company provides otherwise.	This section shall not apply relating to voting rights, where the memorandum or articles of association of such company provides for it.
10.	Clause (c) of sub-section (1) of Section 54	This clause of sub- section 1 of Section 54 relating to issue of sweat equity shares shall not apply.	This clause of sub- section 1 of Section 54 relating to issue of sweat equity shares shall not apply.
11.	Clause (a) of sub-section (1) of Section 62	Exemption is already available to private companies.	The offer period for right issue can be lesser than those specified in the section, if 90% of the members have given their consent in writing or electronic mode.
12.	Clause (b) of sub-section (1) of Section 62	Exemption is already available to private companies.	An <b>ordinary resolution</b> to be passed by the company instead of a special resolution for the offer to be made to employees under ESOPs.
13.	Clause (a) to (e) of sub-section (2) of section 73	Exemption is already available to private companies.	It shall not apply which accepts from its members, monies not exceeding 0 % of aggregate of paid-up capital and free reserves and such company shall file the details of monies so accepted to Registrar in such manner as may be specified.
14.	Sub-section (1) of section 0	The Board may subject to consent of all the shareholders, convene the extra-ordinary general meeting at any place within or outside India.	The Board may subject to consent of all the shareholders, convene the extra-ordinary general meeting at any place within or outside India.
15.	Section 1 to 7 and Section 9	This sections shall apply unless otherwise specified in the articles of the company.	This sections shall apply unless otherwise specified in the articles of the company.
16.	Sub-section (1) of section 117	A copy of agreement or resolution (eForm MGT-14) to be filed within 60 days instead of 30 days.	A copy of agreement or resolution (eForm MGT-14) to be filed within 60 days instead of 30 days.
17.	Clause (g) sub-section (3) of section 117	Exemption is already available to private companies.	This clause, relating to filing of board resolutions with registrar shall not apply.
18.	Sub-section () of section 118	Secretarial standards 1 and 2 shall not be applicable.	Secretarial standards 1 and 2 shall not be applicable.

19.	Section 135 (Corporate Social Responsibility)	This section not apply for a period of 5 years from the commencement of business of such company.	This section not apply for a period of 5 years from the commencement of business of such company.
20.	Section 138 (Internal Audit)	This section shall apply if the articles provide for the same.	This section shall apply if the articles provide for the same.
21.	2 <sup>nd</sup> proviso to sub-section (1) of Section 149	Not applicable to private companies.	This proviso relating to compulsory appointment of atleast one woman director shall not apply.
22.	Sub-section (4) to (11), Clause (i) of sub-section (12) and sub-section (13) of Section 149	Not applicable to private companies.	This sub-sections relating to independent directors shall not apply.
23.	Sub-section (6) & (7) of section 152	This sub-sections relating to retirement and re-appointment of directors shall not apply.	This sub-sections relating to retirement and re-appointment of directors shall not apply.
24.	Sub-section (1) of Section 173	It shall hold the first meeting of board of directors within 60 days of its incorporation and thereafter atleast one meeting of board of directors in each half of a calendar year.	It shall hold the first meeting of board of directors within 60 days of its incorporation and thereafter atleast one meeting of board of directors in each half of a calendar year.
25.	Section 177 and 178	Not applicable to private companies.	These sections relating to audit committee; and nomination and remuneration and stakeholder relationship and shall not apply.
26.	Section 180	Not applicable to private companies.	This section relating to restriction on powers of the board shall apply unless the articles of the company provides otherwise.
27.	Section 197	Not applicable to private companies.	This section relating to limit on overall managerial remuneration and managerial remuneration in case of absence or inadequacy of profits shall not apply.