



Frequently Asked Questions (FAQs)

On

Circular titled “Additional requirements for carrying out the permissible activities by Finance Company as a Lessor under ‘Framework for Ship Leasing’” (“the SL Circular”) dated May 8, 2024

Disclaimer: These FAQs are not the interpretation of law but intend to provide a clarity on the concepts related to the said ‘SL Circular’. Any queries regarding the same may be addressed to IFSCA. In case of any disparity between these FAQs and the provisions of relevant Acts/regulations/rules the later shall prevail.

Q1. What are the permissible transactions that a ship lessor can undertake in the IFSC, as per the SL Circular.

The following list outlines the different scenarios clarifying the permissible transactions that an applicant or a ship lessor can undertake in the IFSC in terms of the SL Circular:

(a) An asset (ship /ocean vessel) which is in the ownership or leasehold right of an Indian entity, and deployed for carrying out shipping business for Indian clients, and the same asset is transferred/ leased by an entity set up in IFSC solely to serve Indian clients in a single financial year – **not permitted**

(b) An Indian entity which is seeking to expand its shipping business by undertaking global operations or by bidding for foreign contracts and intends to incorporate or set up in the IFSC, as a ship lessor – **permitted**

(c) An asset (ship/ ocean vessel) acquired on leasehold or on ownership basis by an IFSCA registered ship lessor from a person resident outside India / foreign market solely to serve Indian clients - **permitted**

(d) An applicant or an IFSCA registered ship lessor purchases a newly built ship/ ocean vessel from any ship building yard (including Indian ship building yards) and caters to either Indian or foreign clients – **permitted**

Q2. What is the meaning of the phrase 'providing services solely to person resident in India.', as referred in Paragraph 2 of the aforementioned SL Circular?

Ans: The said paragraph means that if a 'ship lessor' in IFSC, either leases-in or charters-in or acquires ownership or leasehold rights of a ship or an ocean vessel from an Indian entity (excluding newly owned ships purchased from Indian ship building yards), then such a ship/ocean vessel cannot be used to cater solely to an Indian entity in any single financial year. However, if the ship/ocean vessel in question caters to both Foreign and Indian residents, **the same is permitted.**

Q 3. Can a ship lessor in India shift its existing business or contract existing with Indian residents to GIFT IFSC for undertaking the ship leasing activity?

Ans: No, the existing business or contract cannot be shifted by setting up as a lessor in IFSC. However, post conclusion of the existing contract, new contracts which comply with the requirement as stated in response to Q1 above may be catered to through the IFSCA registered ship lessor.
