

‘Draft leasing rules may deter aircraft lessors’

Our Bureau

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India’s draft aircraft leasing rules may deter global lessors from leasing aircraft to domestic airlines, caution aviation legal experts.

The cautionary note comes after the Centre enacted the Protection of Interests in Aircraft Objects Act, 2025, to align with the Cape Town Convention (CTC).

Speaking to *businessline*, Mansi Singh, Partner at BTG Advaya, cited that one of the most contentious aspects of the draft rules is the priority given to a broad set of domestic claims over registered international interests.

“Essentially, an aircraft cannot be exported from India unless the lessor clears a host of outstanding dues, such as unpaid wages of airline employees, airport oper-



ator charges, route navigation and facilitation charges, fuel charges and GST payable in relation to the leasing of the aircraft,” she said.

Under the earlier regulations, Irrevocable Deregistration and Export Request Authorisation (IDERA), lessors were required to clear only those dues that were directly related to the aircraft.

DEFAULT NOTIFICATION

Besides, these dues were limited to the three months preceding the default notification.

According to Poonam Verma Sengupta, Partner at JSA Advocates and Solicit-

ors, the draft rules remove the three-month cap and mandate the payment of such dues in full before repossession.

This aspect, she said, could delay repossession for lessors as aircraft cannot be exported until all claims are first verified and settled.

PROMPT POSSESSION

“It also adds unnecessary costs for lessors and conflicts with India’s Cape Town Convention commitments, particularly Article 13, which emphasises the creditor’s right to prompt possession of aircraft,” she said.

The draft rules, Sengupta pointed out, risk undermining investor confidence unless they are rebalanced.

Mark Martin, CEO of Martin Consultancy, underscored the importance of aligning India’s aviation leasing framework with international standards, warning that legal uncertainty could

undermine the country’s ambitions in global aviation finance.

“Bringing India’s leasing processes in line with global norms is essential if we want to attract serious international investment and improve our compliance standing under the Cape Town Convention,” Martin said.

He acknowledged that the passage of the Protection of Interests in Aircraft Objects Act, 2025, was a major milestone, but cautioned that legislation alone was not enough. “The law is a step in the right direction, no doubt. But its success ultimately depends on how effectively it’s implemented on the ground and how consistently regulators cooperate to uphold its intent.”

Martin argued that the current draft rules risked undermining those efforts by introducing ambiguity and financial unpredictability for lessors.