Report of the

Expert Committee on Development of REITs and InvITs in IFSC

EXPERT COMMITTEE ON DEVELOPMENT OF REITS AND INVITS IN IFSC

REPORT

2026

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ABBREVIATIONS AND ACRONYMS

Abbreviations / Acronyms	Definitions
AIF	Alternative Investment Fund
AMC	Asset Management Company
BREEAM	Building Research Establishment Environmental Assessment Method
BSE	BSE Limited
CAGR	Compound Annual Growth Rate
CBDT	Central Board of Direct Taxes
CfAD	Center for Active Design
DIPP	Department of Industrial Policy and Promotion
DOR	Department of Reven
DPIIT	Department for Promotion of Industry and Internal Trade
ECB	External Commercial Borrowing
EPA	Environmental Protection Agency
ESG	Environmental, Social, and Governance
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999
FME	Fund Management Entity
FOCC	Foreign Owned and Controlled Company
FPI	Foreign Portfolio Investor
FY	Financial Year
GDP	Gross Domestic Product
GFC	Great Financial Crisis
GSE	Government Sponsored Enterprise
HFC	Housing Finance Company
HUF	Hindu Undivided Family
IFSC	International Financial Services Centre
IFSCA	International Financial Services Centres Authority

InvIT	Infrastructure Investment Trust
IOCC	Indian Owned and Controlled Company
IRS	Internal Revenue Service
IT Act	Income Tax Act, 2025
IWBI	International WELL Building Institute
LEED	Leadership in Energy and Environmental Design
LLP	Limited Liability Partnership
LPI	Logistics Performance Index
LRS	Liberalised Remittance Scheme
LTV	Loan-to-Value
MAMP	Minimum Average Maturity Period
MAS	Monetary Authority of Singapore
MBS	Mortgage-Backed Securities
MIS	Managed Investment Scheme
MIT	Managed Investment Trust
MMR	Maximum Marginal Rate
mREIT	Mortgage Real Estate Investment Trust
NBFC	Non-Banking Financial Company
NDI	Non-Debt Instruments
NHIT	National Highways Infra Trust
NRI	Non-Resident Indian
NSE	National Stock Exchange of India Limited
OCI	Overseas Citizen of India
OECD	Organisation for Economic Co-operation and Development
OI Rules	Foreign Exchange Management (Overseas Investment) Rules, 2022
OPI	Overseas Portfolio Investment
PA	Provisional Actuals
PTC	Pass-Through Certificate
RBI	Reserve Bank of India
REIT	Real Estate Investment Trust
SEBI	Securities and Exchange Board of India
SEC	Securities and Exchange Commission

SM REIT	Small and Medium Real Estate Investment Trust
SPV	Special Purpose Vehicle
UHNWI	Ultra-High-Net-Worth Individual
USGBC	U.S. Green Building Council
WKSI	Well-Known Seasoned Issuer
YoY	Year-on-Year

SUBMISSION OF REPORT

July 13, 2026

Shri K. Rajaraman,
Chairperson,
International Financial Services Centres Authority (IFSCA)
GIFT SEZ, GIFT City,
Gandhinagar, Gujarat – 382355

Dear Sir,

We are pleased to submit, on behalf of the Expert Committee on Development of REITs and InvITs in GIFT IFSC, the Committee's Report containing its recommendations for establishing a robust and globally competitive ecosystem for Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) in GIFT IFSC.

The Committee was constituted by IFSCA with the mandate to examine global best practices, identify regulatory, legal and taxation measures necessary for facilitating the growth of REITs and InvITs in the IFSC, and recommend a roadmap for positioning GIFT IFSC as a preferred gateway for channelling global capital into real estate and infrastructure assets in India and the region.

In carrying out its mandate, the Committee undertook extensive deliberations and benefitted from the diverse expertise of its members representing regulatory, financial, legal, investment banking, exchanges, real estate and infrastructure sectors. The Committee also examined international frameworks across leading jurisdictions and assessed the unique opportunities available to GIFT IFSC in attracting global investors and enabling innovative investment structures.

The Report sets out a comprehensive framework comprising regulatory reforms, inter-regulatory measures and taxation recommendations aimed at creating a commercially viable and internationally competitive REIT and InvIT regime in the IFSC. The Committee has also recommended measures to promote innovation through products such as Mortgage REITs, while outlining an appropriate approach for Green REITs and emerging structures such as Small and Medium REITs.

A central theme emerging from the Committee's deliberations is that while the existing regulatory framework provides a strong foundation, the success of REITs and InvITs in GIFT IFSC will critically depend on achieving an efficient and competitive taxation regime and addressing certain inter-regulatory issues. The Committee believes that these measures are essential for attracting long-term global capital and unlocking the full potential of GIFT IFSC as an international financing hub.

The Committee is of the view that implementation of the recommendations contained in this Report would significantly enhance the attractiveness of GIFT IFSC for sponsors, fund managers and investors, and contribute towards mobilizing patient capital for India's infrastructure and real estate sectors. In doing so, GIFT IFSC can play an important role in supporting the nation's long-term growth aspirations and the vision of Viksit Bharat @ 2047.

We would like to place on record the Committee's appreciation for the support provided by IFSCA throughout the course of this assignment.

We respectfully submit this Report for the consideration of the Authority.

Yours sincerely,

Ananta Barua
Chairperson

Mr. Bhairav Dalal
Member

Mr. Bobby Parikh
Member

Mr. Kranti Mohan
Member

Ms. Lakha Nair
Member

Mr. Maadhav Poddar
Member

Mr. Mathew George
Member

Ms. Pratichi Mishra
Member

Ms. Preeti Chheda
Member

Mr. Raghwendra Pande
Member

Mr. Rajeev Mukhija
Member

Mr. Samarth Jagnani
Member

Mr. Sanjeev Dasgupta
Member

Mr. Shailendra Sabhnani
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Mr. Siddharth Nawal
Member

Mr. Tushar Kawedia
Member

Mr. V. Balasubramaniam
Member

Mr. Aditya Sarda
Member Secretary

ACKNOWLEDGEMENTS

Well-functioning capital markets play a vital role in supporting sustainable economic growth by facilitating the efficient allocation of capital, promoting financial innovation, and connecting long-term savings with productive investment opportunities. Financial products that efficiently channel capital into productive assets not only deepen capital markets but also enhance transparency, improve governance standards and broaden investment opportunities for both domestic and international investors. Among such market-based financing mechanisms, Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) have emerged as globally recognised investment vehicles for mobilising long-term capital into income-generating real estate and infrastructure assets. These structures enable developers and infrastructure sponsors to monetise mature assets, recycle capital into new projects and diversify their sources of financing, while providing investors with access to professionally managed, regulated and yield-generating investment products.

Recognising this opportunity and the potential role that GIFT IFSC may play in this regard, the IFSCA constituted the Expert Committee on REITs and InvITs in IFSC. The Expert Committee expresses its sincere gratitude to Shri K. Rajaraman, Chairperson, IFSCA and Shri Pradeep Ramakrishnan, Executive Director, Department of Capital Markets, IFSCA for entrusting it with this important responsibility and for their continued guidance and support throughout its deliberations.

The Committee also expresses its gratitude to Shri Akash Boddeda, Manager, IFSCA, for his significant contribution to the research, analysis, and drafting of this report, and to the officials from PriceWaterhouse & Co LLP and Cyril Amarchand Mangaldas, for their valuable suggestions and insights, which proved instrumental in completing this assignment.

I appreciate the contribution of each Member of the Committee who helped in driving the deliberations and shaping this report. Their practical insights and real-world experience have been instrumental in the successful completion of this work.

(Ananta Barua)

EXECUTIVE SUMMARY

India today stands as an emerging economic powerhouse with a GDP surpassing USD 4.15 trillion, placing it among the world's largest economies. The nation's trajectory towards becoming a developed nation (*Viksit Bharat*) by 2047 relies heavily on the accelerated development of its infrastructure and real estate sectors. It is estimated that India needs to invest approximately USD 4.5 trillion in infrastructure till 2040[1] to sustain its economic growth, while the Indian real estate market is expected to reach USD 5.8 trillion by 2047[2].

Meeting these ambitious developmental goals requires the mobilization of significant amount of patient capital. Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) have revolutionized sector financing by bridging the gap between investors and developers. Since FY 2019-20, Indian REITs and InvITs have successfully mobilized ₹1.95 lakh crore[3]. To further accelerate this growth and attract large pools of global capital—such as sovereign wealth funds and pension funds—GIFT IFSC is uniquely positioned to serve as a strategic gateway. GIFT IFSC offers international investors compelling benefits, including transactions in freely convertible foreign currencies to reduce currency risk, a simplified onboarding process, and competitive tax advantages.

To capitalize on this opportunity, IFSCA constituted an Expert Committee comprising industry leaders and regulatory experts to provide a roadmap for developing a robust REIT and InvIT ecosystem within GIFT IFSC. The Committee's mandate included studying global best practices, proposing regulatory and tax amendments, and suggesting frameworks for innovative investment products.

The Committee analyzed the REIT frameworks of major global jurisdictions, including the United States, Japan, the United Kingdom, and Singapore. Drawing on these international best practices, the Committee recommends introducing **Mortgage REITs (mREITs)** to provide an alternative real estate financing avenue and stimulate the securitization market. Furthermore, to uphold the credibility of the jurisdiction and mitigate the risk of

[1] Source: Economic Survey 2017-18
[2] India Brand Equity Foundation
[3] SEBI website

greenwashing, the Committee recommends extending the extant ‘Principles to mitigate the Risk of Greenwashing in ESG labelled debt securities in the IFSC' to such REITs and InvITs which call themselves ‘green’. For Small and Medium REITs (SM REITs), the Committee advises a measured approach, recommending that IFSCA closely monitor the progress of SEBI's domestic framework and its own work on tokenization of real-world assets, before introducing a similar regime in the IFSC.

For GIFT IFSC to emerge as a commercially viable and preferred hub for global real estate and infrastructure investments, the Committee proposes crucial inter-regulatory and taxation measures:

- **Tax Parity:** To ensure commercial viability, the Committee strongly recommends providing tax parity between IFSCA-registered and SEBI-registered REITs and InvITs by amending the definition of "Business trust" under section 2(21) of the Income Tax Act, 2025. Additionally, it recommends amending Schedule V (Sl. no 3) to exempt foreign-sourced income from offshore investments in the hands of non-resident unitholders, bringing it on par with Category I/II AIFs.

- **FEMA and NDI Relaxations:** To facilitate seamless capital flow, the Committee proposes exempting investments made by IFSC InvITs/REITs into Indian entities from sectoral caps and the 3-year lock-in requirement under the automatic route. It also recommends exempting Indian sponsors of IFSC investment trusts from the Overseas Portfolio Investment (OPI) limit of 50% of their net worth.

- **Cross-Listing of Domestic REITs/InvITs:** To provide immediate momentum to the IFSC REIT/InvIT ecosystem, the Committee recommends enabling established SEBI-registered REITs and InvITs to access GIFT IFSC exchanges through depositary receipts and dual/secondary listing, which requires SEBI to enable the necessary mechanism, and calls for continued inter-regulatory dialogue between IFSCA and SEBI to operationalize this. This would provide domestic REITs and InvITs access to a wider global investor base, including NRIs and international institutions, while simultaneously creating a strong foundation for the development of the REIT/InvIT ecosystem in GIFT IFSC.

- **Regulatory Enhancements:** The Committee proposes amendments to the IFSCA (Fund Management) Regulations, 2025, to introduce practical market mechanisms such as Inducted Sponsors, Re-Designated Sponsors, Self-Sponsored Investment Managers, Fast Track Rights Issues and Subordinate Units.

These recommendations aim to establish a globally benchmarked, tax-efficient, and innovative regulatory regime in GIFT IFSC, empowering Indian developers to access global markets and significantly contributing to India’s broader economic ambitions.

CHAPTER – I: BACKGROUND

1.1. Cornerstone of Progress: Infrastructure and Real Estate

1.1.1. Developing economies rely heavily on two key pillars of growth: infrastructure and real estate. A strong foundation of infrastructure, including transportation systems, utilities, communication networks, etc., acts as the backbone for a nation's progress. It improves the quality of life for ordinary citizens and makes the industries more efficient in their operations. This, in turn, attracts domestic and foreign investments, creating a steady flow of capital that fuels growth across various sectors.

1.1.2. The real estate sector, encompassing residential, commercial, retail, hospitality segments, etc., plays a vital role by providing the physical space for businesses and people to thrive. Further, its development creates a multiplier effect, stimulating numerous other industries and generating employment.

1.1.3. However, both infrastructure and real estate sectors require significant and sustained capital investments to reach their full potential.

1.2. India's Infrastructure and Real Estate Needs

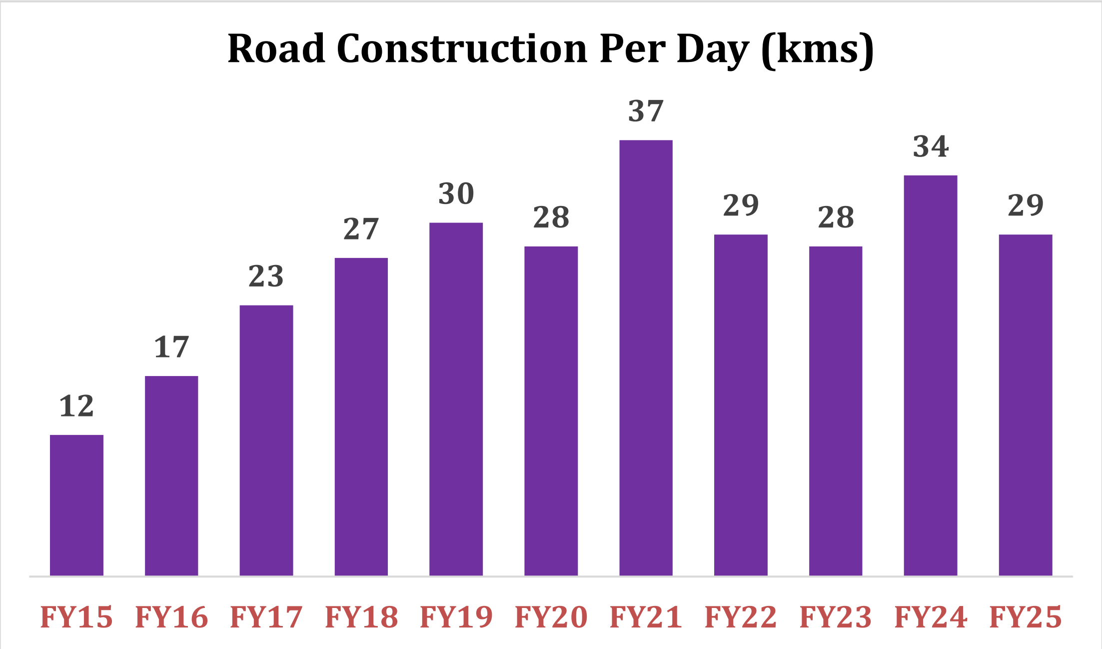
1.2.1. With a GDP surpassing USD 4.15 trillion, India today stands as an emerging economic powerhouse. The nation's trajectory towards a USD 5 trillion economy (and beyond) is fueled by bold structural reforms and a strategic vision to become a developed nation by 2047. Central to this sustained growth are the infrastructure and real estate sectors, which drive economic expansion and social progress.

1.2.2. **India's Infrastructure Sector**: Over the past few years, India has witnessed a historic transformation with large-scale infrastructure projects undertaken at an accelerated pace. From ambitious highway construction plans, modernization of railways, airports and urban infrastructure, investing in logistics, clean energy and net-zero initiative, the country has achieved significant milestones in infrastructure development.

1.2.3. India's infrastructure push has reached a new scale. The FY 2025-26 Union Budget earmarked ₹11.21 lakh crore for infrastructure, representing a 10% year-on-year rise and accounting for 3.1% of estimated GDP. Logistics efficiency has also improved, with India's rank in the World Bank's Logistics Performance Index (LPI) rising to 38 as per the biennial report (2023)[4] from 44 in 2018.

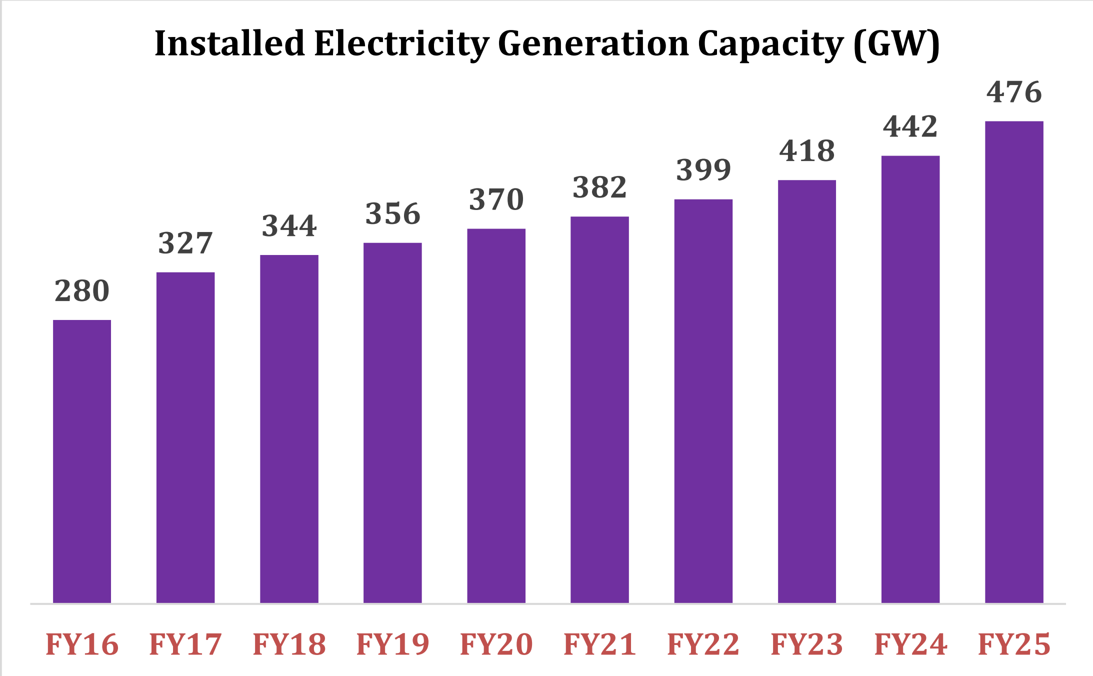
1.2.4. Despite many financial innovations in infrastructure financing in the recent years, capital expenditure by the Union and State Governments still plays the central role in funding large-scale infrastructure projects. The capital expenditure of the Union Government has increased significantly, growing nearly 3 times from INR 4.1 lakh crore in FY21 to INR 12.22 lakh crore in the FY 2026-27 Budget Estimates.

1.2.5. While the Government spending in infrastructure is likely to increase further, there is a huge scope and opportunity for private capital. As per some estimates, more than half of India's urban infrastructure needs till 2030, including housing, electricity, transportation, water, and waste management, are yet to be developed. India needs to invest approx. USD 4.5 trillion in infrastructure to enhance economic growth and societal well-being.



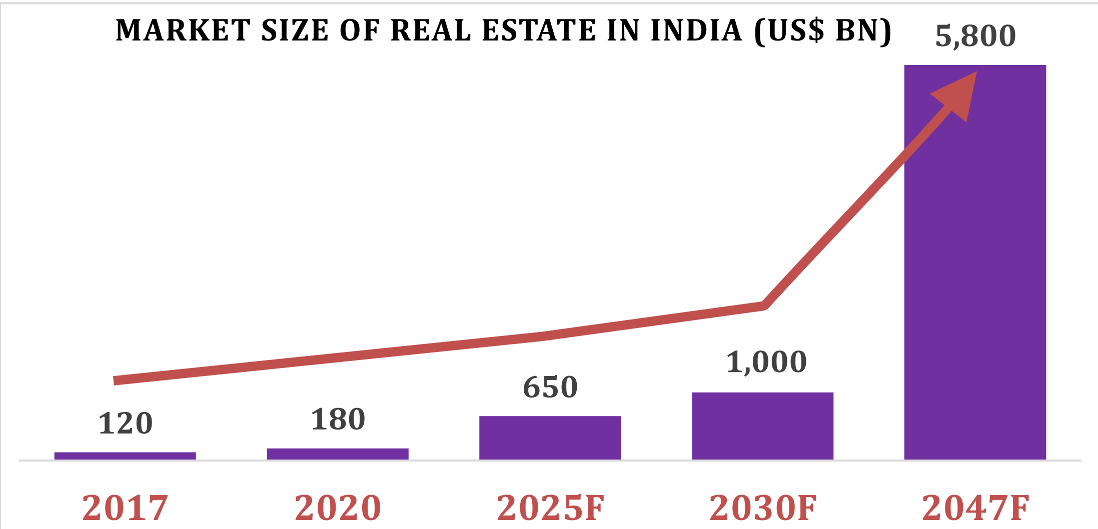
Source: https://www.ibef.org/industry/infrastructure-sector-india/

[4] PIB Press Release dated February 11, 2025



Source: https://www.ibef.org/industry/infrastructure-sector-india/, as of June 2025

1.2.6. **India's Real Estate Sector**: India's real estate market size is estimated at USD 0.78 trillion in 2025, up from approx. USD 200 billion in 2021, and is expected to reach USD 5.8 trillion by 2047. Along with private demand and investments, the government's commitment of "Housing for All" has also fueled the expansion of the real estate industry, making it a lucrative investment opportunity.



Source: https://www.ibef.org/industry/real-estate-india

1.3. Challenges of financing the growth agenda

1.3.1. Meeting these ambitious growth plans requires vast investments and mobilization of significant resources. While domestic savings contribute a sizable portion, attracting foreign capital is crucial to bridge the funding gap.

1.3.2. Due to the long gestation period and illiquid nature of assets, infrastructure and real estate are the perfect use cases for patient capital. This creates an opportunity for large foreign institutions, such as Sovereign Wealth Funds, Pension Funds, Endowment Funds, Multilateral Institutions, etc., which are typical providers of patient capital, to participate in the India's growth journey.

1.3.3. While the Government has already permitted foreign investments in infrastructure and a wide variety of real estate developments under the FEMA, there is a need to provide alternative routes / channels to such investors to facilitate their investments into India, depending on their preference, risk appetite, etc. Therefore, continuing to attract patient domestic and global capital into investment vehicles like Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) is imperative for fulfilment of the developmental ambitions of the country.

1.4. REITs and InvITs: Bridging the Funding Gap

1.4.1. REITs and InvITs have revolutionized real estate and infrastructure financing, providing a crucial bridge between investors seeking attractive and stable returns and developers looking to unlock capital. By offering a pathway for investors to participate in large-scale infrastructure and real estate projects, these investment vehicles have unlocked significant funding potential.

1.4.2. **Evolution of REITs**: Originating in the United States in the 1960, REITs pioneered the concept of pooling investor capital to acquire income-generating real estate assets. For the first time in history, retail investors were able to buy a piece of a shopping mall, a skyscraper or an apartment complex, in the same way they could buy stocks of a company or units of a mutual fund. These vehicles offered liquidity, diversification, and potential tax benefits, attracting both retail and institutional investors. The success of REITs in the USA inspired their adoption worldwide, with adaptations to suit local market conditions.

1.4.3. In 1969 the first European REIT legislation is passed in The Netherlands. This marked the beginning of the global spread of the REIT model, with listed property trusts launching in Australia shortly after in 1971. Canadian REITs debuted in 1993, while the launch of REITs in Singapore and Japan in 1999 and 2000, respectively, marked their adoption in Asia. Many other major jurisdictions also instituted their REIT legislation around the same time, such as France (2003), Germany (2007) and the U.K. (2007). In India, the Securities and Exchange Board of India (SEBI), the capital market regulator of Domestic Tariff Area, introduced regulations for REITs in 2014.

1.4.4. **How REITs Work**: REITs offer innovative solutions for developers and asset owners seeking to monetize their income-generating real estate or infrastructure assets. By flipping these assets under a trust structure, they can unlock capital deployed in such assets while retaining a stake in the ownership. Units representing ownership in these trusts may then be traded on stock exchanges, allowing for wider participation and enabling investors to participate in this sector and earn a share of the income without directly purchasing the assets themselves.

1.4.5. REITs provide investors with a *sachetised* way to invest in established, rent-generating assets and receive a portion of the income through regular distributions while also combining the potential for capital appreciation associated with real estate and infrastructure with the liquidity of publicly traded stocks. Over time, REITs have demonstrably transformed the real estate market, benefiting both investors and developers.

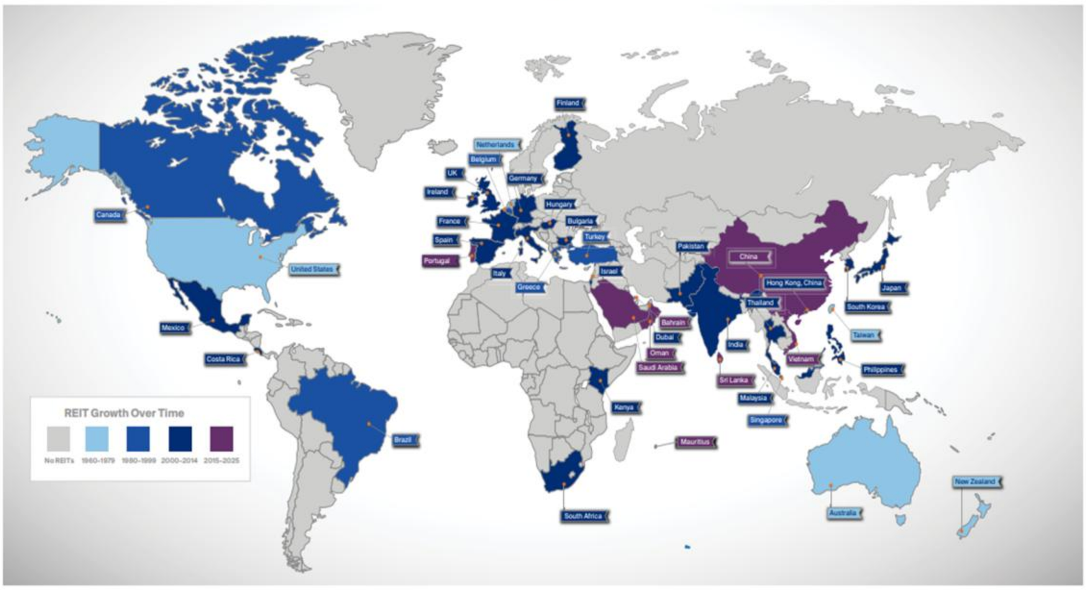
1.4.6. The development of REITs globally emphasizes their pivotal role in democratizing access to real estate and infrastructure investments. These instruments not only offer investors attractive returns and portfolio diversification but also contribute to sustainable economic development by mobilizing capital into critical sectors essential for growth and modernization. As they continue to evolve, REITs are likely to play an increasingly vital role in shaping the future of global investment landscape.

Developer Perspective	*Investor Perspective*
● To facilitate monetization of operational and yield generating assets. ● Getting access to low-cost equity funding avenue to take out high-cost loans of existing projects. ● Efficient cost of borrowing at REIT/InvIT level rather than at project level, translating to greater returns for stakeholders.	● Regular tax-optimal source of income. ● Offers an additional asset class for construction of a well-diversified portfolio. ● Robust governance mechanism

1.4.7. **Global REIT Adoption**: Since REITs were first introduced in the United States in 1960, 42 countries and regions, including all of the G-7 countries, with a combined population of 5 billion people and comprising 85% of global GDP, have enacted REIT legislation. More than half of the OECD (Organisation for Economic Co-operation and Development) countries have REITs in place[5].

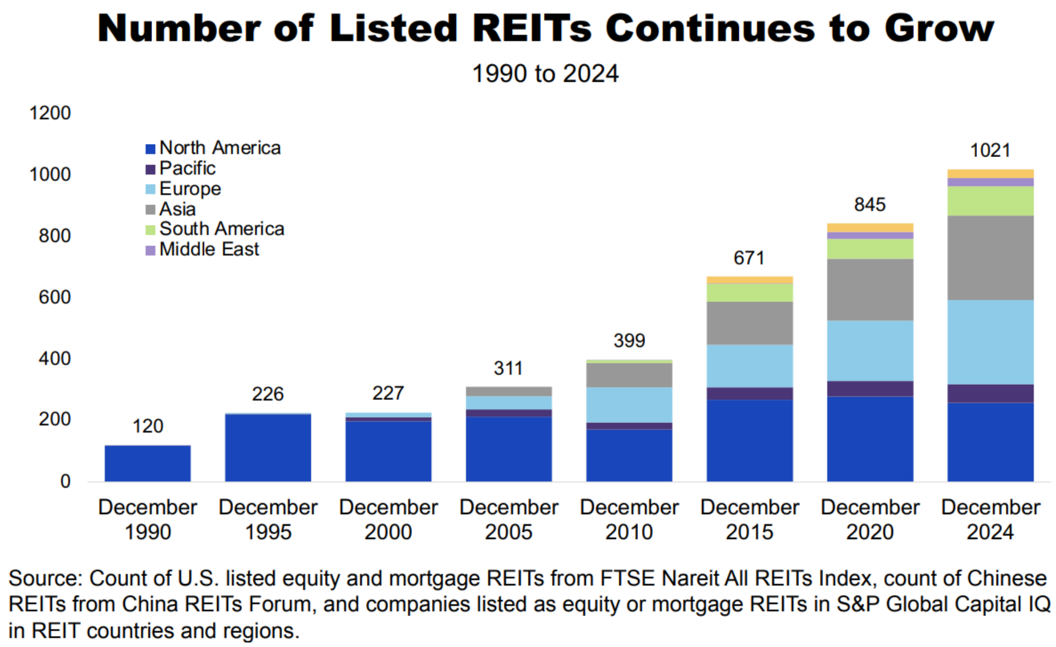
REITs Around the World

Countries and regions with REITs



[5] Nareit's Report on 'Global REIT Approach to Real Estate Investing - 2025' (https://www.reit.com/sites/default/files/2025-05/2025_Global_REIT_Brochure.pdf)

1.4.8. Along with the enactment of REIT legislation, the number of listed REITs is also increasing at a rapid pace. From 227 in December 2000, the number of listed REITs grew to 1021 in December 2024 and commanded a combined market capitalisation of over USD 2 Trillion as of December 2024.



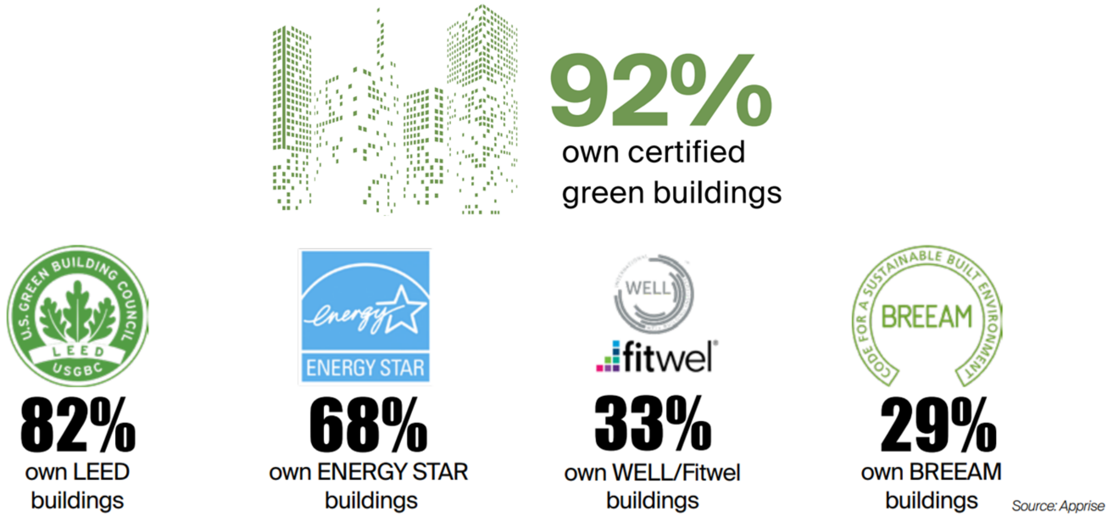
1.5. Greening of REITs: Merging Sustainability with Real Estate Investment

1.5.1. In line with the inclination of investors, particularly institutional investors, towards the sustainability-oriented investment products, REITs have also witnessed this evolution, aligning financial objectives with environmental sustainability. More and more REITs have now started focusing on environmentally sustainable real estate assets and practices, incorporating Environmental, Social, and Governance (ESG) criteria into their operations.

1.5.2. While regulatory frameworks to define what a 'Green REIT' is and what could be its potential scope of activities is not found to be a popular phenomenon in most of the prominent jurisdictions, it is the market forces and the investor expectations that are found to be driving this evolution. In order to strengthen their green credentials, REITs incorporate Environmental, Social and Governance (ESG) criteria into their operations. Aiming to foster sustainable practices, REITs invest in properties that meet specific green building standards and certifications, promoting energy efficiency, reduced carbon footprints, and overall sustainability.

1.5.3. By seeking to qualify their properties against specific environmental standards and certifications, such as U.S. Green Building Council (USGBC)'s LEED (Leadership in Energy and Environmental Design), U.S. Environmental Protection Agency (EPA)'s Energy Star, Building Research Establishment (BRE Global)'s BREEAM (Building Research Establishment Environmental Assessment Method), International WELL Building Institute (IWBI) WELL Building Standard, Center for Active Design (CfAD) Fitwel etc., REITs endeavor to enhance their green credentials and attract environmentally conscious investors.

1.5.4. As of 2024, the following statistics have been noted[6]:



1.6. India REIT/InvIT Adoption

1.6.1. In India, the capital market regulator, SEBI, created the regulatory frameworks for REITs and InvITs in 2014. Further, in the Union Budget for FY 2014-15, the Hon'ble Finance Minister announced the tax regime for REITs and InvITs, which provided a tax pass-through status to these vehicles.

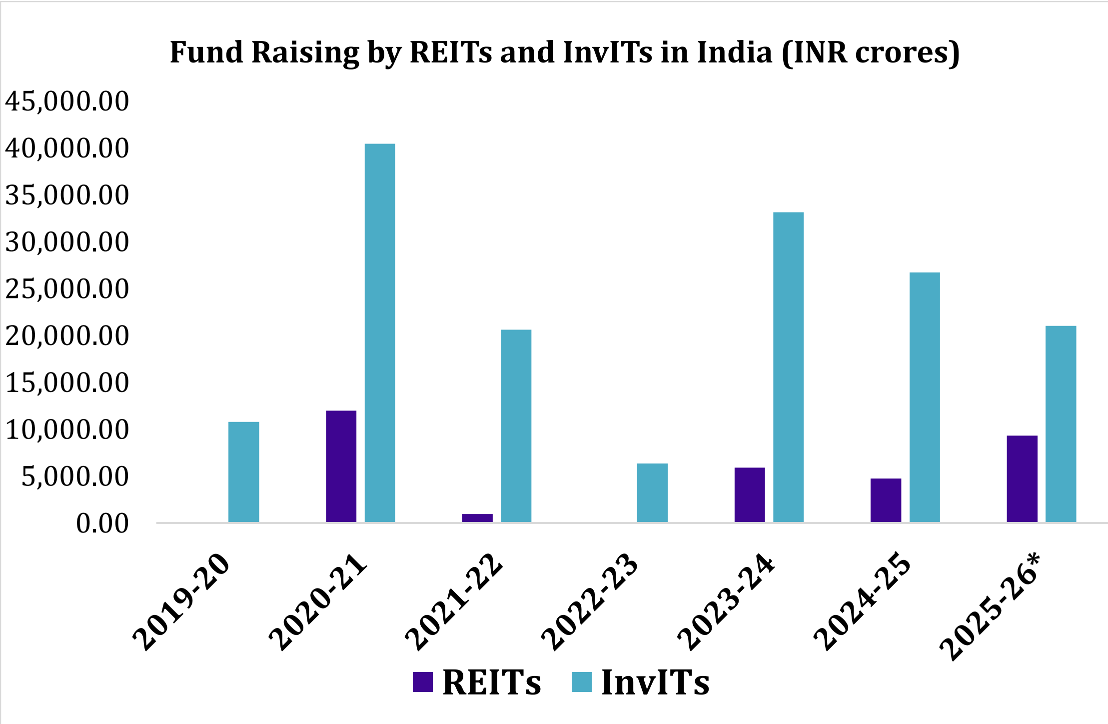
1.6.2. While globally pooling of capital for investments in real estate, infrastructure and related assets is undertaken under the common banner of REIT, considering the special focus that emerging economies, such as India, require for the infrastructure development, which faces unique challenges and deserve a

[6] REIT Industry Sustainability Report 2025

dedicated treatment, SEBI opted to create a dedicated legislation focusing solely on the infrastructure.

1.6.3. SEBI regulations facilitated the launch of first InvIT in 2017, followed by the first REIT in India in 2019. This paved the way for more real estate and infrastructure development companies with sizeable portfolios of income-generating properties to establish their own REITs and InvITs, significantly boosting investor confidence in these sectors.

1.6.4. While India has been a late adopter of REITs and InvITs, these investment vehicles have mobilised a massive ₹1.95 lakh crore up to May 2026, since 2019-20 (including funds raised through public issue, private placement, preferential issue, institutional placement, rights issue). As per data published on SEBI website, REITs and InvITs in India have raised INR 30,325.66 crore in FY 2025 – 2026, which is demonstrative of the rising demand for such investment opportunities. Further, in order to bring in institutional participation in this market, SEBI has permitted Mutual Funds and FPIs to invest in the units of REITs and InvITs. Similarly, banks, insurance companies, provident funds and pension funds in India have also been permitted to invest in these securities, allowing REITs and InvITs to attract investments from these large pools of capital.



Source: https://www.sebi.gov.in/statistics/reits-invits/funds-raised-reits-invits.html

1.6.5. SEBI has progressively reduced the minimum investment size and trading lot, enabling greater retail participation in these instruments. To further develop this space, the market regulator notified regulations for small and medium REITs[7] on March 8, 2024. This is expected to facilitate pooled investment in a wider range of real estate assets as a regulated financial product, thereby facilitating further growth of REITs in India.

1.6.6. **Equity Reclassification**: A major regulatory shift occurred in FY 2025-26 when SEBI reclassified REITs as equity instruments with effect from January 01, 2026 (while keeping InvITs as hybrid). This move was designed to increase liquidity and allow for greater participation from domestic Mutual Funds and Specialized Investment Funds.

1.6.7. Further, several reforms brought by the Government in these sectors, such as notification of Real Estate (Regulation and Development) Act, 2016, which led to institution of Real Estate Regulatory Authority; launch of National Monetisation Pipeline under Union Budget 2021-22, which provides a clear roadmap for monetization of infrastructure assets to tap private sector investment, and many more, have further aided in inspiring trust in these sectors, making them more lucrative for private investments by domestic and global investors.

1.6.8. The growing acceptance of REITs and InvITs may be understood from the fact that in the Union Budget 2026-27, Hon'ble Finance Minister announced a major push to accelerate asset monetisation by proposing the creation of dedicated REITs for Central Public Sector Enterprises (CPSEs).

1.7. Foreign Investment Routes in Indian Real Estate and Infrastructure Sector

1.7.1. The Indian real estate sector has seen a gradual opening up of foreign investment over the years, with key policy changes and regulatory reforms that have made the market more attractive for international investors. This process began with the liberalization of rules to allow Non-Resident Indians (NRIs) to invest in the real

[7] SEBI (Real Estate Investment Trusts) (Amendment) Regulations, 2024

estate sector, followed by more significant reforms that paved the way for greater foreign direct investment (FDI) in the industry.

1.7.2. The gradual easing of restrictions on foreign investment in real estate has been driven by the recognition that international capital, expertise and best practices can help modernize the sector, improve transparency and governance, and meet the growing demand for housing, commercial spaces and infrastructure across the country. This has been a deliberate policy shift, with the government introducing a series of reforms to create a more conducive environment for foreign investors in the real estate market.

1.7.3. The following is a brief overview of the extant routes for receiving foreign investments in Indian infrastructure and real estate sectors:

1.7.3.1 **Foreign Direct Investment (FDI)**: While initially governed under the Press Note No. 2 (2005)[8] issued by the Department of Industrial Policy and Promotion (DIPP), at present the foreign direct investments in real estate and infrastructure are permitted under FDI Policy (DPIIT) and FEM (NDI) Rules, 2019.

1.7.3.2 **Non-Resident Investors**: REITs and InvITs listed on Indian stock exchanges and regulated by SEBI can attract foreign investments from foreign investors. It is notable that the extant of foreign investment in the corpus of REITs and InvITs is not a factor in determining if downstream investments are foreign[9]. FPIs registered with SEBI are also permitted to invest in listed debt securities of REITs and InvITs[10].

1.7.3.3 **External Commercial Borrowings**: Companies can raise funds through ECBs for infrastructure sector and real estate projects, subject to RBI guidelines.

[8] https://dpiit.gov.in/sites/default/files/pn2_2005_0.pdf

[9] https://rbi.org.in/scripts/BS_FemaNotifications.aspx?Id=10130

[10] https://rbidocs.rbi.org.in/rdocs/content/pdfs/APDIR120_AN.pdf

1.8. Establishing GIFT IFSC as a Preferred Gateway

1.8.1 GIFT City is India's first operational greenfield smart city which also houses India's maiden International Financial Services Centre (IFSC). Regulated by a unified regulator, International Financial Services Centres Authority (IFSCA), under the IFSCA Act, 2019.

1.8.2 GIFT IFSC has been envisioned to bring to Indian shores all those India-centric financial products and services which have over the years migrated to offshore financial centres and to become the predominant gateway for foreign capital into India and the region. Due to its globally benchmarked regulatory regime, competitive taxation treatment, best-in-class infrastructure and policies that foster ease of doing business, GIFT IFSC is rapidly emerging as an attractive destination for international financial service providers.

CHAPTER – II: CONSTITUTION OF THE EXPERT COMMITTEE

2.1 Constitution of an Expert Committee on REITs and InvITs in IFSC

2.1.1 The Hon'ble Prime Minister of India in his vision for GIFT City has stated that:

> *"GIFT City is an important gateway to connect India with global opportunities. When you integrate with GIFT City, you will integrate with the whole world."*
>
> ***Hon'ble Prime Minister of India** on July 29, 2022*

2.1.2 In its endeavour to aid in the achievement of the strategic vision of *Viksit Bharat @ 2047* (Developed India by 2047), IFSCA intends to connect the grand opportunity of flourishing Indian infrastructure and real estate sectors with the global investors such as pension funds, sovereign wealth funds, insurance companies and others. Further, IFSC is also well-positioned to attract greater investments from the Indian diaspora. As the ambitious vision of "*Viksit Bharat*" requires massive investments in all sectors of Indian economy, particularly infrastructure, GIFT IFSC can play a pivotal role in bridging the funding gap through steady and sustained influx of patient capital from global investors.

2.1.3 The structures such as REITs and InvITs are set to play an important role in monetizing the real estate and infrastructure projects, respectively, and attracting investments from several classes of investors including foreign investors. Looking ahead, the global landscape for REITs and InvITs is poised for further expansion driven by urbanization, technological advancements, and increasing investor demand for alternative assets. Regulatory reforms and innovations in financial markets are expected to enhance transparency, liquidity, and investor protections, fostering continued growth and diversification in these sectors.

2.1.4 To capitalize this promising opportunity, IFSCA has formed an Expert Committee to suggest a roadmap for developing a robust REIT and InvIT ecosystem within GIFT IFSC. The committee consists of members with extensive expertise across regulatory policy formulation, real estate and infrastructure industries, investment banking, financial services, legal and consulting.

2.1.5 The following are the members of the Expert Committee on REITs and InvITs in IFSC ("Expert Committee"):

Sr. No.	Details of Committee Member	Capacity
1	**Mr. Ananta Barua** Former Whole Time Member, SEBI	Chairperson
2	**Mr. Bhairav Dalal** Partner, PriceWaterhouse & Co LLP	Member
3	**Mr. Bobby Parikh** Managing Partner, Bobby Parikh Associates	Member
4	**Mr. Kranti Mohan** Partner (Head – REITs & InvITs), Cyril Amarchand Mangaldas	Member
5	**Ms. Lakha Nair** Managing Director, Axis Capital Limited	Member
6	**Mr. Maadhav Poddar** Partner, EY India	Member
7	**Mr. Mathew George** CFO, National Highways Infra Trust	Member
8	**Ms. Pratichi Mishra** Partner, S&R Associates	Member
9	**Ms. Preeti Chheda** CFO, K Raheja Corp Investment Managers LLP	Member
10	**Mr. Raghwendra Pande** Co-Head Investment Banking, ICICI Securities Ltd.	Member
11	**Mr. Rajeev Mukhija** CGM-CFO, India Infrastructure Finance Company Limited	Member
12	**Mr. Samarth Jagnani** Managing Director, Global Capital Markets, Morgan Stanley	Member

13	**Mr. Sanjeev Dasgupta** Non-Executive Non-Independent Director, CapitaLand India Trust	Member
14	**Mr. Shailendra Sabhnani** Managing Director, Brookfield Asset Management	Member
15	**Mr. Siddharth Nawal** Managing Director, Blackstone Advisors India Pvt. Ltd.	Member
16	**Mr. Tushar Kawedia** Group CFO, IRB Infrastructure Developers Limited	Member
17	**Mr. V. Balasubramaniam** MD and CEO, NSE International Exchange	Member
18	**Mr. Aditya Sarda** Deputy General Manager, IFSCA	Member Secretary

2.2 Terms of Reference

2.2.1 The Terms of Reference (ToR) of the Expert Committee are as under:

1) *To provide recommendations on policy measures to facilitate the development of REITs and InvITs in GIFT IFSC*

2) *To study the global best practices for Business Trusts and make recommendations for GIFT IFSC*

3) *To make recommendations for amendments in the various legal, taxation and regulatory frameworks for setting up of REITs and InvITs in GIFT IFSC*

4) *To make recommendations for listing of foreign currency denominated securities issued by Indian REITs and InvITs on the stock exchanges in GIFT IFSC*

5) *To make recommendations on enabling the regulatory framework for Micro, Small and Medium REITs in GIFT IFSC*

6) *To make suggestions for promoting innovation in REITs and InvITs at GIFT IFSC*

7) *To suggest a roadmap for establishing GIFT IFSC as a preferred gateway for financing real estate and infrastructure projects of India and the region*

8) *Any other matter related to REITs and InvITs*

2.3 Process Followed

2.3.1 The Expert Committee initiated discussions by holding its first meeting on January 31, 2024. Committee members engaged in comprehensive deliberations on various facets of REITs and InvITs, and offered valuable insights to enhance their appeal and competitiveness within the GIFT IFSC. These included benchmarking with global best practices, expanding the scope of permissible assets to include those in India and other jurisdictions, and exploring the possibility of direct or dual listing of existing Indian REITs and InvITs on IFSC exchanges. The committee also considered introducing depository receipts for Indian REITs and InvITs, offering private placement options, and revising the regulatory framework to align with international standards.

2.3.2 Other key suggestions focused on addressing liquidity challenges in the secondary market and facilitating capital raising through various innovative products such as Green REITs, Micro, Small and Medium REITs, and Mortgage REITs.

2.3.3 To effectively address these diverse areas, the Expert Committee decided to form two sub-committees:

1) Products, Legal, Taxation and Regulatory Matters

2) Benchmarking with Global Best Practices

2.3.4 This structured approach by the Expert Committee aimed to address both immediate concerns and long-term growth strategies while ensuring alignment with global standards. The sub-committees held deliberations on various areas under their purview and provided their recommendations for consideration of the Committee.

2.3.5 Expert Committee's recommendations, detailed in the later part of this report, intend to provide a path forward for the GIFT IFSC to emerge as a preferred platform for REITs and InvITs.

CHAPTER – III: ROLE OF GIFT IFSC

3.1 Established to rival global financial hubs like London, Dubai, and Singapore, GIFT IFSC is India's bridge to the global financial world. By consolidating international financial activities and offering a world-class business environment, it empowers businesses to connect seamlessly with both domestic and international markets. With its strategic location, state-of-the-art infrastructure, and investor-friendly policies, GIFT IFSC is a compelling destination for global businesses seeking to expand their operations and capitalize on India's growth potential.

3.2 The above advantages combined with the globally benchmarked regulatory framework prescribed by IFSCA for fund management activities under the IFSCA (Fund Management) Regulations, 2022, which has been subsequently reviewed and restated under IFSCA (Fund Management) Regulations, 2025, have led to the creation of a thriving fund management industry in IFSC. In a short span of time, the industry has rapidly grown to 217 Fund Management Entities (FMEs) which have set up 360 investment schemes under which cumulative commitments of USD 39.08 Bn have been raised and cumulative investments of USD 19.66 Bn have been made, as on March 31, 2026. The growth of the fund management industry in IFSC is a testimony of GIFT IFSC's position as a cost-effective and efficient destination for global businesses.

3.3 Regulatory Framework for Investment Trusts under the IFSCA (Fund Management) Regulations, 2025

3.3.1. The IFSCA (Fund Management) Regulations, 2025 provide a comprehensive framework for fund management entities (FMEs) operating in the IFSC. Within this framework, **Investment Trusts** are governed as a specific category of pooled investment vehicles under the broader regulatory architecture.

3.3.2. The provisions relating specifically to Investment Trusts are primarily contained in **Chapter VI – Part B (Investment Trust)** and **Chapter VII (Listing)**, the roles and responsibilities of various parties to an Investment Trust are detailed in Fourt

Schedule to the regulations, while the general provisions related to the registration of FME are covered under **Chapter II** of the regulations.

3.3.3. Unlike the asset-specific regime under SEBI (REITs) Regulations, 2014 and SEBI (InvITs) Regulations, 2014, the IFSCA framework provides a **unified regulatory treatment**.

3.3.4. Investment Trusts under the IFSCA framework are constituted as trusts, which act as the pooled investment vehicle that raises funds from investors through issuance of units and holds interests in underlying assets. The overall framework typically involves four principal entities:

3.3.4.1. **Sponsor**: The entity which sets up the investment trust and is designated as such at the time of the application. Such sponsor needs to–

i. Have net worth / net assets of USD 15 Mn, in case of an InvIT

ii. Have net worth / net assets of USD 3 Mn on standalone basis and USD 15 Mn collectively with all sponsors, in case of a REIT.

iii. Have a sound track record in development of real estate or infrastructure or fund management in the infrastructure / real estate sector by itself or through its associate(s).

iv. Holds or proposes to hold at least 5% of the number of units in the Investment Trust on post-initial offer basis.

v. Holds along with the sponsor group(s) together not less than twenty per cent. (20%) of the total units of the Investment Trust after initial offer of units, on a post-issue basis for a period of not less than 3 years from the date of the listing of such units.

3.3.4.2. **Trustee**: A fiduciary entity responsible for holding the assets of the trust in trust for the benefit of unit holders and overseeing compliance with the regulatory framework and trust deed.

3.3.4.3. **Investment Manager**: A Fund Management Entity registered under these regulations which manages assets and investments of the Investment Trust and undertakes activities of the Investment Trust. The Investment Manager needs to be registered with the IFSCA as a Registered FME (Retail) if the units of the Investment Trust are intended to be issued to the public, and / or as a Registered FME (Non-Retail) if the units of the Investment Trust are intended to be privately placed. The regulations place substantive responsibility on the Investment Manager, including ensuring that all activities of the Investment Trust are conducted in compliance with applicable provisions. This allocation of responsibility is consistent with global practices and mirrors the structure under SEBI REIT and InvIT Regulations. The Investment Manager is the primary operational and accountable entity, which, inter alia, is responsible for:

i. Investment decisions and asset management

ii. Operational management of the trust

iii. Regulatory compliance

iv. Disclosures to investors and the Authority

3.3.4.4. **Project Manager**: In case of InvITs, the regulations provide for appointment of a project manager which is responsible for achieving the execution and management of the project. In case of PPP projects, the entity which is responsible for execution and achievement of project milestones in accordance with the concession agreement or any other relevant project document is considered to be the project manager.

3.3.5. Permissible Investments and Asset Holding Structures

3.3.5.1. **Investment Universe:** The IFSCA regulations allow flexibility to the Investment Trusts to invest in India, IFSC as well as foreign jurisdictions (FATF compliant countries). This provides a wider investment universe to the IFSC investment trusts in comparison to that permitted SEBI REIT and InvIT Regulations, which are primarily intended towards the Indian assets.

3.3.5.2. **Nature of permissible assets:** IFSCA regulations are less prescriptive in terms of the nature of assets permitted under the Investment Trusts. The definition of 'real estate' is not hardcoded within the regulations, as well as the definition of 'infrastructure' is not linked to the Harmonised Master List of Infrastructure sub-sectors, in recognition of the likely foreign investments by these vehicles in IFSC. This also gives rise to the opportunity of creating REITs and InvITs on such new age unconventional assets, such as dark stores, data centres, etc., which may otherwise not find recognition under the conventional frameworks.

3.3.5.3. **Asset holding structures:** IFSCA regulations provide for holding of the assets directly by the investment trust, through a SPV and through a Holding Company (HoldCo). Between these options, Investment Trusts have the complete operational flexibility in designing an asset holding structure which best suits their requirements and preference of the Investment Manager.

3.3.6. Fund Raising and Listing Framework

3.3.6.1. **Offer and Listing:** Investment Trusts may issue their units through:

i. **Public Offer (Listed on Stock Exchange)**: No restriction on number of investors and minimum investment amount per investor.

ii. **Private placement (Listed on Stock Exchange)**: Not more than 1000 investors with each investor either investing at least USD 150,000 or qualifies as an Accredited Investor.

iii. **Private placement (Without Listing on Stock Exchange)**: Not more than 50 investors with each investor either investing at least USD 250,000 or qualifies as an Accredited Investor.

3.3.7. Distribution Policy

3.3.7.1. **Regular Distributions**: In line with the global best practices, the IFSCA regulations require an Investment Trust to distribute at least 90% of the of net distributable cash flows. For a publicly offered Investment Trust, such distributions are required to be made at least every once every six months.

3.3.7.2. **Sale Proceeds from an asset**: Such proceeds are required to be distributed by the Investment Trust to the investors, unless the Investment Manager proposes to reinvest the same within a period of 1 year.

3.3.8. Listing and Cross-Listing

3.3.8.1. IFSCA regulations allow the Investment Trusts registered with the IFSCA to list on the IFSC exchanges, except if such an Investment Trust is privately placed and opts to have its units unlisted. Further, regulation 114 of these regulations also enable cross-listing of Investment Trusts from India (outside IFSC) and foreign jurisdictions, by whatever name called, on the IFSC exchanges.

3.3.8.2. The provision for cross-listing under the IFSCA regulations offers the option to SEBI registered REITs/InvITs to provide an alternative trading venue to the foreign investors and may also attract additional foreign participation by giving them access to dollar denominated units under a relatively liberal regulatory regime.

3.3.9. Borrowings and deferred payments

3.3.9.1. For an Investment Trust listed on a stock exchange, the aggregate consolidated borrowings and deferred payments of the Investment Trust, Holdco and the SPV(s), net of cash and cash equivalents shall not exceed:

i. 70% of the value of the InvIT assets; or

ii. 49% of the value of the REIT assets.

3.3.9.2. For an Investment Trust listed on a stock exchange, if the aggregate borrowings and deferred payments of the Investment Trust, HoldCo and SPVs, net of cash and cash equivalents, exceeds 25% of the value of its assets, for any further borrowing up to 49%, the Investment Trust is required to obtain credit rating and approval of unitholder, and for any further borrowing by an InvIT up to 70%, it shall obtain a credit rating equivalent to 'AAA', utilize the same only for acquisition or development of infrastructure projects, have a track record of at least six distributions and obtain prior approval of unitholders.

3.3.9.3. An Investment Trust whose units are not listed on a recognised stock exchange may undertake borrowing to the extent permitted under the trust deed, after seeking approval from such number of investors as specified in the trust deed

3.4 As the Committee is entrusted with the mandate to suggest a roadmap for establishing IFSC as a preferred gateway for financing real estate and infrastructure projects of India and the region, deliberations were held to identify viable business cases for IFSC REITs and InvITs, as the future growth of these investment vehicles in IFSC is dependent on the genuine business needs that they can address. Considering the wide canvass of financial products and services that IFSC entities are permitted to undertake and the unique benefits that IFSC offers, the Committee narrowed down to the following 3 areas where IFSC REITs/InvITs are envisaged to play a critical role:

3.5 Channeling global capital to Indian Real Estate & Infrastructure Sectors (India focused REITs & InvITs)

3.5.1. As IFSC, while an independent financial jurisdiction, is often clubbed with India and draws its significance in the global arena from the heft that India enjoys being a major fast-growing economy with a massive youthful demography and undergoing a rapid expansion of its real estate and infrastructure sectors.

Therefore, the first business case for IFSC REITs/InvITs naturally turns out to be a landing point for global capital into Indian assets.

3.5.2. Under the able oversight of domestic capital market regulator, SEBI, India already has a thriving REIT/InvIT ecosystem, which have been successful in mobilizing large amount of capital. As on May 31, 2026, there are 6 REITs, 6 SM-REITs and 28 InvITs registered with SEBI which have collectively mobilized INR 1.95 lakh crore (including funds raised through public issue, private placement, preferential issue, institutional placement, rights issue) from domestic and foreign investors. While these REITs and InvITs have been quite successful in channeling domestic capital to the real estate and infrastructure sectors, GIFT IFSC can build the bridge for foreign investors to participate in these sectors in India. The unitholding data of 23 listed InvITs demonstrates low levels of direct foreign participation in public holding (excluding sponsor holding) of InvITs, as demonstrated in **Annexure-I**. It is observed that 11 InvITs have foreign participation (including from NRIs) in the range of 0% – 5%. This also includes National Highways Infra Trust (NHIT) which has 0.06% direct foreign participation. The direct foreign participation in public holding of REITs fares better in comparison, as observed from the unitholding data of 5 REITs, which demonstrates a medium participation in the range of 0.7% to 42.8% with 1 REIT under 0% - 5% and 2 REITs under 20% (**Annexure-II**).

3.5.3. The limited international engagement in domestic InvITs and REITs presents an opportunity for GIFT IFSC to bridge this gap by attracting global capital into India. The global investment community has demonstrated increasing interest in diversifying portfolios through REITs, particularly in emerging markets with strong growth potential, and Committee is of the view that a globally benchmarked regulatory regime combined with an efficient tax regime for REITs/InvITs in GIFT IFSC can bring a transformative change in the investment landscape for Indian infrastructure and real estate sectors.

3.5.4. While SEBI regulated REITs and InvITs are already in place to provide exposure to the Indian real estate and infrastructure assets to domestic and global investors, due to certain additional advantages, as illustrated below, GIFT IFSC can become a significant additional platform for international and NRI investments into the Indian real estate and infrastructure sectors:

3.5.4.1. **Reduced Currency Risk**: Irrespective of the currency of the jurisdiction where the assets reside, units of investment trusts in IFSC will be denominated in one of the freely convertible foreign currencies specified by IFSCA. Although the underlying investments by the IFSC REITs/InvITs is likely to be in the currency of the jurisdiction where the asset is located, the manager of the REIT/InvIT, having visibility of the cashflows of the underlying assets and skills in creating hedged positions, will be in a better position than the investors to enter into the hedging transactions to mitigate the currency risks and bring about efficiency of hedging operations, thereby, leading to enhancement / predictability of return.

3.5.4.2. **Tax Advantages**: Units of investment trusts traded on IFSC stock exchanges are exempt from capital gains tax, subject to certain conditions. This reduces the effective rate of taxation for the investors and leads to the achievement of better returns by them.

3.5.4.3. **Simplified Onboarding Process**: As an international financial centre, the investor onboarding process in IFSCA regulated entities is simplified to a great extent, with efforts being made to bring further improvement. The recent initiative of the IFSCA to enable KYC Registration Agency (KRA) and video-based KYC for Indian diaspora from certain countries are steps in this direction.

3.5.4.4. **Access to Global Capital & Global Assets**: The IFSC platform unlocks the opportunity to tap a vast pool of global capital and allows management of global assets. These features along with the globally benchmarked regulatory regime brings a compelling opportunity for the asset managers to plan their global REITs in GIFT IFSC.

3.5.4.5. **Multiple ways of raising funds**: The regulations allow flexibility to FMEs to raise funds either by public issuance of units or by private placement (with and without listing), providing them with wider options to raise capital and cater to the demands of investors of different profiles.

3.5.4.6. **Diversified Capital Raising**: Multiple avenues exist for raising capital:

i. **Primary Listing**: Access to a broader international investor base, globally benchmarked regulations, flexibility and scalability of operations.

ii. **Secondary / Cross Listing**: Existing REITs and InvITs from other jurisdictions can gain access to a much larger global capital pool, including offshore NRIs / OCIs.

iii. **Depository Receipts**: DRs of units of existing REITs and InvITs from other jurisdictions can be listed on stock exchanges in IFSC to attract investments from a wider audience.

3.5.4.7. **Presence of a Unified Regulator**: One of the unique benefits of GIFT IFSC is the presence of a single regulatory authority, i.e., IFSCA, for all the sectors of financial markets. This helps market participants in getting a speedy resolution to such issues which have bearing across multiple financial sectors.

3.5.4.8. Therefore, the Committee is of the view that GIFT IFSC is uniquely positioned to bridge the gap between global capital and investment opportunities in Indian real estate and infrastructure sectors. This additional influx of capital will not only stimulate economic growth of the country but also enhance India's global financial reputation.

3.6 Platform for unlocking capital from multi-jurisdiction portfolio of assets (Mixed REITs & InvITs)

3.6.1. As the regulator of Indian capital markets, SEBI allows its REITs and InvITs to acquire and hold only Indian assets. While this condition allows these vehicles to be singularly focused on unlocking capital from Indian assets, there is an opportunity for the IFSC REITs/InvITs to allow developers / asset owners who have a multi-jurisdictional portfolio of assets.

3.6.2. For example, a company with a chain of hotels in India as well as in many other countries (likely with less advanced capital markets) would find it difficult to launch a REIT / InvIT in India on its entire portfolio of assets. The alternative available to this company is to either create multiple REITs / InvITs (1 for their Indian assets and another REIT or several other REITs for its overseas assets) or create a REIT / InvIT in an international financial centre, such as Singapore, where there is no restriction on ownership of foreign assets by REITs or business trusts.

3.6.3. As GIFT IFSC is envisaged to bring to Indian shores the opportunities available to market participants in foreign jurisdictions, it can serve as the Indian platform for mixed REITs / InvITs. This will allow asset owners in India to unlock the capital from their multi-jurisdiction portfolio of assets and will provide investors with the flexibility to diversify across geographies. Investors will be able to gain exposure to India and several other jurisdictions, ranging from matured markets, such as the US, Europe, etc., to high-growth jurisdictions, such as South-Asian countries, Middle Eastern countries, etc. This provides investment diversification to investors and helps mitigate risks associated with investing in a single market. This balanced approach can offer a more stable and potentially rewarding investment opportunity.

3.6.4. Furthermore, mixed REITs represent product innovation within the real estate investment sector. They can be structured to include varied asset classes, such as residential real estate, commercial spaces, warehouses, data centers, dark stores, and industrial properties, spread across various jurisdictions. This broader range of investments can appeal to a wider investor base with diverse risk appetites and investment goals.

3.7 Platform for investments in global portfolio of assets (Global REITs & InvITs)

3.7.1. Regulated channel for foreign real estate investments by Indians

3.7.1.1. Indians' love for real estate is well-documented. Prior to the recent phenomenon of financialization of savings, real estate used to be the single biggest asset owned by majority of Indian households. With rising level of prosperity and increasing mobility in international markets for work, education, leisure, etc., Indians are now increasingly looking beyond borders and emerging as significant buyers of foreign real estate. This trend could be driven by factors such as portfolio diversification, seeking higher returns, and hedging against domestic market fluctuations. According to a report[11], 32% of India's Ultra-High-Net-Worth Individuals' (UHNWIs) wealth is allocated to residential real estate, with nearly 14% of their residential portfolio held outside India. Popular destinations attracting Indian investors include Dubai, renowned for its luxury properties and favorable tax regime; the United Kingdom, particularly London, which offers high-return potential; and countries like Australia, Canada, and various European nations, which are rapidly gaining traction.

3.7.1.2. Under RBI's Liberalised Remittance Scheme (LRS), individuals, including minors, are allowed to remit up to USD 250,000 per financial year to foreign jurisdictions for different purposes, including purchase of real estate. The rising trend of purchase of foreign real estate by Indians raises issues of transparency and disclosures to the authorities. Further, forex that leaves Indian shores for these transactions largely becomes out of sight of Indian regulatory and tax authorities.

3.7.1.3. In order to address the issue of non-transparency while also catering to the genuine appetite of Indian investors for foreign real estate exposure, REITs in IFSC are well-positioned to provide a regulated platform to Indian and global investors to obtain exposure to foreign real estate

[11] "The Wealth Report 2025" by Knight Frank

assets. Further, this channel also provides liquidity to their portfolio while allowing them to invest in any denomination of their choice, instead of being forced to commit a large part of their total portfolio to such illiquid foreign assets.

3.7.1.4. As REITs in IFSC are regulated by IFSCA, an Indian regulatory authority, this will also address the issue of non-disclosure and non-compliance while ensuring an audit trail of the forex remitted from India for these investments.

3.7.2. Regional hub for fund raising by real estate & infrastructure developers

3.7.2.1. Many emerging economies in regions like South Asia and Africa currently lack well-developed regulatory frameworks for REITs or lack the sophistication in real estate or infrastructure sectors required for global capital. While large institutional investors have the wherewithal to navigate these challenges and create / acquire assets in these jurisdictions, the complex landscape makes it infeasible for retail / non-institutional investors to get an exposure to these countries. GIFT IFSC presents an opportunity for the asset owners in these markets to raise capital through REITs/InvITs in GIFT IFSC, wherein due to the structured and well-regulated processes, adequate disclosures and governance, retail and non-institutional investors shall also be able to invest in these jurisdictions.

3.7.2.2. By offering a robust and internationally recognized platform, GIFT IFSC can attract investment from a diverse range of sources. This includes not only global investors seeking international real estate exposure, but also domestic institutional investors within India looking to diversify their portfolios. Additionally, High Net-worth Individuals (HNIs) and even retail investors are permitted to participate in these investment trusts, democratizing access to international real estate investment opportunities and broadening the investor base.

3.7.2.3. Looking at the example of Singapore, where 90% of REITs and Property Trusts own properties outside Singapore, and a number of REITs exclusively hold foreign real estate assets as part of their portfolio, the potential of GIFT IFSC to act as a regional hub for real estate and infrastructure fund raising becomes even more compelling.

3.8 Enabling Regulatory Norms

3.8.1. In view of the above, it is clear that GIFT IFSC presents a compelling opportunity for the growth and development of infrastructure and real estate sectors in India and beyond. These vehicles have the potential to aid in attracting a wider pool of global capital to India and empower Indian developers to access global markets, ultimately accelerating India's economic growth and realization of the vision of Viksit Bharat @ 2047.

3.8.2. To realize this potential, the Committee looked at the foundational building blocks which are required to be in place, primarily by addressing inter-regulatory and taxation issues. While the IFSCA regulations provide the necessary regulatory blueprint and further evolution of the same is bound to happen as new complexities emerge with time, as the assets for India-focused REITs/InvITs will be governed by several Indian laws, some tweaks in them are deemed essential in appreciation of the unique circumstances of IFSC REITs and InvITs.

3.8.3. Accordingly, in the following chapters, the Committee studied various international best practices, discussed the inter-regulatory issues and recommends various policy measures in order to establish GIFT IFSC as a preferred destination for REITs/InvITs markets.

CHAPTER – IV: INTERNATIONAL BEST PRACTICES

4.1 Studying the international best practices for REITs and InvITs is essential for IFSC to benchmark its regulatory frameworks, improve risk management and governance practices, and strengthen investor confidence.

4.2 Accordingly, the summarized structures of few of the major jurisdictions in the REIT sector are provided in this section of the report:

4.3 United States of America

4.3.1 The US Congress created the Real Estate Investment Trust (US-REIT) in 1960 to make large-scale, income-producing real estate investments accessible to smaller investors. Congress reasoned that the average investor should be able to invest in large-scale commercial properties just as if it were any other kind of investment, that is, through the purchase of equity.

4.3.2 US houses 165 REITs and covers approximately 70.75% of the Global REIT Index[12], making it the largest contributor to the Global REIT Index and one of the top countries having successful REIT structures investing within and outside US (subject to certain limits under the regulations).

4.3.3 A US REIT can have any form of a legal US entity which is taxable as a domestic corporation. Several other critical requirements and ongoing obligations that a company must meet to operate as a REIT in the US are as follows:

4.3.3.1 It must primarily invest in real estate assets and derive income from such investments.

4.3.3.2 It must distribute at least 90% of its taxable income to shareholders annually in the form of dividends.

[12] As per EPRA Global REIT Survey 2025

4.3.3.3 At least 75% of its gross income must come from real estate-related sources.

4.3.3.4 At least 75% of its assets must be real estate assets, cash, or government securities.

4.3.3.5 File annual information returns with the IRS in the prescribed form, disclosing its financial operations and ensuring compliance with REIT tax rules.

4.3.3.6 Adhere to SEC reporting requirements if the REIT is publicly traded, which includes filing annual and quarterly reports, disclosing financial information, and providing updates on material developments to investors.

4.4 Japan

4.4.1. REIT framework in Japan was introduced in the year 2000. The Japanese laws provide for two different types of investment vehicles: 'Investment Trusts' and 'Investment Corporations'.

4.4.2. So far, all Japan REITs have been formed as Investment Corporations, and not as Trusts. The Japanese Law adopts an external management structure for REITs, whereby the relevant Investment Corporation is required to outsource management by entering into contracts with a registered Asset Management Company, Asset Custodian and General Administrator.

4.4.3. Japan houses 57 REITs and covers approximately 5.78% of the Global REIT Index13. REITs in Japan have the flexibility to invest within Japan and internationally within regulatory limits and strategic objectives.

4.4.4. The Asset Management Company must be registered as an Investment Manager under the Japanese Laws The requirements for the registration include a minimum paid-in-capital/ net assets of JPY 50 million and having sufficiently

[13] As per EPRA Global REIT Survey 2025

experienced personnel, most notably including a compliance officer and a chief investment officer. Once the registration is completed, the registered AMC can incorporate a REIT as a promoter of the Investment Corporation.

4.4.5. The minimum share capital requirement for the Japan REIT is JPY 100 million.

4.4.6. There are no shareholder (unitholder) requirements under the Japanese laws. However, for the REIT to deduct distributed dividends under the Japanese Laws, certain specific shareholder conditions must be met.

4.4.7. Several other critical requirements and ongoing obligations that an Investment Corporation must meet to operate as a REIT in Japan are as follows:

4.5.4.3. At least 70% of the J-REIT's investment assets must be invested in or expected to be invested in real estate assets, including (i) real estate, (ii) leasehold rights in real estate, (iii) surface rights, (iv) easement, and (v) trust beneficiary interests of trusts owning real estate assets; provided that the J-REIT submits prior to approval to its listing certain documents such as copies of the sale and purchase agreements under which the J-REIT would acquire real estate assets;

4.5.4.4. At least 95% of the REIT's total assets must be invested in real estate assets, assets relating to real estate assets (e.g., an interest in partnerships or shares in an Investment Corporation, which owns more than 50% of its assets in real estate assets), cash and cash equivalents;

4.5.4.5. Net assets and total assets must exceed JPY 1 billion and JPY 5 billion, respectively; and

4.5.4.6. Minimum free-float requirements (at the time of the initial listing):

- The number of outstanding shares should be 4,000 shares or more;
- The total number of shares held by the 'ten largest REIT shareholders' should be 75% or less of the total outstanding shares; and

- The number of shareholders other than the 'ten largest REIT shareholders' should be 1,000 or more.

4.5 United Kingdom

4.5.1 REITs were introduced in the UK with effect from January 01, 2007. On the said date, nine companies elected to become REITs – a number that grew significantly within the first year of the regime. Since then, the numbers have continued to increase.

4.5.2 The recent changes, which took effect in April 2023, included certain relaxations to the REIT conditions. In particular, for the accounting period beginning on or after April 01, 2022, not all REITs are required to be listed.

4.5.3 UK houses 40 REITs and covers approximately 4.35% of the Global REIT Index[14].

4.5.4 In order to become a UK REIT, a group of companies has to confirm that the parent company:

4.5.4.1. Is a UK resident and not a resident elsewhere;

4.5.4.2. Has shares that are admitted to trading on a recognised stock exchange;

4.5.4.3. In addition, has shares that meet the definition of 'listed' on the London Stock Exchange (or foreign equivalent main market exchange) or are traded on a recognised stock exchange (does not apply for the first three years);

4.5.4.4. Only has shares that are either ordinary shares (of which there can only be one class) or non-voting restricted preference shares;

4.5.4.5. Has no performance-related loans; and

4.5.4.6. Will produce financial statements.

[14] As per EPRA Global REIT Survey 2025

4.5.5 The relaxation of the listing requirements is available in certain circumstances.

4.5.6 The parent company of a UK REIT must be a (non-open-ended) company that meets the listing requirements under the UK laws. However, there is no requirement as to where it is incorporated. It must be a tax resident in the UK and must not be a tax resident in another country. Subsidiary entities can be tax-residents outside the UK.

4.5.7 Further, there are no specific requirements regarding share capital, and the normal listing requirements in respect of share capital in relation to the stock exchange on which the shares are listed are applicable. For example, a UK company that lists on the London Stock Exchange must have a share capital of at least GBP 50,000 and a market capitalization of GBP 30 million.

4.5.8 Several other critical requirements and ongoing obligations which must be met to operate as a REIT in the UK are as follows:

4.5.8.1 At least 75% of a REIT's net profits must be derived from the property rental business (measured using financial statements)

4.5.8.2 At least 75% of a REIT's assets must be used in the property rental business (measured using financial statements)

4.5.8.3 The REIT must hold at least three separate property assets (subject to relaxation in certain circumstances where there is a single property with a value of at least £20m)

4.5.8.4 No one property asset may exceed 40% of the total assets (subject to relaxation in certain circumstances where there is a single property with a value of at least £20m)

4.5.8.5 A UK REIT may invest in assets based in UK or other jurisdictions.

4.5.8.6 90% of the (tax-exempt) income from the property rental business must typically be distributed within 12 months of the end of the accounting period (however, profit from the residual business income does not have to be distributed).

4.5.8.7 Where a REIT invests in another REIT, 100% of the dividends received by the investing REIT must be distributed within 12 months of the end of the accounting period.

4.6 Singapore

4.6.1 The REIT regime in Singapore is principally regulated by the Securities and Futures Act 2001, the Code on Collective Investment Schemes (the 'Code') issued by the Monetary Authority of Singapore (MAS). The first Singapore REIT was listed on Singapore Exchange in July 2002.

4.6.2 Singapore houses 31 REITs and covers approximately 2.88% of the Global REIT Index[15].

4.6.3 A Singapore REIT must be constituted as a trust. The REITs are typically managed externally, although it is not prohibited for a REIT to be internally managed. For listing on Singapore Exchange, a REIT, if it is denominated in SGD, must have a minimum asset size of at least SGD 300 million. While listing is not mandatory for a Singapore REIT, it becomes necessary for the various tax concessions. For both Singapore Dollar-denominated REITs and foreign currency-denominated REITs listed on Singapore Exchange, at least 25% of its capital must be held by at least 500 public unitholders. No distinction is made between resident and non-resident unitholders regarding ownership. There are no restrictions on foreign unitholders.

4.6.4 Some of the restrictions on activities/ investments of a Singapore REIT are as follows:

4.6.4.1 At least 75% of the REIT's deposited property should be invested in income-producing real estate.

[15] As per EPRA Global REIT Survey 2025

4.6.4.2 No property development activities or investment in unlisted property development companies are allowed unless the REIT intends to hold the developed property upon completion.

4.6.4.3 Investments in property development activities and uncompleted property development (local and foreign) must not exceed 10% of its deposited property; this limit can be increased up to 25%, subject to the REIT meeting certain conditions.

4.6.4.4 Investments in permissible investments (except for deposits placed with eligible financial institutions and investments in high-quality money-market instruments or debt securities) must not exceed 5% of its deposited property in any one issuer's securities or any one manager's funds.

4.6.4.5 Should not derive more than 10% of its revenue from sources other than rental payments from tenants of the real estate held by the REIT or interest, dividends, other similar payments from SPV and other permissible investments of the REIT.

4.6.5 The aforesaid jurisdictions are understood to be the key jurisdictions in the REIT sector and the largest contributors to the Global REIT Index.

CHAPTER – V: INNOVATION IN REITs & INVITs IN GIFT IFSC

5.1 As an international financial centre having the advantage of a unified regulator, the regulatory frameworks in GIFT IFSC are intended to be benchmarked with the global jurisdictions and typically permit a higher threshold for innovation and operational flexibility by adopting principle-based approach. This results in the creation of innovative products, which may provide exposure to non-conventional asset classes and act as a powerful asset diversification tool for investors.

5.2 In the above backdrop, the Committee looked at the various innovative products globally available within the REITs industry, with the primary focus on such products that may aid the Indian real estate and infrastructure industries. As the REITs/InvITs regulations in SEBI and IFSCA already provide for setting up of a trust that holds real estate or infrastructure assets, the Committee endeavoured to study and recommend such products which may address to another set of challenges typically faced by the real estate and infrastructure sectors.

5.3 As the primary source of financing for real estate in India continues to be bank / NBFC lending, many of which are saddled with disproportionately high exposure to this sector, the Committee found Mortgage REITs to be an alternative which may alleviate the challenge faced by these institutions. In other words, the way a REIT (also referred to as "equity REIT" in this chapter) unlocks the capital invested by a developer in real estate projects and in that process creates a pool of investors looking for such exposure, Mortgage REITs allow unlocking of the capital that Banks/NBFCs have lent to the buyers in these projects and bring in investors that have an appetite to take exposure to such debt. In this way, together the equity REITs and Mortgage REITs may act as a powerful combination to unlock the capital at multiple levels in the value chain and allow reploughing of the same in other projects creating a virtuous cycle, while simultaneously creating new investment opportunities for investors.

5.4 The analysis of the international landscape of Mortgage REITs and recommendations of the Committee to permit the same within IFSC is presented in the subsequent paragraphs of this chapter.

5.5 Mortgage REITs

5.5.1 Mortgage REITs ("**mREITs**") are a type of REITs that focus on providing financing for real estate by purchasing or originating mortgages and mortgage-backed securities (MBS) and earning income from the interest on these investments. mREITs fund such investments with a combination of equity, debt and other instruments, with the objective to earn a profit from their net interest margin (spread between its income from mortgage assets and its funding costs). The investments of the mREITs are secured by the real estate assets which are provided as collateral against the loans.

5.5.2 While equity REITs invest in physical assets earning income from rentals or gains from change in value of property, mREITs invest in mortgages or MBS and earn interest income or capital gains from secondary market activity in such securities. mREITs, hence operate more like fixed income managers actively managing their exposure as per the changing market conditions. Applicable risks, spreads, underlying market size and investor motivations also vary substantially between these two types of REITs. Ancillary and third-party services utilised by these REITs are also different, with mREITs typically not requiring property management services, instead needing the services of capital market service providers like credit rating agencies. The differential nature of mREITs, thus, require specialised regulatory treatment as compared to other investment vehicles.

5.5.3 mREITs largely act as a bridge for the real estate industry - connecting the capital markets with the fixed income/ debt markets - lending liquidity thereto and reducing the cost of funds for real estate projects. Since mREITs are continuing pools of capital, they may afford to make longer term investments, while investors in listed mREITs may still be able to exit their positions using the secondary market based on their liquidity needs or investment objectives.

5.5.4 Due to the nature of their operations, mREITs are exposed to risks related to the real estate markets as well as the fixed income investment such as credit, interest rate, rollover and prepayment risks. Further, they often leverage their capital to amplify returns, which can magnify risks during periods of market volatility or rising interest rates.

5.5.5 **Importance of Mortgage REITs**

5.5.5.1 **Real Estate Financing**: Mortgage REITs provide liquidity and financing to the real estate market, particularly in the residential and commercial sectors. They play a crucial role in making capital available for property purchases and development.

5.5.5.2 **Income Generation**: For investors, Mortgage REITs offer relatively high dividend yields compared to other types of debt investments. This income can be particularly attractive in lower interest rate environments.

5.5.5.3 **Diversification**: Investing in Mortgage REITs can provide diversification within a portfolio, as their performance may not be highly correlated with other asset classes such as stocks. Compared with equity, although mREITs do not generally offer as high a return, they offer more stable cashflows to the investors.

5.5.5.4 **Investment in mezzanine tranches of securitisation transactions**: One very important area where mREITs are expected to make a difference is by enabling investment in mezzanine tranches of securitisation transactions. With investors in securitisation transactions largely focused on AAA grade instruments, currently there is very little mezzanine capital in securitisation transactions, resulting in very high levels of originator credit risk retention. This results in excessive risk and rewards at the originator level, not only frustrating the basic purpose of securitisation, but also demotivating the originator-level institutions of the securitisation transaction. Supply of mezzanine capital will hopefully bring down levels of originator risk retention, thereby making securitisation transactions more effective from regulatory capital relief perspective and also reduce the weighted average cost of the transaction.

5.5.5.5 **Return on investment and Diversification**: mREITs have the potential to offer a more attractive rate of return in comparison to bank deposits. Further, owing to their exposure to real estate related loans, there comparison with deposits of housing finance companies is also expected. While the return profile of mREITs may not be significantly in deviation from that offered on their deposits by housing finance companies, the latter forces an exposure to a single company, while through units of mREITs the investor is able to invest in a diversified portfolio.

5.5.5.6 **Development of Indian securitization industry**: As mREITs primarily invest in the MBS, they lead to the development of securitization industry. A thriving securitization market followed by listing of MBS securities will help in efficient and lower cost fund-raising, make MBS more investable, liberalize the mortgage industry and infuse fresh capital. Considering that India's MBS issuance is a minuscule percentage of the overall mortgages originated, there is an immense opportunity of development of the MBS market and mREITs, as an active participant in the mREITs transactions, have the potential to catalyse this space.

5.6 International Parallels of mREITs

5.6.1 **United States of America**: The US is a major market for mREITs, where they are widely available and regulated under the Securities and Exchange Commission (SEC) guidelines and listed on US stock exchanges. Many Mortgage REITs in the US specialize in residential or commercial mortgages, offering various levels of risk and return profiles. The securities of mREITs are widely held by institutional and retail investors, consistent with the underlying purpose of the 1960 U.S. law that established REITs, which is to provide the investing public access to a class of securities which, in their absence, would likely be available to only large institutional investors. mREITs enable investors to diversify their investment portfolios with real estate and mortgage-related assets that provide income and can help reduce volatility of the portfolio by improving diversification of holdings. mREITs in the US are one of the few business models outside of commercial banks and Government-Sponsored Enterprises[16] (GSEs) that can raise equity capital for lending to residential or commercial real estate. The equity capital raised by mREITs from 2009 through 2020 helped recapitalize the mortgage market following the Great Financial Crisis (GFC), and also strengthen mREITs' financial position as a source of mortgage. The infusion of liquidity by mREITs occurred at a time when banks and other financial institutions were on path to reduce their real estate financing exposures. This provided an alternative mode of financing to the industry. Both commercial and residential as well as hybrid variety of mREITs are found in the US. mREITs in the US are also involved in direct mortgage originations. US mREITs used to rely on leverage to a significant extent to enhance returns, post the GFC, however, mREITs have placed larger reliance on equity markets enhancing their ability to absorb market shocks.

5.6.2 **Australia**: In Australia, mREITs, known as Mortgage Trusts or Mortgage Funds, are also prevalent. These funds typically pool investor capital to provide financing for residential and commercial mortgages. Australian laws subsume REITs under the existing Trust legislations and do not confer any special rights or restrictions on REITs. REITs use the MIT (Managed Investment Trust - A trust structure in Australia) regime to obtain concessions on withholding tax. It must be a registered MIS (Managed Investment Scheme - A type of collective investment scheme in Australia) under the Corporations Act 2001 or an unregistered MIS that satisfies a wholesale test ("wholesale trust") as well as meet licensing requirements.

5.6.3 **United Kingdom**: The UK has a market for Mortgage REITs, although they may not be as widespread as in the U.S. or Australia. Real estate investment trusts in the UK can include mortgage-backed securities as part of their investment portfolios. In UK, mREITs are regulated under following key legislations: (a) Finance Act, 2006 (Part 4 - REITs); (b) REITs Regulations, 2006 (SI 2006/2866);

[16] There are 2 GSEs active in the mortgage market in USA - Federal National Mortgage Association (also known as "Fannie Mae") and Federal Home Loan Mortgage Corporation (also known as "Freddie Mac")

(c) Companies Act, 2006; (d) Financial Services and Markets Act, 2000 (FSMA); and (e) UK Corporate Governance Code.

5.6.4 **Canada**: Mortgage REITs are available in Canada, providing investors with opportunities to invest in mortgages secured by residential or commercial properties. These REITs operate within the framework of Canadian securities regulations. In Canada, mREITs are regulated under following key legislations: (a) Income Tax Act; (b) Canada Business Corporations Act; (c) Securities Act; and (d) National Instrument 51-102 (Continuous Disclosure Obligations).

5.7 Present Regulatory Landscape for Mortgages in India and Potential of Securitization

5.7.1 Mortgage origination in India is largely restricted to the banks and housing finance companies (HFCs) which are regulated by the Reserve Bank of India (RBI). The regulatory framework for mortgage origination by these institutions is largely based on the following pillars:

5.7.1.1 **Capital Adequacy Norms**: Both HFCs and banks must maintain minimum capital adequacy ratios as mandated by the RBI, ensuring that these institutions can withstand market volatility and economic downturns.

5.7.1.2 **Loan-to-Value (LTV) Ratios**: RBI guidelines stipulate maximum permissible LTV ratios, capping the amount lenders can extend against property value. This helps mitigate risks associated with over-leveraging and reduces the likelihood of loan defaults.

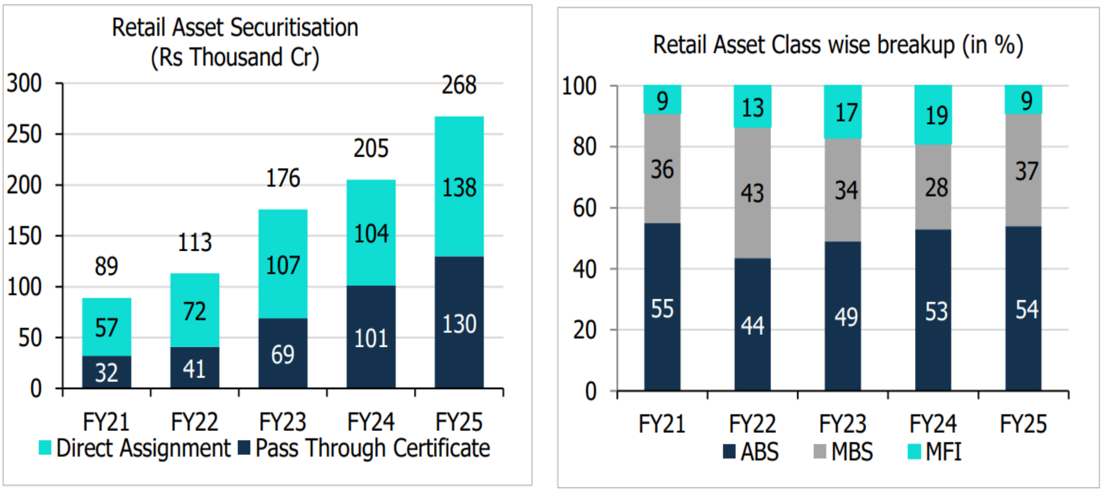
5.7.1.3 **Asset Classification and Provisioning Norms**: To safeguard financial stability, the RBI mandates classification standards for performing and non-performing assets, along with provisioning requirements. These norms ensure that lenders proactively address bad loans and maintain adequate reserves.

5.7.1.4 **Consumer Protection**: The Consumer Protection Act, along with various RBI guidelines, mandates fair practices in lending, including transparent interest rates, fair processing fees, and proper disclosures to consumers. The Ombudsman Scheme for Non-Banking Financial Companies and banks also addresses grievances related to housing finance.

5.7.2 The banks in India are now facing the unique problem of growth of credit outstripping the growth of deposits. Housing loans / mortgages, which are the largest constituent of the personal loan segment, accelerated by 11.6% to INR 29.35 lakh crore as on March 31, 2025 as against Rs 26.31 lakh crore a year ago. Similarly, the demand for bank credit from other heads have put banks into a tough spot to improve their credit-deposit ratios, a measure of how much of an institution's deposits are being lent out. Due to this, banks have to resort to selling off their retail loan portfolios[17] through pass-through certificates (PTCs) or direct assignment.

5.7.3 As per the CareEdge Ratings report of April 8, 2025[18], retail asset securitization reached a new all-time high of INR 2.68 lakh crore in FY 2025, marking a robust 39% growth YoY. Of this total volume, Mortgage-Backed Securitization (MBS) significantly increased its footprint, accounting for approximately 37% of the market.

Retail Securitisation Volumes and Asset Class-wise Breakup



Source: CareEdge Ratings

17 Economic Times report of July 2024
18 CareEdge Ratings report

5.7.4 In comparison to the above, the US has undertaken securitization issuance of mortgage securities of approx. US$1.89 Trillion in 2025[19]. Therefore, India has a long way to reach its full potential in securitization of mortgages. The Committee is of the belief that mREITs in IFSC will be a step in the right direction on this journey.

5.8 Recommendation

5.8.1 Mortgage REITs are significant players in the real estate investment landscape, providing alternative financing avenue to the stakeholders in the real estate industry and opportunities of income generation and diversification for investors. Their availability and prominence vary by country, depending on local market conditions, regulatory frameworks, and investor demand for income-oriented investments. Accordingly, IFSCA may consider framing appropriate regulatory framework to introduce Mortgage REITs. As a debt-based investment product, IFSCA may consider incorporating adequate safeguards, such as the requirements for minimum holding period, seasoning of assets, portfolio diversification, prudential norms, etc., in drafting of the regulatory framework for the mREITs. Further, the Committee felt that IFSCA, being a unified regulator, will have competent jurisdiction to introduce mREITs in IFSC. Such a framework may be subsumed under Chapter VI of the IFSCA FM Regulations.

5.8.2 Further, the successful introduction of mREITs in IFSC would also be dependent on the policy alignment by RBI and the Government of India to create a seamless experience and a tax-efficient channel for foreign investors to participate in the mREITs in IFSC, which may in turn bring global capital to unlock the capital of banks and HFCs in India.

5.9 Other Areas of Committee's Discussions

5.9.1 In view of the terms of reference that the Committee is entrusted with, deliberations were also held regarding some other type of innovative structures within the overall REIT/InvIT space. However, in these discussions, the guiding

[19] SIFMA website (https://www.sifma.org/research/statistics/us-mortgage-backed-securities-statistics)

principle of the Committee was to prioritize practical utility of such structures and their additional contribution to India's needs for capital. Accordingly, the discussions of the Committee in the following areas and the recommendations thereon are as follows:

I. Small and Medium REITs

5.9.1.1 The Committee examined SEBI's regulatory initiative introducing Small and Medium REITs (SM REITs) and discussed the potential applicability of this framework within the IFSC ecosystem. SEBI's primary objective in launching SM REITs was to bring the real estate fractionalization platforms, which have been rapidly growing across India, into the regulatory framework. These platforms enable fractional ownership of real estate assets, an innovative yet largely unregulated investment avenue, which SM REITs aim to formalize and oversee. So far, 6 SM REITs have obtained registration from SEBI[20].

5.9.1.2 In the context of GIFT IFSC, an international financial centre with a mandate to innovate fund-raising mechanisms and investment avenues, several experiments are already underway with creative financial instruments, including infrastructure financing, startup funding, and asset-backed securities. One notable initiative is the creation of a regulatory sandbox that facilitates controlled experimentation with novel financial products. For example, under this sandbox framework, one entity has successfully raised funds for a real estate project using tokenization process that converts units of a Restricted Scheme (AIF) into digital tokens for investment purposes.

5.9.1.3 Moreover, the IFSCA (Fund Management) Regulations, 2025 provide flexibility for Restricted Schemes, akin to Alternative Investment Funds (AIFs) under SEBI's regulations, to allocate a portion of their corpus into physical assets. This regulatory allowance reflects the forward-looking

[20] SEBI Website

approach of IFSCA, enabling it to accommodate diverse investment vehicles while ensuring market integrity.

5.9.1.4 Furthermore, IFSCA is also working on developing a regulatory framework for tokenization of assets, within which, under the Sandbox framework, a FME has already successfully tokenised a building in IFSC and offered the same to the investors through distributed ledger technology / blockchain.

5.9.1.5 Given these developments, the Committee recommends that IFSCA monitor progress of SM REITs in the domestic market over the next 2-3 years to evaluate its success and challenges. Simultaneously, drawing insights from the sandbox experiment, market feedback and the evolving needs of the industry, IFSCA can make an informed decision about whether to introduce a framework similar to SM REITs. Such a measured approach will ensure that any new regulatory initiative aligns with genuine market demand while reinforcing GIFT IFSC's position as a hub for financial innovation and international investment.

II. Green REITs

5.9.1.6 Globally, REITs are increasingly shifting toward greener portfolios, as evidenced by the environmental credentials / sustainability certification of their portfolios. Many commercial properties within REIT portfolios house globally reputed companies that prioritize sustainability as part of their operational mandates. These tenants and lessees are often driven by their corporate sustainability goals, which align with broader environmental, social, and governance (ESG) standards. By developing and maintaining green portfolios, REITs can attract and retain such high-value tenants, thus enhancing their marketability and financial stability. At the same time, institutional investors—many of whom are bound by their internal sustainability mandates—find these REITs particularly appealing, as they align with their investment philosophies and regulatory requirements / expectations. In essence, the greening of REIT portfolios is not just an environmentally responsible move, it also makes strong economic sense. This trend and its implications are already elaborated in the section on "Greening of REITs" under Chapter I of this report, wherein the rising trend of REITs' portfolios becoming greener over the years is also depicted.

5.9.1.7 Interestingly, this global trend has predominantly been market-driven, with little to no involvement from regulatory authorities to define what qualifies a REIT as "green." Investors and analysts have largely been the arbiters of this classification, evaluating REITs based on their adherence to green principles and asset profiles. The Committee echoed this sentiment, agreeing that the responsibility for assessing a REIT's green credentials should rest with investors and analysts, such as ESG Rating Service Provider, rather than requiring certification from regulators.

5.9.1.8 However, in the context of REITs and InvITs that operate within the IFSC, it becomes critical to ensure that claims of being "green" are authentic and verifiable. To uphold the credibility of the jurisdiction and prevent the risk of "*greenwashing*", where entities falsely market themselves as environmentally friendly, there is a need for a guiding framework. The Committee recommends that while IFSCA should not certify REITs/InvITs as green, it may consider notifying a set of principles to validate such claims. This would provide a safeguard for investors and uphold the integrity of the green finance ecosystem in the IFSC.

5.9.1.9 In this regard, the Committee took note of the Circular issued by IFSCA on Principles to Mitigate the Risk of Greenwashing in ESG-Labeled Debt Securities in the IFSC. It is recommended that a similar approach be extended to REITs and InvITs in IFSC which claim to be 'green', ensuring that they adhere to clearly defined principles. This proactive step would not only enhance investor confidence but also position the IFSC as a credible and progressive hub for sustainable financial instruments.

III. Other Innovative Products

5.9.1.10 In addition to the above, the Committee discussed the feasibility of other innovative products, such as Stapled REITs / InvITs, which may enable IFSC in offering a wider range of products to the developers, fund managers and investors. A Stapled REIT/InvIT combines the unit of an investment trust with the share of its management entity into a single trader security. The Committee recommends that such products may be considered by IFSCA in the subsequent phases of development of the REIT and InvIT ecosystem. At the current stage, priority may be accorded to resolving inter-regulatory and taxation issues, since the legal and commercial viability of REITs and InvITs in the IFSC is contingent upon the resolution of these matters.

IV. Listing of Securities of Indian REITs / InvITs on IFSC Exchanges

5.9.1.11 One of the effective strategies to immediately kickstart the REIT/InvIT ecosystem in the IFSC is by enabling the listing of securities from established Indian REITs and InvITs on the international stock exchanges in IFSC. This approach was unanimously endorsed by the Committee, which includes representatives from prominent Indian REITs and InvITs, as it offers a practical and efficient pathway for developing a robust REIT/InvIT ecosystem in GIFT IFSC.

5.9.1.12 This proposal also stands out for its mutually beneficial nature. For domestic REITs and InvITs, listing in GIFT IFSC provides an unparalleled opportunity to attract a global audience and tap into a new investor base, elevating their visibility and showcasing their value proposition on an international stage. Simultaneously, GIFT IFSC gains a significant advantage by launching its REIT/InvIT journey through a well-established foundation. This is likely to create a "demonstration effect" within the global REIT landscape, highlighting the viability of GIFT IFSC as a competitive alternative for these structures.

5.9.1.13 The Committee deliberated on many ways in which Indian REITs/InvITs can list their securities on IFSC exchanges, as enumerated below:

a. Listing of their depositary receipts on IFSC stock exchanges
b. Dual/ Secondary listing on IFSC stock exchanges
c. Listing of debt securities issued by REITs/InvITs on IFSC exchanges

5.9.1.14 The first 2 of these alternatives require enablement for such issuance by SEBI as the principal regulator of domestic REITs and InvITs. While IFSCA (Listing) Regulations, 2024 already provide for listing of units of a trust and IFSCA (Fund Management) Regulations, 2025 enable cross-listing of Indian and foreign REITs/InvITs on the IFSC exchanges, SEBI Regulations need to provide a mechanism for such listing by its regulated REITs and InvITs in IFSC exchanges. As informed by IFSCA officials, an inter-regulatory dialogue on these matters is under process with SEBI in this regard.

5.9.1.15 The third alternative entails investments by non-resident investors in debt securities issued by SEBI-registered REITs / InvITs and listed on IFSC exchanges. This is governed by the External Commercial Borrowing ('ECB') framework of the Reserve Bank of India. RBI, vide the Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026[21], has liberalised the ECB regime to accommodate the changing requirements of foreign capital for Indian businesses. Under the amended framework, any non-individual resident entity incorporated or registered under a Central or State Act is now an eligible borrower. Consequently, SEBI-registered REITs and InvITs may raise ECB from IFSC, subject to compliance with these norms.

5.9.1.16 Even prior to these comprehensive amendments, the SPVs, holding company, sponsor or management entities of Indian REITs and InvITs were permitted to raise capital by listing debt securities on IFSC exchanges. The Committee learned that some of these entities have

[21] RBI Website

already used this route for raising debt capital through IFSC stock exchanges. With the 2026 amendments, the RBI has further liberalized "end-use" restrictions. Specifically, ECB proceeds can now be utilized for the acquisition of equity in companies where control is being acquired (strategic corporate actions) by 'Indian entities' (as defined under the relevant RBI regulations) and for construction-development projects. This expansion of permissible end-uses enhances the utility of GIFT IFSC-listed notes as a financing tool for SPVs, holding company, sponsor or management entities of REITs and InvITs to fund not only asset maintenance but also asset expansion and inorganic acquisitions.

CHAPTER – VI: POLICY MEASURES (REGULATORY)

6.1 Building upon the insights gleaned from a comprehensive global benchmarking exercise, the Committee undertook a life cycle analysis of REIT/InvIT with various use cases. It was noted that the IFSCA regulations provide the necessary regulatory blueprint and further evolution of the same will happen as new complexities emerge with time. In the medium term, as REITs/InvITs start operating in IFSC, the following amendments to the IFSCA (Fund Management) Regulations, 2025 may be considered:

6.2 Amendments to Provisions of IFSCA (Fund Management) Regulations, 2025:

6.2.1 Following changes are proposed for the IFSCA (Fund Management) Regulations, 2025:

Sr. No.	Recommendation	Rationale
1.	**Inducted Sponsor** Inducted Sponsor meaning any company or LLP or body corporate which has been inducted as a sponsor in accordance with the Regulations.	- This provision will enable any change in the existing sponsor of the trust. As some financial investor or developer who can add significant value to the assets, will have an opportunity to be inducted as sponsor by fulfilling the eligibility criteria and other regulatory requirements prescribed for the sponsor under the IFSCA (Fund Management) Regulations, 2025. - There can be variety of commercial reasons for existing sponsor to exit and new sponsor to enter. Therefore, the concept of 'Inducted Sponsor' is in the interest of the unitholders and to be considered for commercial viability of the trust. - Sponsors, typically experienced real estate professionals, leverage their expertise in

		selecting properties. They can pinpoint high-quality assets in prime locations with strong rental prospects, ultimately benefiting investors over time. - Sponsors can direct the Trust in making strategic acquisitions that align with its investment objectives. This may include diversifying the property portfolio across various sectors or geographic areas, thereby reducing risk and enhancing returns for investors.
2.	**Re-Designated Sponsor** The concept of Re-Designated sponsor, which allows a person to assume the responsibility of the sponsor as provided under the IFSCA REITS framework.	- Re-Designated provision will also enable financial investors or developers who can add significant value to the assets, to have an opportunity to be re-designated as sponsor by fulfilling the eligibility criteria and other regulatory requirements prescribed for the sponsor under the IFSCA (Fund Management) Regulations, 2025. - There can be variety of commercial reasons for re-designated sponsor to assume the responsibilities of the sponsor. Therefore, the concept of 'Re-Designated Sponsor' is in the interest of the unitholders and to be considered for commercial viability of the trust.
3.	**Self-Sponsored Investment Manager** The concept of Self-sponsored Investment Manager to be introduced which means the Manager of a REIT who has dual responsibilities of both the Manager as well as the sponsor.	- In order to provide smooth exit to the existing sponsor and to provide entry to the Investment Manager (subject to certain eligibility requirement and relevant obligations in accordance with IFSCA Regulations), the concept of Self-Sponsored Investment Manager is proposed to be considered. - This measure will allow for the development of mature, independently

	Migrating to a Self-Sponsored Manager, may be subject to the certain conditions, including: (i) the Trust obtains approval of at least 75% (by value) of the unitholders (excluding related parties); and (ii) compliance with the specific requirements as provided under the IFSCA (Fund Management) Regulations, 2025.	managed professional Investment Managers and offer an additional exit strategy for Sponsors, beyond the limited option of changing the Sponsor. - This framework enables Investment Managers to take on responsibilities typically associated with Sponsors.
4.	**Fast Track Rights Issue** In case of a fast-track rights issue, Investment Trust will not be required to file the draft offer document subject to the fulfilment of specified conditions.	- InvITs/REITS inherently are acquisitive structures and to ensure perpetual existence, they will need to periodically acquire assets which will be funded either through further issue of units or debt. Therefore, InvITs and REITs which have established track record should be enabled to raise capital in time and cost-efficient manner. This is similar to well-known seasoned issuer ("**WKSI**") concept under US Securities laws. WKSI is a category of issuer which allows greater flexibility in accessing U.S. public markets. Therefore, this allows an option to raise unit capital in a time efficient manner subject to safeguards such as eligibility requirements. - The is to expedite the rights issue process and allow flexible allotment to specific investors.
5.	**Concept of Subordinate Units** The framework for issuance of subordinate units to the sponsor may be introduced.	- Subordinate units are primarily issued to address valuation differences between the sponsor and the Trust regarding an asset and allows the sponsor to opt for subordinate rights to boost the potential returns to the investors.

		- They are issued to the sponsor based on the valuation gap, which may close if pre-agreed performance benchmarks are met, leading to an increased asset value. This could result in the conversion or reclassification of subordinate units to ordinary units, subject to terms and conditions disclosed in the offer document/placement memorandum. - The subordinate units will only have inferior voting or distribution rights, or both.
6.	**Investor Protection Fund** Any amount remaining unclaimed or unpaid out of the distributions declared by an Investment Trust, shall be transferred to the 'Investor Protection and Education Fund' to be set up by the Authority	- This will boost the trust of the investors and give assurance to the investors that fund will be treated in fair and equitable manner. - An Investor Protection Fund may be established to compensate investors when defaulters' assets are insufficient to cover their admitted claims. The fund may also aim to promote investor education, awareness, and research. - The fund may compensate investors for any shortfall in the defaulters' accounts, up to a maximum limit prescribed by the IFSCA, as per defaulter or expelled member, for claims arising from the expulsion or declaration of default of members.

CHAPTER – VII: INTER-REGULATORY ISSUES

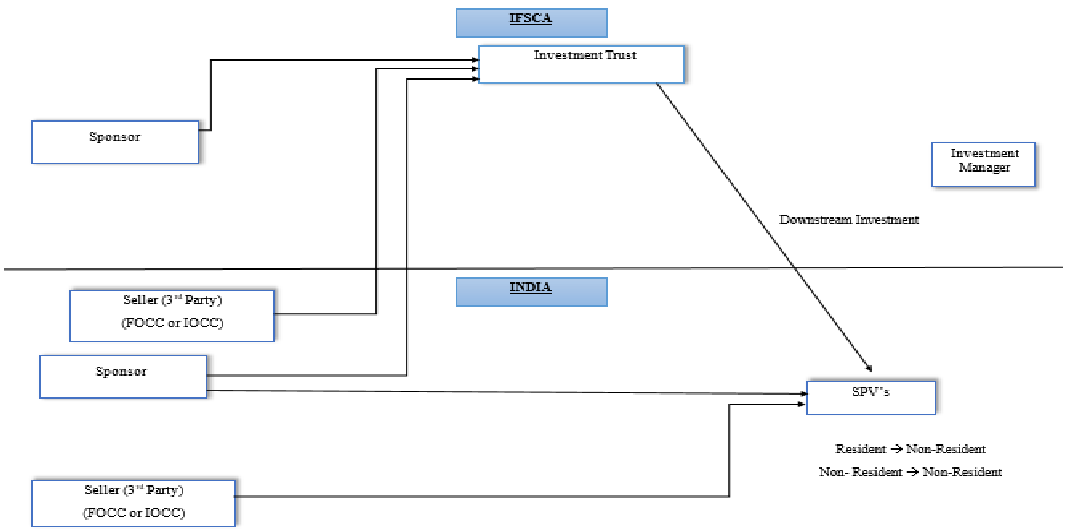
7.1 While the REITs/InvITs in GIFT IFSC are permitted to invest across the globe, the first and the biggest use case for them would be channeling global investments into Indian assets. This is also in line with the vision behind the GIFT IFSC - to act as the gateway for global capital into India. Further, considering the massive capital requirements of India in the infrastructure and real estate sectors in realizing the vision of ***Viksit Bharat @ 2047***, the Committee believes that REITs and InvITs in GIFT IFSC have the potential to bridge the funding gap by leveraging the global capital.

7.2 As the REITs/InvITs in IFSC that invest into India will also be subject to domestic laws, there is a need to address some of these issues in order to enhance the global appeal of IFSC REITs/InvITs. Therefore, based on deliberations within the Committee, the following inter-regulatory issues have been identified:

7.3 Foreign Exchange Management (FEM) related issues

- **FOCC**: A company incorporated in India but owned and controlled by a (Non-Resident) foreign company.

- **IOCC:** A company owned and controlled by resident Indian citizen and/ or Indian companies that are in turn owned and controlled by resident Indian citizen.



7.3.1 Master Direction – Foreign Investment in India (July 24, 2024) and Foreign Exchange Management (Overseas Investment) Rules, 2022 ("OI Rules")

7.3.1.1 Overseas investments by persons resident in India enhance the scale and scope of business operations of Indian entrepreneurs and businesses by providing them with the global opportunities for growth, expansion and investment. These directions provide the framework for overseas investment by persons resident in India, cover wider economic activity and significantly reduce the need for seeking specific approvals.

7.3.1.2 A person resident in India may make overseas investment in the IFSC, including for the purpose of sponsor contribution, in accordance with schedule V of OI Rules. While investments by Indian resident investors into such IFSC-based funds which invest into Indian assets/securities is generally not permitted, the same is permitted, and in fact mandated in most of the cases, for the purpose of sponsor contribution, under the IFSCA (Fund Management) Regulations, 2025. This is considered to be a critical element of investor protection as it ensures that the sponsor also has skin in the game and that its interests are aligned with those of the investors in the fund. Such contribution by the sponsor(s) will be governed under the OI Rules.

7.3.1.3 Further, as sponsor(s) typically bring / flip their assets into the REIT/InvIT and continue to hold a stake in the same, sometimes larger than the minimum regulatorily prescribed level, the provisions of the OI Rules may pose a challenge in such cases.

Particulars	Issues/Details	Proposal	Rationale
Manner of making Overseas Portfolio Investment by an Indian entity.	***<u>OPI by an Indian entity</u>*** • An Indian entity may make OPI which shall not exceed fifty percent of its net worth as on the date of its last audited balance sheet, in the manner and subject to the conditions laid down in the OI Rules. • A listed Indian company may make OPI including by way of reinvestment. • An unlisted Indian entity may make OPI only under clauses (iii), (iv), (v) and (vi) of sub-paragraph (2) of paragraph 1 of Schedule I of OI Rules.	For an Indian person acting as a sponsor to an investment trust in IFSC, an exemption may be provided from the following requirement under Schedule I of the OI rules: • An Indian entity may make OPI which shall not exceed fifty percent of its net worth as on the date of its last audited balance sheet, in the manner and subject to the conditions laid down in the OI Rules.	This limit should not be applicable to sponsor of an investment trust proposed to be set up in IFSC, as sponsors typically flip their assets into the REITs/InvITs and in lieu of the same acquire the units issued by such REITs/InvITs. This will not involve any outflow of forex from India. Investors in REITs/InvITs generally prefer sponsor's skin-in-the-game as that aligns their interests. Further, IFSCA (Fund Management) Regulations, 2025 also require the sponsor to continue holding some units in the investment trust. As there is no outflow of forex from India in such scenario, and, in fact there will be an

			inflow of forex when the sponsor disposes of these units, the limit on OPI at 50% of the net worth may be considered to be exempted for sponsors of investment trusts in IFSC

7.3.1 **Master Direction – Foreign Investment in India**

7.3.2.1 Foreign investment in India is regulated by the Foreign Exchange Management Act, 1999 read with Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 ("NDI Rules") and FDI Policy.

7.3.2.2 The Reserve Bank of India issues directions to Authorised Persons under the FEMA. The Master Direction on Foreign Investment in India lays down the modalities as to how the foreign exchange business has to be conducted by the Authorised Persons with their customers/ constituents with a view to implementing the rules framed.

Particulars	Issues/Details	Proposal	Rationale
Sectoral Cap	While the norms have been substantially liberalised over the years and most of the sectoral restrictions have been rationalised, foreign investments are not permitted in an entity which is engaged or proposes to engage in real estate business,	Investment in the units of a InvIT/REIT in IFSC, which in turn invests into Indian entities, may also be excluded from the definition of real estate business.	For ample clarity as well as parity with SEBI registered REITS and InvITs, the necessary clarification with respect to real estate business is considered to be relevant.

	construction of farmhouses and trading in transferable development rights (TDRs). However, it's further clarified that 'real estate business', inter alia, does not include development of townships, construction of residential/ commercial premises, roads or bridges, educational institutions, recreational facilities, city and regional level infrastructure, townships, and investments in SEBI registered REITS and InvITs.		
Lock-in requirement	In such real estate related avenues where foreign investments are permitted under the NDI Rules, such as Townships, Housing, Built-up Infrastructure, these investments in under-construction projects are subject to, inter alia, a lock-in of 3 years, wherein such period is calculated with reference to each tranche of foreign investment, subject to	The lock-in requirements may be dispensed with for the investments by IFSC REITS and InvITs.	In relation to real estate assets, as there is already a minimum lock-in requirement under the IFSCA (Fund Management) Regulations, 2025, the lock-in requirement of 3 years (calculated with reference to each tranche of foreign investment) to

	certain exceptions, including , inter alia, the investments made by NRI/OCI investors.		repatriate foreign investment may be dispensed with for investment trusts set up in the IFSC.

7.4 Income Tax Act, 2025 (IT Act, 2025) related Issues

7.4.1 While the inter-regulatory measures proposed above are necessary for the regulatory feasibility and seamless investments into India by the REITs / InvITs in IFSC, considering that these investment vehicles are yield-driven products and are globally known to provide a stable rate of return (while retaining some potential for capital appreciation), their commercial success is immensely dependent upon availability of an efficient taxation regime. The Committee noted that, in conjunction to a globally benchmarked regulatory regime, for GIFT IFSC to emerge as a thriving REIT/InvIT market, taxation is expected to be the most critical determinant of fund managers' decision to set up their REITs/InvITs in IFSC.

7.4.2 As matters of taxation typically become a balancing act between a nation's revenue and its developmental priorities, the Committee is mindful of notional loss that exchequer may suffer on account of levying less / no tax to the REITs / InvITs in IFSC to nurture this industry in this budding jurisdiction. However, at this critical juncture in history of India, when the country is striving to become a developed nation, and all the efforts of the Government are aligned to this goal, the importance of world-class infrastructure and availability of decent housing for all appear to be 2 areas where the trade-off between tax revenues and enhanced investments seems justified.

7.4.3 Further, as is noted under Chapter III, the REITs/InvITs in IFSC have the potential to provide the much-desired global capital to the country, the Committee is convinced that a favorable view on the taxation of REITs/InvITs in IFSC will catalyse India's progress towards its goal of being a developed nation.

7.4.4 IFSCA representatives informed the Committee of the general approach that tax authority adopts in evaluating the tax related proposals with respect to the financial activities in IFSC. Considering that GIFT IFSC has been considered to be a foreign jurisdiction so far as the applicability of FEMA is considered, the tax authority aims to offer taxation regime in IFSC which is equally competitive, if not more, that what is available to the market participants engaged in similar activity in foreign jurisdictions. This approach ensures that IFSC is able to compete with the offshore jurisdictions and fulfil its internal motto of '*onshoring the offshore*', i.e., bring to Indian shores such India-focused financial services that have been hitherto availed from foreign shores.

7.4.5 Restricted Schemes in IFSC (akin to Alternative Investment Funds under SEBI's regulatory regime) are a notable success story of this approach. Due to the globally benchmarked regulatory regime of IFSCA and competitive taxation regime accorded by the Government of India, India-focused funds which were previously created in foreign jurisdictions, are now increasingly being created in GIFT IFSC. This has resulted in formation of a thriving ecosystem of fund management activities within the IFSC.

7.4.6 However, with REITs and InvITs, the Committee notes that there is not much to bring onshore. While there are some REITs in foreign jurisdictions which hold Indian assets, these were primarily set up prior to institution of regulatory framework for REITs/InvITs by SEBI. As the tax treatment accorded to SEBI registered REITs/InvITs is superior to that available to a REIT based in foreign jurisdiction for investing in India, the Committee noted that not too many India-focused REITs are found in offshore jurisdictions. Thus, if taxation of IFSC based REITs/InvITs is also brought at parity with what is applicable to foreign REITs investing in India, the Committee apprehends commercial non-viability and, therefore, lack of interest from industry participants to set up these vehicles in IFSC. Therefore, instead of looking at IFSC REITs/InvITs from the perspective of '*onshoring the offshore*', the Committee suggests them to be viewed as an additional conduit for raising global capital for addressing Indian infra and real estate funding needs. This is particularly of importance considering that SEBI registered REITs and InvITs have limited foreign participation as previously also stated in the report. Therefore, for GIFT IFSC to emerge as a viable jurisdiction for REITs/InvITs, instead of tax parity with foreign REITs investing in India, tax parity with SEBI registered REITs/InvITs must be considered.

7.4.7 In view of the above, the Committee recommends the following regarding taxation of REITs and InvITs in IFSC:

7.4.8 Tax treatment for REITs/ InvITs registered with IFSCA

(A) Background

7.4.8.1 Under the current regulatory framework in IFSC, Investment Trusts, i.e., REITs and InvITs, can be set up in IFSC under the IFSCA (Fund Management) Regulations, 2025 [IFSCA registered REITs/InvITs]

7.4.8.2 However, under the existing provisions of the IT Act, 2025, the provisions applicable for 'business trusts' covers only REITs and InvITs which are registered under SEBI regulations and do not recognize REITs and InvITs registered by IFSCA under its regulations. Accordingly, the efficient tax regime provided under the provisions of the IT Act, 2025 to SEBI registered REIT/InvIT are not applicable to IFSCA registered REIT/InvIT.

7.4.8.3 In absence of a dedicated tax treatment similar to the one extended to SEBI registered REITs and InvITs, currently IFSCA registered REITs and InvITs are subjected to the normal tax rates applicable to a trust:

- Income of REITs/InvITs may be subject to trust taxation, potentially up to Maximum Marginal Rate (MMR) (42.74%[22]) in the hands of REITs/InvITs.
- Distribution of income by REITs/InvITs is exempted in the hands of investors.

7.4.8.4 In the absence of any specific tax regime, IFSCA registered REITs / InvITs suffer from higher taxation burden, impacting the commercial viability

[22] Where a REIT/InvIT opts for the old tax regime.

of the REITs / InvIT industry in IFSC. Considering that India requires an enormous amount of capital to fund its ambitious plans for infrastructure, GIFT IFSC can play a pivotal role in attracting the foreign capital.

(B) Recommendation - Tax Parity with SEBI Registered REITs/InvITs

7.4.8.5 Based on extensive consultations with industry experts and stakeholders, for ensuring commercial viability of REITs/InvITs in IFSC, it is recommended to provide parity in tax treatment for IFSCA registered REITs/ InvITs in line with SEBI registered REITs/ InvITs.

7.4.8.6 This parity may be achieved by amending the definition of "Business trust" under section 2(21) of the Income Tax Act to include REIT and InvIT registered with IFSCA under the IFSCA (Fund Management) Regulations, 2025.

Suggested text of amendment to definition of 'business trust' under section 2(21) of the Income Tax Act (underlined text represents recommended text for insertion): "business trust" means a trust registered as, — (i) an Infrastructure Investment Trust under the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 made under the Securities and Exchange Board of India Act, 1992 (15 of 1992) **<u>or under International Financial Services Centres Authority (Fund Management) Regulations, 2025 made under the International Financial Services Centres Authority Act, 2019 (50 of 2019)</u>**; or (ii) a Real Estate Investment Trust under the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014 made under the Securities and Exchange Board of India Act, 1992 (15 of 1992) **<u>or under International Financial Services Centres Authority (Fund Management) Regulations, 2025 made under the</u>**

International Financial Services Centres Authority Act, 2019 (50 of 2019).

7.4.8.7 The Committee felt that the above amendment to the Income Tax Act will automatically bring alignment between REITs/InvITs registered by SEBI and those by IFSCA in all the provisions where 'business trust' has been referred.

(C) Intended Outcome / Benefits:

7.4.8.8 A comparison of the extant tax treatment for REITs/InvITs in IFSC vis-à-vis those in Singapore and India (SEBI registered REITs/InvITs) is provided for reference in **Annexure - III**. Without the parity of taxation with SEBI registered REITs and InvITs, the IFSCA registered REITs and InvITs will not find commercial viability and, therefore, fail in realizing their potential in contributing to the vision of Viksit Bharat.

7.4.9 Tax Treatment of foreign sourced income earned by non-resident investors through IFSCA registered REIT/InvIT

(A) Background

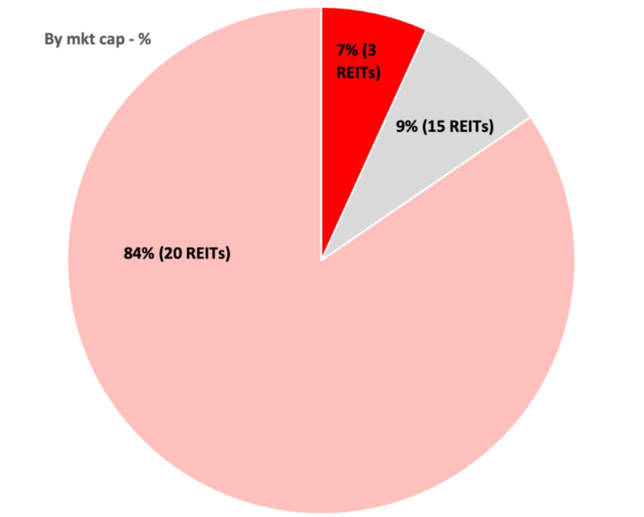
7.4.9.1 Along with the vision behind GIFT IFSC to act as the gateway of foreign capital into India, its positioning as an international financial centre of truly global characteristic would also require it to look beyond. In this context, a reference is drawn to Singapore, one of the leading international financial centres in Asia, which has the largest REIT market in Asia (ex-Japan). There are 39 traded Singapore REITs (S-REITs) and Property Trusts with a total market capitalisation of approximately $100 billion[23] as on December 31, 2025.

[23] REIT Association of Singapore Website

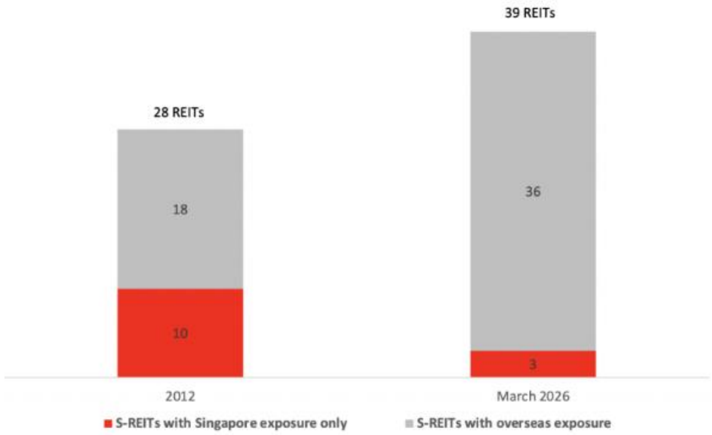
Country	REIT Market Cap. (in USD Bn)	% of Stock Market Cap.
Singapore	**80**	**10.00%**
Australia	124	6.50%
Belgium	25	4.20%
South Africa	19	3.80%
Malaysia	15	3.00%
United Kingdom	70	1.80%
United States	1,245	1.70%
France	60	1.70%
Japan	111	1.40%
Canada	50	1.20%
India	**21**	**0.40%**
South Korea	7	0.30%
Hong Kong	16	0.20%
China	17	0.10%

7.4.9.2 There are 15 S-REITs whose real estate portfolios comprise entirely of overseas properties.

Over 90% of S-REITS own properties outside Singapore



S-REITs have become increasingly global



7.4.9.3 Therefore, in order to facilitate creation of global REITs/InvITs in GIFT IFSC, similar to the structures present in leading international financial centres, the IFSCA (Fund Management) Regulations, 2025 permit an IFSCA registered REIT/InvIT to – (i) pool money from resident as well as non-resident investors, and (ii) make investment in the assets based in IFSC, India as well as foreign jurisdictions.

7.4.9.4 The above is akin to the flexibility accorded to Restricted Schemes (i.e., Alternative Investment Funds (AIFs)) in IFSC to raise global capital and make global investments.

7.4.9.5 Central Board of Direct Taxes (CBDT) vide Circular No.14 of 2019, read with Circular No. 12/2023, has clarified that any income in the hands of non-resident investors from offshore investments routed through a Category I or II AIF in India regulated under SEBI (AIF) Regulations or under IFSCA (Fund Management) Regulations, 2025, being a deemed direct investment outside India by non-resident investor, is not taxable in India under the Income Tax Act.

7.4.9.6 At present, the existing provisions of business trust under the IT Act, 2025, do not provide any specific exemption for income in the hands of non-resident unit holders where distribution to unitholder is made from income earned from offshore investments of REIT/InvIT registered in IFSC. The absence of such provision in Income Tax Act is possibly the result of SEBI's provision on the investments of SEBI registered REITs/InvITs requiring them to invest only in India[24].

(B) <u>Recommendation – Parity with Category I/II AIFs for Tax Treatment of Foreign Income in the hands of Non-Resident Unitholders</u>

7.4.9.7 Drawing a parallel with tax treatment for income in the hands of foreign investors for offshore investments made by Category I/II AIFs under the regulatory regime of SEBI / IFSCA, necessary amendments are recommended under Schedule V (Sl. no 3) of the IT Act, 2025 to provide similar treatment for income of non-resident unitholders from offshore investments undertaken by IFSCA registered REIT / InvIT.

Suggested text of amendment to Schedule V (Sl. no 3) of the Income Tax Act, 2025 (underlined text represents recommended text for insertion):

"any income of a business trust—

(*a*) received or receivable from a special purpose vehicle by way of interest;

(*b*) received or receivable from a special purpose vehicle by way of dividend; or

<u>(*c*) received or receivable from securities issued by a non-resident, where such securities are not issued by a permanent establishment of a non-resident in India, or any income received or receivable as a result of a transfer of such securities."</u>

[24] Regulation 18(1) of SEBI (Real Estate Investment Trusts) Regulations, 2014 states that:
"*The Investment by a REIT shall only be in holdco and/or SPVs or properties or securities or TDR in India in accordance with these regulations….*"
Regulation 18(1) of SEBI (Infrastructure Investment Trusts) Regulations, 2014 states that:
"*The investment by an InvIT shall only be in holdco and/ or SPVs or infrastructure projects or securities in India in accordance with these regulations……*"

7.4.9.8 Further, CBDT may consider notifying clarification for exemption provided to non-resident unitholders of business trust in relation to income earned from offshore investment by business trust, similar to existing clarification provided for Cat I/II non-resident unitholders.

Suggested text of clarification to be provided by CBDT: ***"It is hereby clarified that any income in the hands of the non-resident investor from the offshore investment routed through Business Trust as defined in sub-section 21 of section 2, is not taxable in India under section 5(2) of the Act.*** ***It is further clarified that loss arising from said offshore investment, being an exempt loss, shall not be allowed to be set-off or carried forward and set-off against the income of the Business Trust."***

CHAPTER – VIII: SUMMARY OF RECOMMENDATIONS

S. No.	Recommendations	Legal Framework	Stakeholders
	Innovation in Products		
1.	**Mortgage REITs (mREITs):** IFSCA may consider framing regulations to introduce mREITs to provide alternative real estate financing. Adequate safeguards should be incorporated, including minimum holding periods, asset seasoning, portfolio diversification, and prudential norms.	IFSCA (Fund Management) Regulations, 2025	IFSCA
2.	**Green REITs:** In order to validate "green" claims made by REITs/InvITs to uphold jurisdiction credibility and mitigate the risk of greenwashing, IFSCA may consider extending the extant Principles to mitigate the Risk of Greenwashing in ESG labelled debt securities in the IFSC, instituted vide a Circular dated November 21, 2024, to REITS and InvITs also which claim to be green.	IFSCA (Fund Management) Regulations, 2025	IFSCA

S. No.	Recommendations	Legal Framework	Stakeholders
Regulatory Amendments			
3.	**Amendments to IFSCA (Fund Management) Regulations, 2025:** Introduce provisions for Inducted Sponsors, Re-Designated Sponsors, Self-Sponsored Investment Managers, Fast Track Rights Issues, issuance of Subordinate Units and an Investor Protection Fund.	IFSCA (Fund Management) Regulations, 2025	IFSCA
Inter-Regulatory Issues			
4.	**Overseas Portfolio Investment (OPI) Limit:** Exempt Indian entities acting as sponsors for investment trusts in IFSC from the OPI limit of 50% of their net worth, as there is no outflow of forex from India in such scenarios.	Foreign Exchange Management (Overseas Investment) Rules, 2022	RBI, DEA
5.	**FDI Sectoral Caps and Lock-ins:** Exempt investments by IFSC InvITs/REITs into Indian entities from sectoral caps and the 3-year lock-in requirement for real estate assets, permitting them under the automatic route.	Foreign Exchange Management (Non-Debt Instruments) Rules, 2019	RBI, DEA

S. No.	Recommendations	Legal Framework	Stakeholders
6.	**Listing of Indian REITs/InvITs on IFSC Exchanges:** Enable established SEBI-registered REITs and InvITs to access GIFT IFSC exchanges via (a) depositary receipts, (b) dual/secondary listing.	SEBI (REIT) Regulations, 2014 & SEBI (InvIT) Regulations, 2014	SEBI
	Taxation		
7.	**Tax Parity with SEBI Registered Trusts:** Amend the definition of "Business trust" under section 2(21) of the Income Tax Act to include REITs and InvITs registered under the IFSCA (Fund Management) Regulations, 2025 to provide tax parity with SEBI registered vehicles.	Income Tax Act, 2025	CBDT, DoR
8.	**Tax Treatment of Foreign Sourced Income:** Amend Schedule V (Sl. no 3) of the Income Tax Act to exempt foreign-sourced income (earned from offshore investments) in the hands of non-resident unit holders of IFSCA registered REITs/InvITs, ensuring parity with Category I/II AIFs. CBDT may also issue a corresponding clarification.	Income Tax Act, 2025	CBDT, DoR

ANNEXURE – I

The following is the study done by the Committee on the unitholder data of 20 listed InvITs available on Stock Exchange's website

Sl. No.	Scrip	Sponsor(s)/ Manager & their associates/related parties and Sponsor Group		Public Holding					
		Indian	Foreign	Foreign Institutions	NRIs	Mutual Funds	Other Domestic Institutions	Non-Institutions	Body Corporates
1	IRB InvIT Fund	17.73%	0.00%	36.01%	0.84%	4.16%	1.43%	22.60%	17.24%
2	IndiGrid Infrastructure Trust	0.06%	1.17%	34.78%	1.72%	2.07%	15.24%	29.83%	15.12%
3	Interise Trust	0.00%	60.83%	34.77%	0.04%	0.00%	3.21%	0.12%	1.03%
4	Energy Infrastructure Trust	0.00%	41.90%	1.32%	3.05%	0.00%	9.36%	18.78%	25.59%
5	Altius Telecom Infrastructure Trust	0.00%	58.88%	26.46%	0.04%	0.62%	9.95%	0.80%	3.26%
6	Digital Fibre Infrastructure Trust	48.98%	0.00%	0.00%	0.00%	0.00%	51.00%	0.00%	0.02%
7	Oriental InfraTrust	59.16%	0.00%	34.20%	0.00%	0.00%	4.60%	0.00%	2.05%

Sl. No.	Scrip	Sponsor(s)/ Manager & their associates/related parties and Sponsor Group		Public Holding					
		Indian	Foreign	Foreign Institutions	NRIs	Mutual Funds	Other Domestic Institutions	Non-Institutions	Body Corporates
8	IRB INFRASTRUCTURE TRUST	51.02%	0.00%	29.49%	0.00%	0.00%	19.49%	0.00%	0.00%
9	Maple Infrastructure Trust	0.00%	75.00%	0.00%	0.66%	0.00%	13.44%	2.00%	8.90%
10	National Highways Infra Trust	11.07%	0.00%	0.00%	0.06%	1.77%	68.92%	11.33%	6.86%
11	Roadstar Infra Investment Trust	22.44%	0.00%	0.83%	0.00%	4.45%	54.65%	6.62%	11.01%
12	POWERGRID Infrastructure Investment Trust	15.00%	0.00%	5.02%	1.43%	11.24%	13.03%	42.33%	11.95%
13	Shrem InvIT	71.31%	0.00%	0.00%	0.47%	0.00%	0.21%	13.70%	14.31%
14	Vertis Infrastructure Trust	0.00%	57.76%	0.00%	0.43%	1.67%	24.75%	5.61%	9.78%
15	Anzen India Energy Yield Plus Trust	21.25%	0.00%	0.00%	2.08%	0.88%	4.47%	29.16%	42.16%

Sl. No.	Scrip	Sponsor(s)/ Manager & their associates/related parties and Sponsor Group		Public Holding					
		Indian	Foreign	Foreign Institutions	NRIs	Mutual Funds	Other Domestic Institutions	Non-Institutions	Body Corporates
16	Cube Highways Trust	41.40%	0.00%	0.62%	0.16%	4.42%	30.06%	6.18%	17.17%
17	Indus Infra Trust	58.56%	0.00%	1.43%	0.23%	20.66%	4.71%	7.78%	6.63%
18	Intelligent Supply Chain Infrastructure Trust	86.88%	0.00%	0.00%	0.20%	0.43%	7.54%	1.25%	3.71%
19	NDR InvIT Trust	40.40%	0.00%	0.69%	0.14%	0.00%	8.24%	23.38%	27.15%
20	Sustainable Energy Infra Trust	25.50%	35.92%	0.00%	0.00%	0.00%	28.11%	0.95%	9.52%
21	Nxt-Infra Trust	0.00%	85.96%	0.00%	0.07%	1.75%	0.00%	2.51%	9.70%
22	Capital Infra Trust	32.40%	0.00%	2.82%	0.14%	17.41%	29.65%	6.80%	10.78%
23	TVS Infrastructure Trust	34.88%	0.00%	0.00%	0.19%	0.00%	34.03%	4.56%	26.34%

Unit holding pattern data as available on BSE & NSE, per Quarter ending December 2025.

ANNEXURE – II

Sl. No.	Script	Sponsor(s)/ Manager and their associates/related parties and Sponsor Group		Public Holding					
		Indian	Foreign	Foreign Institutions	NRIs	Mutual Funds	Other Domestic Institutions	Non-Institutions	Body Corporates
1	Embassy Office Parks REIT	7.69%	0.00%	42.36%	0.41%	23.10%	8.58%	15.28%	2.57%
2	Mindspace Business Parks REIT	64.45%	0.00%	14.27%	0.41%	5.08%	4.11%	9.24%	2.44%
3	Brookfield India Real Estate Trust	0.00%	21.45%	10.82%	0.37%	22.17%	23.70%	8.24%	13.25%
4	Nexus Select Trust	0.00%	22.30%	12.36%	8.91%	15.80%	6.73%	16.25%	17.65%
5	Knowledge Realty Trust	32.05%	46.51%	0.58%	0.10%	1.06%	5.05%	8.98%	5.66%

Unit holding pattern data as available on BSE & NSE, per Quarter ending December 2025.

ANNEXURE – III

S. No.	Particulars	Formula	Scenario I Present Scenario IFSC REIT / InvIT	Scenario II Investments made via Singapore REIT (with India Singapore Treaty Benefits)	Scenario III IFSC REIT registered as a Category II AIF located in IFSC	Scenario IV Investments made via SEBI registered REIT
I	**Trust level cash flows**					
1	Interest income from the Indian SPV	***Assumed***	50.00	50.00	50.00	50.00
2	Dividend income from the Indian SPV2	***Assumed***	50.00	50.00	50.00	50.00
-	**Indian income-tax at the Trust level -**	-	-	-		-
3	Tax rate for interest income under the Act		*39.00%*	*15.00%*	*0.00%*	*0.00%*
4	Tax rate for dividend income under the Act		*35.88%*	*10.00%*	*0.00%*	*0.00%*
5	Income-tax liability at Trust level on interest	(1) * (3)	19.50	7.50	-	-
6	Income-tax liability at Trust level on dividend	(2) * (4)	17.94	5.00	-	-
7	**Total income-tax liability at Trust level**	**(5) *add* (6)**	**37.44**	**12.50**	**-**	**-**

S. No.	Particulars	Formula	Scenario I Present Scenario IFSC REIT / InvIT	Scenario II Investments made via Singapore REIT (with India Singapore Treaty Benefits)	Scenario III IFSC REIT registered as a Category II AIF located in IFSC	Scenario IV Investments made via SEBI registered REIT
8	**Distributable cash at Trust level**	(1) *add* (2) *less* (7)	**62.56**	**87.50**	**100.00**	**100.00**
II	**Unitholder level cash flows**					
9	Distributions in the nature of interest income paid to the unitholder	(1) *less* (5)	30.50	42.50	50.00	50.00
10	Distributions in the nature of dividend income paid to the unitholder	(2) *less* (6)	32.06	45.00	50.00	50.00
11	Indian income-tax rate on distributions in the nature of interest income		Not taxable in the hands of the unitholders based on trust taxation principles	Indian taxes - Not applicable Singapore taxes - Singapore does not levy any taxes on distributions made by Singapore business trust to a non-Singapore unitholder	*15.00%*	*6.50%*
12	Indian income-tax rate on distributions in the nature of dividend income				*25.00%*	*0.00%*

S. No.	Particulars	Formula	Scenario I Present Scenario IFSC REIT / InvIT	Scenario II Investments made via Singapore REIT (with India Singapore Treaty Benefits)	Scenario III IFSC REIT registered as a Category II AIF located in IFSC	Scenario IV Investments made via SEBI registered REIT
13	Income-tax on distributions received by the unitholder	[(9)*(11)] *add* [(10)*(12)]	-	-	20.00	3.25
14	**Net cash distribution left with the unitholder / investor**	(9) *add* (10) less (13)	**62.56**	**87.50**	**80.00**	**96.75**
	Availability of Foreign Tax Credit in the jurisdiction of residence of the unitholder		***No***	***No***	***Yes****	***Yes****

** Claiming foreign tax credits is understood to be an extremely cumbersome process in some jurisdictions. Further, in some other jurisdictions, where there is no personal income tax, the investors do not have the option to claim foreign tax credits, making such taxes paid by the investors in India complete irretrievable in their home jurisdictions.*

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