



Tax alert: IFSCA designates Oilfield equipment leasing as financial product

23 January 2026

On 5 January 2026, the International Financial Services Centres Authority (IFSCA), through a notification ⁽¹⁾ issued under Section 12 of the IFSCA Act, 2019, announced that operating leases — including hybrid arrangements combining operating and financial leases — for oilfield equipment, will now be classified as financial products.

In a nutshell



IFSCA issued a consultation paper in March 2025 proposing operating and finance leases of oilfield equipment as a financial product, and subsequently notified in January 2026, defining oilfield equipment by reference to the list specified under GST Notification No. 03/2017



Oilfield Equipment includes oilfield and CBM operational equipment, drilling rigs and support vessels, pollution control and safety equipment etc.



Tax and incentive overview

- Tax holiday for any 10 consecutive years out of first 15 years
- WHT exemption for interest paid to NRs
- No GST on the supply of services to IFSC/ SEZ units or Offshore entities
- State incentives



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Background

In March 2025, IFSCA released a consultation paper proposing the inclusion of oilfield equipment leasing as a financial product within GIFT City. This move aims to facilitate leasing and operating such equipment from the IFSC jurisdiction for both offshore and onshore oilfield operations.

IFSCA has already established a framework for equipment leasing, covering ships, aircraft, aircraft ground support equipment, flight simulators, and aviation training devices. As of September 2025, 37 aircraft lessors and 34 ship lessors have been registered with IFSC.

¹ Notification No. FSCA/GN/2026/001 dated 5 January 2026

Definition of oilfield equipment

IFSCA has defined what qualifies as oilfield equipment by linking it to goods specified under the Central Tax Rate Notification of 2017⁽²⁾. In simple terms, oilfield equipment encompasses any machinery or tools used directly or indirectly in activities such as prospecting, drilling, extraction, mining, or production of mineral oils and natural gas. This also includes equipment deployed for ancillary operations, support services, or facilities related to these processes

Why is oilfield equipment leasing important?

India remains heavily dependent on crude oil imports and imported oilfield equipment for domestic production. To address this, the government has introduced policies such as the Hydrocarbon Exploration Licensing Policy (HELP) and the Open Acreage Licensing Program (OALP) to boost domestic exploration and production.

As exploration expands, demand for advanced oilfield equipment rises. Purchasing such equipment outright is capital-intensive, whereas leasing provides a cost-effective alternative, improving cash flow and operational flexibility.

The global perspective on oilfield equipment leasing

Globally, the oilfield equipment leasing market represents a substantial segment. Developed economies such as the U.S., UK, France, and Germany, along with emerging markets such as China, have effectively embraced leasing models to reduce costs, improve operational efficiency, and access cutting-edge technologies.

Regions including Singapore, Dubai, and Malaysia have already implemented strong regulatory frameworks to facilitate oilfield equipment leasing.

Benefits of leasing for India

- **Reduced capital burden:** Leasing eliminates the need for large upfront investments, enabling efficient resource allocation.
- **Access to advanced technology:** Companies can utilize state-of-the-art equipment without long-term ownership commitments.
- **Global hub potential:** GIFT IFSC can emerge as a regional center for oil and gas equipment leasing, attracting international players.
- **Energy security:** Easier access to leased equipment can accelerate domestic exploration, reducing import dependency

Comments

For global energy service providers, this development makes it easier to access structured leasing solutions through IFSC. By leasing equipment instead of purchasing it outright, companies can ease capital pressure, strengthen balance-sheet efficiency, and better support large-scale energy operations.

This change also creates new avenues for banks and leasing firms operating within GIFT IFSC. Oilfield equipment leasing is both capital-intensive and complex, demanding robust financial structuring, strong compliance oversight, and cross-border expertise. As a result, oilfield service companies, EPC contractors, and global equipment owners are well-positioned to benefit from these enhanced opportunities.

² Notification No.3/2017-Central Tax dated 28 June 2017

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