

## INVESTORS CAN TAKE REIT EXPOSURE WITH MINIMUM RS. 2 LAKH: SEBI

Having cleared a long-pending industry demand for creation of real estate investment trusts (REITs), the Securities and Exchange Board of India (Sebi) on Sunday said that the new norms would help entities with at least Rs. 2 lakh investment to earn from completed realty projects.

The new norms for REITs, as also for infrastructure investment trusts (InvITs), were cleared by Sebi's board on Sunday, while final notifications would be issued soon to make the norms effective in a month or two.

"The idea is that even if somebody can invest as low as Rs. 2 lakh, such a person can get the benefit of the income from the completed projects," Sebi Chairman U K Sinha said.

REIT guidelines would allow creation and listing of such trusts and their units can be traded on the stock exchange like equity shares.



"Primarily REIT is with regard to completed projects, revenue generating projects," Mr Sinha said.

"As you may be aware that the government in the Finance Bill has already provided for tax treatment for REITs and InvITs. So with those tax treatments in place and Sebi regulations in place we can hope that there will be some progress in the real estate market and in the infrastructure market."

Explaining the modalities, the Sebi chief said that if "somebody creates a Special Project Vehicle (SPV) and has made an investment in an real estate project, units of that will be used to form the REIT and that Trust will issue shares".

"On tax pass through, we have realised that when the SPV is transferred to the REIT, at that stage there will be a tax deferral. That means at that stage, tax will not have to be paid. When the investor in that original project SPV finally disposes of his property at that stage he will be paying the tax. All that is provided in the Finance Act."

"Fortunately the good thing is that tax treatment has already preceded our regulation drafting today ... We had decided we will wait for tax treatment to be cleared and the tax treatment what was finally cleared in this Budget and now finally we have come with our regulations," Mr Sinha added.

When asked whether the new norms can come into effect by October, the Sebi Chairman said, "We will take about may be a month or two months. So October 1 is a reasonable time period (for notification)." The Securities and Exchange Board of India (Sebi) on Sunday approved setting up of real estate investment trusts (REITs), a move that may offer a new source of financing to the country's cash-strapped property developers.

REITs are listed entities that mainly invest in income-producing real estate assets, the earnings of which are mostly distributed to their shareholders. They generally get special tax treatment.

At its board meeting in New Delhi, the capital market regulator said REITs should operate with an asset pool of at least Rs. 500 crore (\$81.78 million; 1 dollar = 61.1400 rupees) and have an initial issue size of at least Rs. 250 crore for shareholders.

REITs will be allowed to invest only in commercial properties, Sebi said.

The regulator also approved allowing infrastructure investment trusts - a REIT-like structure that would allow developers to monetize their infrastructure assets through a stock exchange listing.

Sebi had announced plans to introduce REITs last October, but the plan was delayed amid uncertainty about the taxation structure for the new instrument.

In his Budget address last month, Finance Minister Arun Jaitley cleared the way for REITs and infrastructure trusts by announcing tax benefits for both.

Separately, the regulator said it will simplify registration for stock brokers and clearing members, allowing them to obtain a unified registration for doing business in all the stock exchanges and depositories in the country.

