

# THE GIC GOLD RUSH: A STRATEGIC COST MANAGEMENT ANALYSIS OF ESTABLISHING GLOBAL IN-HOUSE CENTRES IN IFSC

## Abstract

This article presents a strategic cost management analysis of establishing Global In-House Centres (GICs) in India's International Financial Services Centre (IFSC) at GIFT City. It highlights the exceptional tax incentives, operational cost advantages, and regulatory clarity that make IFSC a compelling destination for global firms. With up to 100% tax exemption for 10 years, reduced MAT, and infrastructure-driven savings, GIFT City delivers superior financial value. The role of Cost and Management Accountants (CMAs) is underscored as critical in planning, transfer pricing, and performance tracking. Overall, the article positions IFSC as a transformative choice for future-ready, high-value global operations.

## Introduction

Around the world, large multinational companies are in a constant race to work smarter, innovate faster, and manage their costs effectively. For years, a popular strategy has been to set up their own dedicated offices in other countries to handle specific business functions. These aren't just outsourced call centres; they are fully integrated parts of the parent company, known as Global In-House Centres (GICs), or sometimes called captive centres.

These GICs have grown up. They started as back offices for simple tasks, but today they have become vibrant hubs of innovation, data analysis, and critical business operations. For any global company, deciding where to build one of these strategic centres is one of the handful of truly massive financial decisions they



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will make. It's a choice that can define their success for decades to come, and it's a decision that requires careful, expert financial analysis. This is where the skills of a Cost and Management Accountant (CMA), a professional expert in managing business finances, become essential.

In this global competition for GIC investment, a new frontrunner has emerged: India's International Financial Services Centre (IFSC), located in a specially designed area called Gujarat International Finance Tec-City (GIFT City). This isn't just another business park; GIFT City has been meticulously planned and built to be the perfect home for these global business units. It directly addresses the three main questions a company asks when choosing a location: Is it financially smart? Can we operate efficiently? And are the rules clear and simple?

This article will take you beyond the buzz and the headlines. We will provide a detailed, easy-to-understand breakdown of the real, tangible benefits of setting up a GIC in IFSC. We want to give business leaders and financial professionals the clear insights they need to see why choosing GIFT City isn't just a small improvement—it's a giant leap forward in

creating value for their company.

### **The Financial Windfall: Unpacking the Incredible Tax Benefits**

The number one reason GIFT City is turning so many heads is its incredibly attractive package of tax benefits. For a financial expert like a CMA, these aren't just nice perks; they are powerful advantages that can be plugged directly into their financial calculations, often deciding to choose GIFT City an obvious one.

#### **A Decade of Zero Taxes**

The headline-grabbing incentive is a full 100% exemption from income tax on profits for any ten years of your choice within the first fifteen years of operation. This is more than just a tax break; it's a powerful strategic weapon. A smart CMA would advise the company not to start this 10-year clock right away. Instead, the GIC could operate for the first two or three years, handling the initial setup costs and finding its rhythm. Once it starts generating stable, high profits, *then* it can trigger the tax holiday. This simple strategy ensures that the company gets the maximum possible benefit, shielding its most profitable years from taxes entirely. A benefit this significant has a massive positive impact on the project's overall financial return, dramatically improving its Net Present Value (NPV)—a measure of its long-term profitability—and slashing the time it takes to earn back the initial investment.

#### **Favourable Taxes for the Long Haul**

What happens after the 10-year holiday is over? The good news continues. The tax environment in IFSC remains extremely friendly and predictable. For instance, the Minimum Alternate Tax (MAT), which is a safety-net tax calculated on a company's book profits, is set at a low 9% in IFSC. This is about half the standard rate applied elsewhere, ensuring that even after the main tax holiday, the burden remains light.

Furthermore, to make daily business smoother, rules around Tax Deducted at Source (TDS) have been relaxed. As of July 1, 2025, units in IFSC are exempt from the hassle of deducting and depositing TDS on a whole host of payments. This includes things like interest paid on loans taken in foreign currency or payments made for aircraft leases. While this sounds technical, the practical benefit is simple: it improves the company's cash flow and makes managing the company's money much, much simpler. This clear, long-term tax plan provides predictability, which

is golden for any company making an investment intended to last for many years.

#### **Smarter Spending: The Real-World Cost Savings**

While amazing tax benefits get companies in the door, it's the day-to-day operational costs that determine if a GIC can succeed in the long run. Here too, IFSC offers huge advantages that a CMA can measure and track. <sup>16</sup>When you add it all up, the savings on operations in IFSC can be as high as 20-30% compared to other major GIC locations.

#### **Top-Tier Infrastructure at a Fraction of the Cost**

GIFT City is a "smart city," meaning it was built from the ground up with the latest technology and infrastructure. Everything is designed to be "plug-and-play," so companies can get set up and running with minimal hassle. A huge factor is the cost of office space. Rent for world-class, Grade-A offices in GIFT City is estimated to be 50-60% cheaper than in India's traditional major business cities like Mumbai or Bengaluru.

The savings don't stop there. The city employs clever, centralized infrastructure like a "district cooling system." Instead of every building running its own massive air-conditioning units, a single, highly efficient plant supplies chilled water throughout the city. This innovation is estimated to cut energy use and costs by a staggering 30-40%. For any business, electricity is a major Operating Expense (OPEX), and a recurring saving of this size is a massive, ongoing benefit.

#### **A Deep Pool of Talent with Government Backing**

A GIC is nothing without its people. IFSC provides access to a huge, diverse, and highly educated workforce from all over India. These are skilled professionals in fields like finance, technology, and analytics who are fluent in English and other languages.

This advantage is supercharged by incredible support from the regional government. The government of Gujarat recently launched a new Information Technology / Information Technology enabled Services (IT/ITeS) Policy that offers very real, cash-in-hand benefits to companies setting up in GIFT City. This includes things like subsidies on the interest for business loans and direct financial assistance for paying employee salaries. For a CMA calculating the GIC's budget, these government incentives are direct

savings that make the financial case even stronger.

### **The Financial Architect: How an Accountant Builds Success in GIFT City**

Having a great location like IFSC is one thing; unlocking its full potential requires sharp financial leadership. This is where the CMA becomes the “value architect” of the GIC, playing a crucial role at every stage of its life.

#### **Step 1: Proving It's a Smart Move**

The CMA's first job is to build the business case. This involves creating a detailed financial model that acts as a roadmap for the proposed GIC. They will project the income the GIC will generate (based on the services it will provide to the parent company), forecast all the costs (carefully factoring in all the tax breaks and operational savings), and then run different scenarios to test the plan's strength. They use standard financial tools like NPV and the Internal Rate of Return (IRR) to show that the investment is sound. This comprehensive plan is what gets presented to the global board of directors to get the green light.

#### **Step 2: Setting a Fair Price for Internal Services**

This is one of the most important and tricky areas for any GIC. Imagine the GIC in India is a factory that makes software for its parent company in the United States. The GIC has to “sell” that software to the parent company. The price for this internal sale is called “transfer pricing.” The CMA is responsible for designing a transfer pricing policy that sets a fair price—the same price that would be charged if the two companies were completely unrelated. This is crucial for two reasons. First, it has to be compliant with the laws in India and with global standards, like the Base Erosion and Profit Shifting (BEPS) framework from the Organisation for Economic Co-operation and Development (OECD), to avoid legal trouble and fines. Second, it needs to be structured in a way that is as tax-efficient as possible within those legal rules. Getting this right is a masterclass in financial strategy.

#### **Step 3: Tracking Performance and Proving Value**

Once the GIC is up and running, the CMA's job shifts from planning to steering. They are responsible for making sure the GIC delivers on its promises. This means setting up a strong Management Information

Explore why GIFT City's tax breaks, smart infrastructure, and talent pool make it the ideal destination for future-ready Global In-House Centres

System (MIS) to provide clear, regular updates on the GIC's health. They often use a tool called a Balanced Scorecard. This scorecard doesn't just look at financial numbers; it also tracks other crucial Key Performance Indicators (KPIs)—metrics related to the quality of work, speed and efficiency, customer (parent company) satisfaction, and even innovation, like how many new ideas the GIC team is generating. This ensures that everyone sees the GIC not just as a way to save money, but as a powerful engine that creates documented, undeniable value for the entire global organization.

### **The Final Word: More Than Just Savings, It's a Strategic Revolution**

India's IFSC in GIFT City represents a true turning point for how global companies think about their worldwide operations. It has brought together a powerful and unbeatable combination of three key benefits: incredible financial and tax advantages, low day-to-day operating costs, and a simple, supportive regulatory system.

For financial professionals and business leaders, the case for GIFT City is clear, compelling, and backed by hard numbers and solid logic. Choosing to establish a GIC here is far more than a simple cost-cutting exercise. It is a forward-thinking, strategic decision to build an operational hub that is not only highly profitable but also strong, adaptable, and ready for future growth. By using their unique skills in financial planning, complex problem-solving like transfer pricing, and performance measurement, CMAs are not just watching this happen; they are the key architects to build this new future. They are the ones who can position their companies to catch the wave and reap the full rewards of this GIC gold rush in India's premier global gateway. **MA**

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