



सत्यमेव जयते

Ministry of Civil Aviation  
Government of India

# The Future is Here

26 February 2021

# Making India the Next Aviation Hub

## Top-3 Aviation Markets (US, China, India): Need for in-house lessors

- Of the operating leased aircrafts
  - US has 70% managed by lessors based in the US
  - China has 60% based in China
  - **However India has no lessors based in India**

## Large aircraft order book; Growth in air traffic

- **3<sup>rd</sup>** largest aircraft order book of 1,028 (China's order book is 1,037)
- **7<sup>th</sup>** largest aviation market; set to become **3<sup>rd</sup>** largest by 2024

## Revenue potential

- Expected to generate annual lease revenue of US\$ 5 bn and tax revenue of US\$ 200 mn
- Critical to develop India's skillset to improve self-reliance;
- Total value of India's commercial jet backlog is estimated at **US\$ 19.32 Bn**

*'Make in India' moment  
for India-based Airlines*

*Opens up a new sector  
for financial players*

# Rupee Raftaar: Journey So Far...

## May 2018

MoCA Working Group on Development of Avenues for Aircraft Financing and Leasing Activities in India constituted

01

## Jun – Sep 2018

WG held over 40 sessions with all stakeholders (regulators, airlines, manufacturers, banks, NBFCs, insurers, re-insurers, lessors, etc.)

02

## Oct 2018

Consolidation of tax and regulatory asks by core WG along with closed group meetings with Regulators

03

## Jan 2019

Report on Project Rupee Raftaar released by Hon'ble Union Minister for Civil Aviation at Global Aviation Summit

04

## Feb-Aug 2019

3 Aircraft Financing and Leasing industry conclave/ roundtable/ workshop held on 27/02; 13/06; 21/08; industry HR and capacity-building

05

## Sept 2019

MoCA-DEA jointly took up specific proposals from MoCA WG Report with all Ministries, RBI, Regulatory Authorities, which were accepted

06

## Regular Union Budget, 2019-20 of 5 July 2019

**Para.14:** *“As the world’s third largest domestic aviation market, the time is ripe for India to enter into aircraft financing and leasing activities from Indian shores. This is critical to the development of a self-reliant aviation industry, creating aspirational jobs in aviation finance, besides leveraging the business opportunities available in India’s financial Special Economic Zones (SEZs), namely, International Financial Services Centre (IFSC). Government will implement the essential elements of the regulatory roadmap for making India a hub for such activities.*”

**Para.15:** *For providing an enabling ecosystem for growth in India of Maintenance, Repair and Overhaul (MRO) industry, it is proposed to leverage India’s engineering advantage and potential to achieve self-reliance in this vital aviation segment. Government will adopt suitable policy interventions to create a congenial atmosphere for the development of MRO in the country.”*

Smt. Nirmala Sitharaman, Hon'ble Union Minister for Finance

# Rupee Raftaar: Journey So Far... 2/2

04 Aug 2020

Oct 2020

Nov – Dec 2020

16 Dec 2020

01 Feb 2021

19 Feb 2021



Exemption from Stamp Duty

IFSCA accorded power as Unified Regulator.

Worked in tandem with MoCA on the enablers identified in Rupee Raftaar report

- Tax (CBDT)
- Regulations (RBI/DFS/ Ministry of Commerce)

Aircraft leasing notified as financial product in IFSC



Benchmarked globally

Engagement with industry on global best practices and standards from regulatory perspective



REGULATION

Consultation paper issued on proposed Aircraft leasing regulations



Budget announcements on tax holiday for the aircraft leasing industry in IFSC

Aircraft Leasing Framework Issued

07

08

09

10

11

12

13



# Key Attractions and Incentives for Leasing in IFSC GIFT-City

<b>Low-cost structure in IFSC</b>	<b>Pro-active Regulator IFSCA</b>	<b>Light touch regulations in a strong framework</b>	<b>Dispute resolution mechanism</b>
<b>10 consecutive years tax holiday out of 15 years for IFSC lessors</b>	<b>No capital gains tax on disposal of aircraft during tax holiday period</b>	<b>Nil MAT</b>	<b>No withholding tax on interest payments on royalty to non-residents</b>
<b>No Dividend Distribution Tax – Shareholders to pay tax as per their regime</b>	<b>No basic custom duty GST at par for Irish and IFSC lessors</b>	<b>No Stamp Duty</b>	<b>Robust DTAA's</b>
<b>GR Waiver – IDERA and other lease termination</b>	<b>GR Waiver - on end-of-lease re-export of aircraft in CKD or SKD condition</b>	<b>DAP2020 envisages leasing as a category of acquisition</b>	<b>Cape Town Convention and Protocol apply</b>

# A GLOBALLY COMPETITIVE AIRCRAFT LEASING REGIME

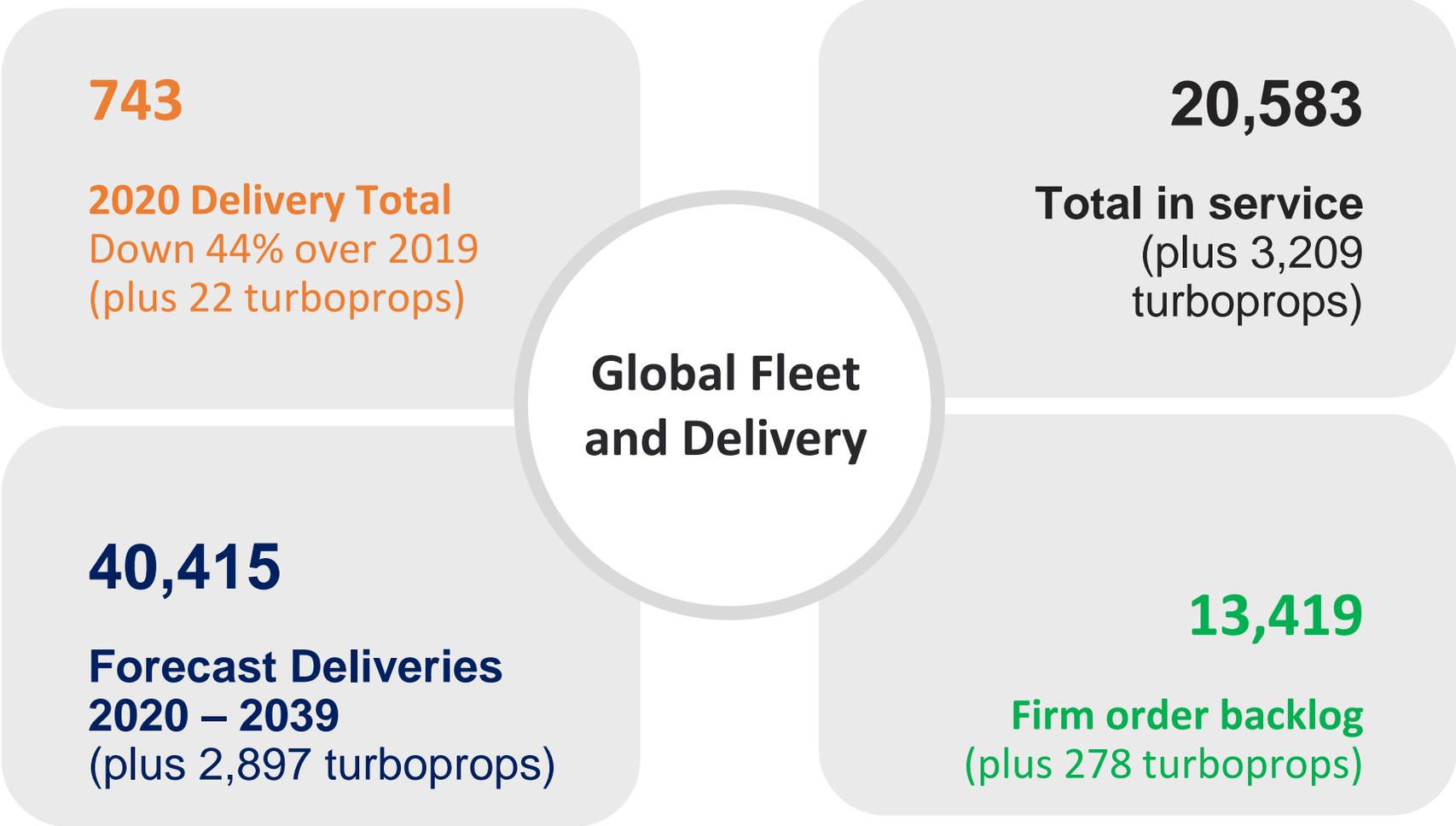
(Amount in USD)

Particulars	Ireland	IFSC (in India)	India
Aircraft is sold at the end of 12th year			
Estimated purchase price	50.00 m	<b>50.00 m</b>	50.00 m
Profit before depreciation	42.29 m	<b>42.29 m</b>	36.88 m
Tax costs			
Income tax costs (incl. withholding costs)	0.00 m	<b>0.00 m</b>	2.54 m
GST on lease rentals	3.06 m	<b>3.06 m</b>	4.68 m
Stamp duty	Nil	<b>0.00 m</b>	1.50 m
Total tax and duties	3.06 m	<b>3.06 m</b>	8.72 m

*Based on assumptions for a 12 year operating lease*

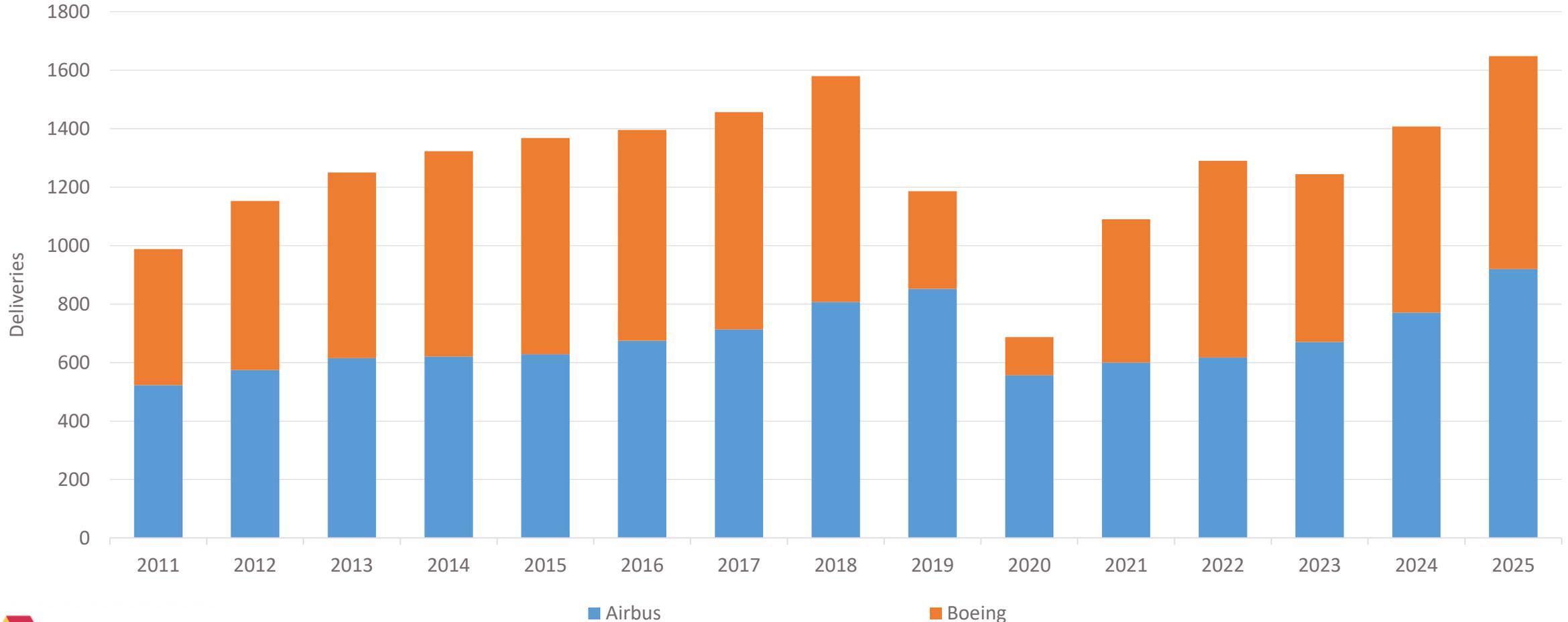
# Market Potential

## Commercial Jet Market as at Today



# Commercial jet **deliveries** are set to increase again from their low in 2020

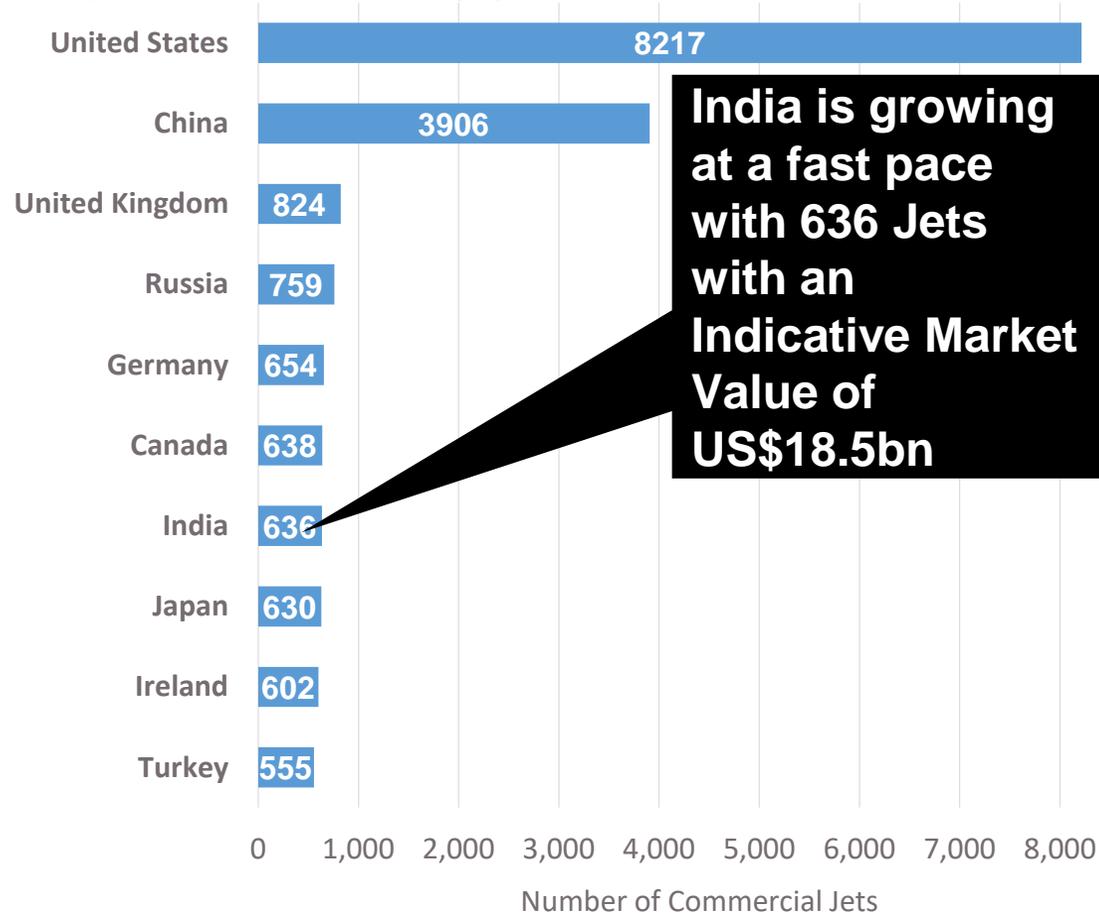
## Pre-MAX grounding, deliveries represented over \$120bn annually



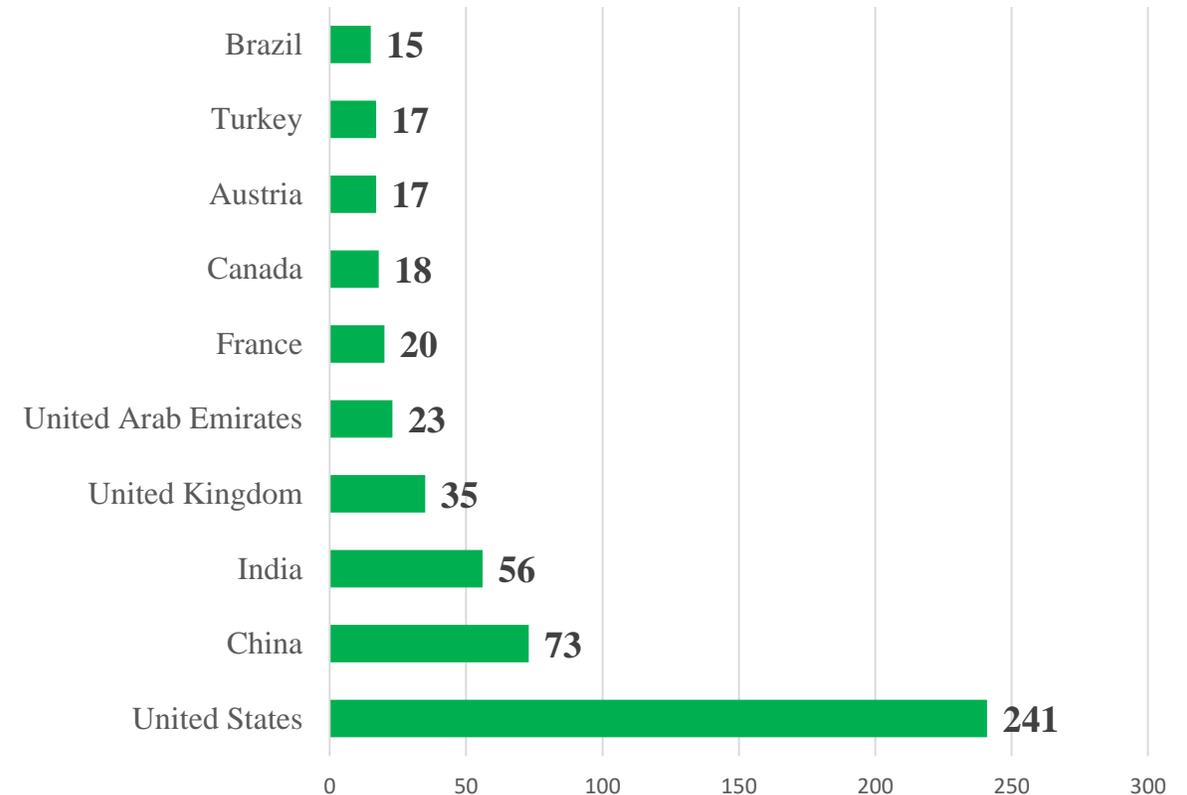
# Aviation in India: Resilient and Promising

India is 7<sup>th</sup> largest market by jet fleet size; 3<sup>rd</sup> largest by new acquisitions

### Top 10 countries by jet fleet size



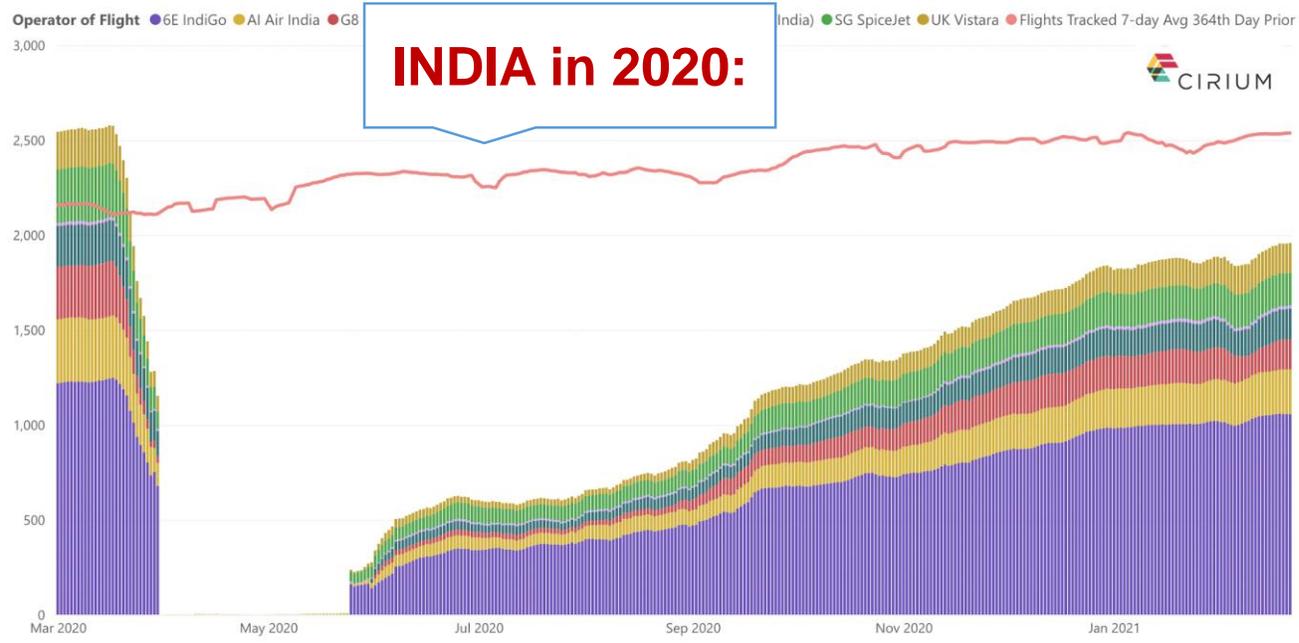
### Sale and Lease Back Transactions in 2020



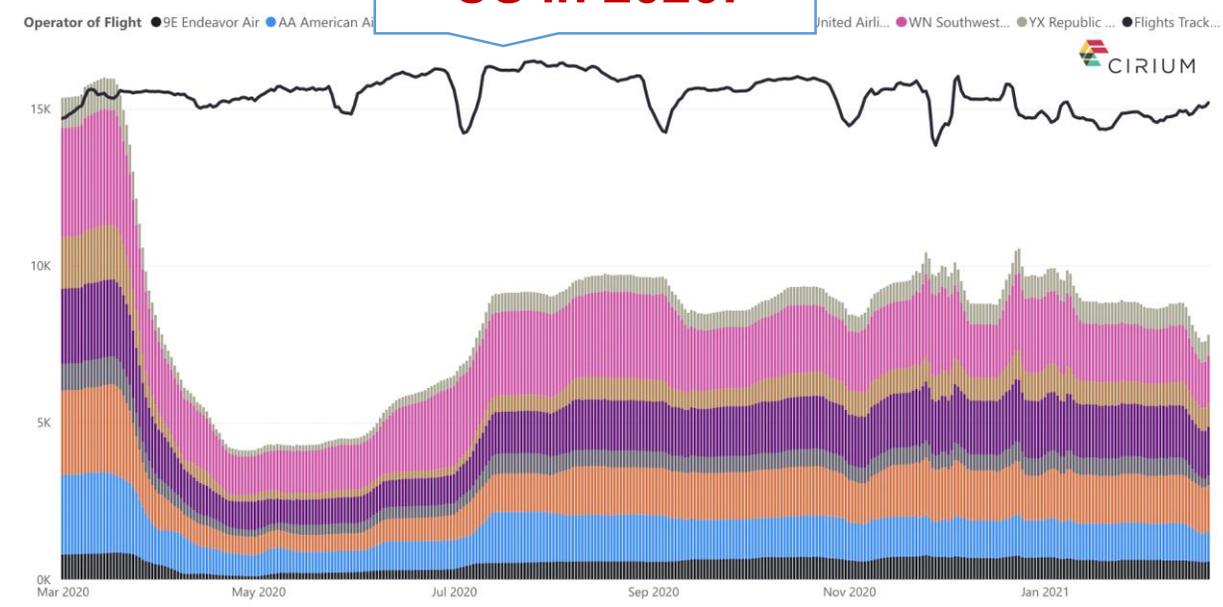
# Top-3: Only India's Recovery is Steady, Calibrated, Assured

## Trend line capturing 7 day average flight activity a year back

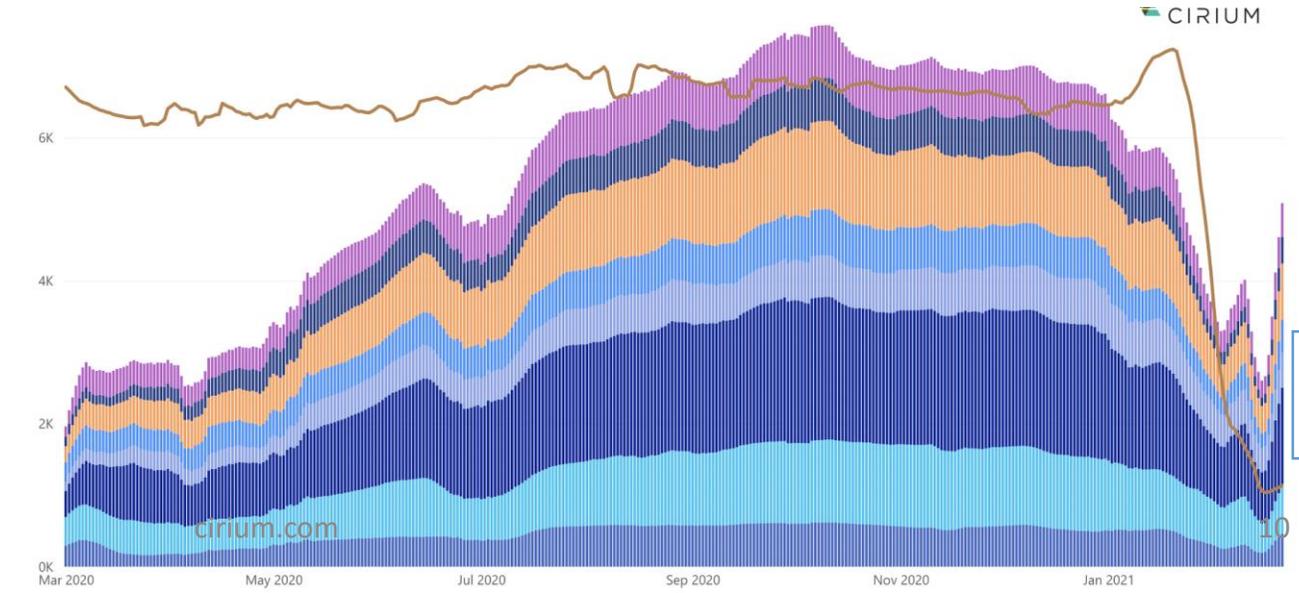
**INDIA in 2020:**



**US in 2020:**



**CHINA in 2020:**



# Way Forward and Next Steps

---

**Government of India has created the Aircraft Leasing and Financing platform at IFSC in India**

**India is open for business - essential elements and incentives having been holistically provided**

- 1. Cape Town Convention / Protocol provisions to be enacted in domestic law shortly**
- 2. Online National Registry of Aircraft / Engines / Leased Parts to be set up**
- 3. Actions on-going:**
  - Notify IFSC-based Leasing company as eligible entity to import aircraft under OGL (CBIC & MoCI)
  - Exempt lessor from physical import and storage in IFSC-SEZ
  - Allow export of the aircraft by leasing company without restriction
  - No Custom Duty/GST for import of aircraft by Leasing company, even when leased domestically
  - No custom duty / GST for import of spares by leasing company for maintenance of aircraft during storage

**Thank You**