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Building India's InvIT Ecosystem –

Mr NS Venkatesh

CEO – Bharat InvITs Association 05

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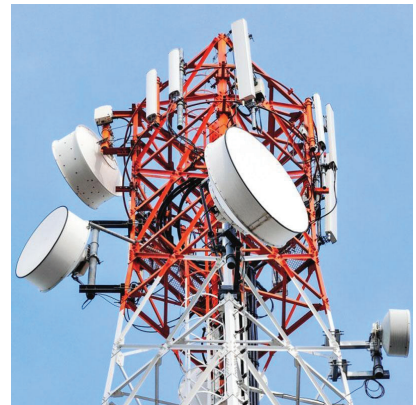
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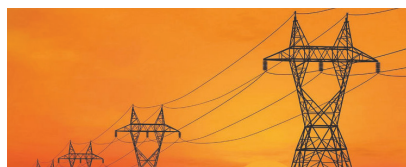


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EDITORIAL

Dear Readers,

India's Infrastructure Investment Trust (InvIT) market is entering a new and more inclusive phase. Traditionally dominated by private placements targeting select institutional investors, the market is now seeing a shift toward public offerings, reflecting both changing investor dynamics and the growing maturity of the asset class.

Three major IPOs are on the horizon—from the National Highways Authority of India (NHAI), KKR-backed Vertis Infrastructure Trust, and I Squared Capital-backed Cube Highways Trust. Together, they are expected to raise nearly 20,000 crore, signalling strong momentum and confidence in public market participation.

Domestic investors—ranging from insurance companies and corporate treasuries to family offices and high-net-worth individuals—are increasingly turning to InvITs as attractive, yield-generating instruments. Their appeal lies in several key features. InvITs offer stable and predictable income streams, underpinned by operational infrastructure assets such as highways, transmission lines, and pipelines.

A regulatory mandate to distribute at least 90% of net distributable cash flows ensures regular, often quarterly, payouts. The structure also provides tax efficiency and lower price volatility compared to equities, while offering liquidity through listed units—advantages that direct infrastructure investments typically lack.

Recent InvIT and REIT issuances have seen increased interest from retail investors, reflecting growing awareness and comfort with these products. This broader participation not only supports the asset class but also contributes to the deepening of India's capital markets.

For a country with ambitious infrastructure development goals, a thriving InvIT market is more than just a financing mechanism—it is a strategic enabler. It channels long-term domestic capital into essential assets, reducing reliance on traditional bank financing and foreign investment.

To sustain this growth, regulators must continue to ensure strong governance, transparency, and investor protection. If nurtured well, InvITs can do more than mobilise capital—they can redefine how India builds its future, turning savings into roads, power lines, and digital highways. For regulators, the task is clear: strengthen governance, widen access, and build trust. For investors, InvITs offer more than quarterly payouts—they provide a transparent, stable way to share in India's growth story. With the right support, InvITs can become a cornerstone of India's infrastructure revolution.

Best Wishes,
N Srinivasa Moorthy
Consulting Editor



*Mr NS Venkatesh
CEO - Bharat InvITs Association*

The Infrastructure Investment Trust (InvIT) space in India is gaining strong momentum, driven by regulatory support, investor appetite, and the urgent need for sustainable infrastructure financing. As InvITs mature into a mainstream investment avenue, their role in long-term capital mobilisation is becoming increasingly critical.

In this exclusive interaction Mr. NS Venkatesh, the CEO of Bharat InvIT Association (BIA) outlines the Association's vision, key priorities, and the evolving regulatory landscape. He also delves into the opportunities, challenges, and the strategic role InvITs plays in nation-building, while highlighting the reforms and innovations needed to deepen market participation and strengthen investor confidence.

Inside Bharat InvITs Association's Vision for a New Infrastructure Era

"A deep dive with Mr NS Venkatesh, the CEO of BIA on shaping policy, unlocking investor participation, and the future of India's InvIT ecosystem."

Can you elaborate on the core vision and mission of the Bharat InvIT Association? How has it evolved since its inception?

Bharat InvIT Association's mission is to accelerate the growth of India's InvIT sector by creating a transparent, inclusive, and investor-friendly environment rooted in global best practices and regulatory compliance.

Our vision is to be the leading voice and catalyst for the development of a vibrant, transparent, and globally competitive Infrastructure Investment Trust (InvIT) ecosystem in India, enabling sustainable infrastructure financing, deepening investor participation, and supporting nation-building through long-term capital mobilisation.

What are the key objectives or milestones the Association aims to achieve over the next 2-3 years?

Over the next 2–3 years, Bharat InvITs Association aims to deepen the InvIT ecosystem through policy advocacy, broader investor outreach, and improved governance. Key objectives include driving regulatory reforms for ease of operations, expanding the scope of eligible asset classes under InvITs, and promoting investor participation from

retail, HNIs, and institutions. The Association also seeks to publish best practice guidelines, enhance transparency through data and research, and foster collaboration with regulators and industry stakeholders. These efforts are focused on strengthening market confidence, supporting infrastructure monetisation under second phase of India's National Monetisation Pipeline (NMP 2.0), and positioning InvITs as a mainstream investment vehicle in India.

How would you assess the current growth and performance of InvITs in India? Which sectors show the most promise under the InvIT model?

The InvIT industry has recorded explosive growth in recent years. As on 31st March 2025, the total assets under management (AUM) of listed InvITs, public and private is ₹7 Lakh crore as and has seen steady year-on-year growth since 2019, underscoring sustained investor interest and a strong pipeline of operational infrastructure assets. In the last five years, the AUM has grown by over 1000%, with growth of 16.5% over the last year.

While InvITs in the road and power sectors are expected to see continued growth, several emerging sectors also show strong potential for future issuances. These include renewable energy (solar and wind), digital infrastructure (such as data centres and fiber networks), logistics and warehousing, education and water sanitation. These sectors offer steady cash flows and long-term demand, making them well-suited to the InvIT model and attractive to long-term investors.

What are the biggest challenges InvITs face in India today?

The InvIT industry in India faces a mix of growth drivers and challenges. Key growth drivers include strong government backing through the National Monetisation Pipeline, supportive SEBI regulations, and increasing investor appetite for yield-generating, long-term assets. The model enables efficient capital recycling for developers and offers a transparent, regulated structure attractive to institutional and retail investors. Expanding sectors like renewables, data centres, and logistics also provide a robust pipeline for future issuances.

However, the industry faces challenges such as retail awareness, liquidity constraints in secondary markets, currency risks for global investors, asset performance variability especially in early-stage or traffic-linked projects. Moreover, achieving scale and diversification remains a hurdle for smaller InvITs. To sustain growth, the sector will need continued regulatory support, greater tax efficiency, deeper domestic institutional participation, and innovations in structuring to attract a broader investor base while maintaining high governance standards.

What kind of policy or regulatory support is the Association currently advocating for with government bodies?

InvITs in India operate under a robust regulatory framework established by SEBI, designed to ensure transparency, investor protection, and governance. Key regulations include mandatory distribution

of 90% of net distributable cash flows, strict disclosure norms, and enhanced corporate governance requirements, such as more than 50% of directors on the board of investment manager (IM) to be independent. SEBI has also facilitated follow-on public offerings, reduced the minimum investment size to encourage retail participation, and enabled board representation for unitholders with significant holdings. These measures have helped build credibility and attract long-term institutional capital. However, the following regulatory support can strengthen the ecosystem.

- a. Reducing the minimum investment threshold further can expand retail access.
- b. Increasing investment limits for Mutual Funds, Pension Funds and Insurance Companies will encourage greater capital flow into InvITs.
- c. Permitting charitable institutions and EPFO to invest in all InvITs will increase the capital flow further.
- d. Additionally, enabling more flexible capital structures and inclusion of InvITs in indices would deepen liquidity and market efficiency, thereby making InvITs as a more attractive and scalable financing tool.

What role does the Association play in supporting its members like sponsors, investment managers, trustees, or investors?

As the representative voice of the InvIT sector, Bharat InvITs Association (BIA) plays a pivotal role in shaping and supporting the industry's development. It actively engages in policy advocacy with



energy (solar and wind), digital infrastructure (including data centres and fiber networks), logistics and warehousing, education, and water sanitation present strong potential for the InvIT model. These areas offer stable, long-term revenue streams and consistent demand, aligning well with the structure of InvITs. Their predictable cash flows and growth outlook make them attractive to long-term investors seeking steady returns and exposure to essential infrastructure segments poised for expansion.

key regulatory authorities such as SEBI, the Ministry of Finance, and other government bodies to ensure a conducive regulatory framework. BIA is committed to promoting transparency, standardisation, and adoption of best practices across the sector, thereby enhancing trust and credibility. It also works to strengthen investor education and widen market participation by creating awareness around InvITs as a stable, long-term investment option. Additionally, the Association serves as a platform for collaboration among industry participants, encouraging dialogue, sharing of insights, and the development of strategic initiatives to support sustained sectoral growth. Through these efforts, BIA seeks to create an enabling ecosystem for InvITs to thrive and contribute meaningfully to India's infrastructure financing landscape.

What steps are being taken to improve transparency and corporate governance standards across InvITs in India?

To improve transparency and corporate governance standards

across InvITs in India, Bharat InvITs Association (BIA) has initiated a Best Practice Guideline project in collaboration with leading legal advisors. The objective is to develop a voluntary framework of industry-aligned governance, disclosure, and compliance standards that go beyond regulatory minimums. BIA is working closely with member InvITs, legal experts to ensure these guidelines reflect both global benchmarks and sector-specific realities. Once finalized, the guidelines will serve as a reference point for strengthening accountability, improving investor confidence, and creating long-term value. Alongside this, BIA also promotes knowledge sharing among InvITs and regularly engages with regulators to support reforms that foster transparency and high-quality governance practices across the industry.

What strategic sectors (e.g., green energy, digital infra, urban transport) do you believe will benefit most from the InvIT framework in the coming decade?

Sectors such as renewable

What message would you like to share with potential investors, policymakers, and young professionals exploring a role in the InvIT industry?

InvITs have emerged as a credible, transparent, and well-structured investment platform tailored to India's growing infrastructure financing needs. They channel long-term capital into critical infrastructure while providing stable returns to investors. Backed by strong regulatory oversight from SEBI and growing interest from diverse investor segments, InvITs represent a distinct asset class with immense potential. For investors and policy makers, InvITs offer a unique opportunity to participate in and support India's infrastructure growth. For young professionals, they present a promising career avenue in a fast-evolving and impactful sector that plays a pivotal role in India's infrastructure growth story.

REITs Insights

REITs Price Performance

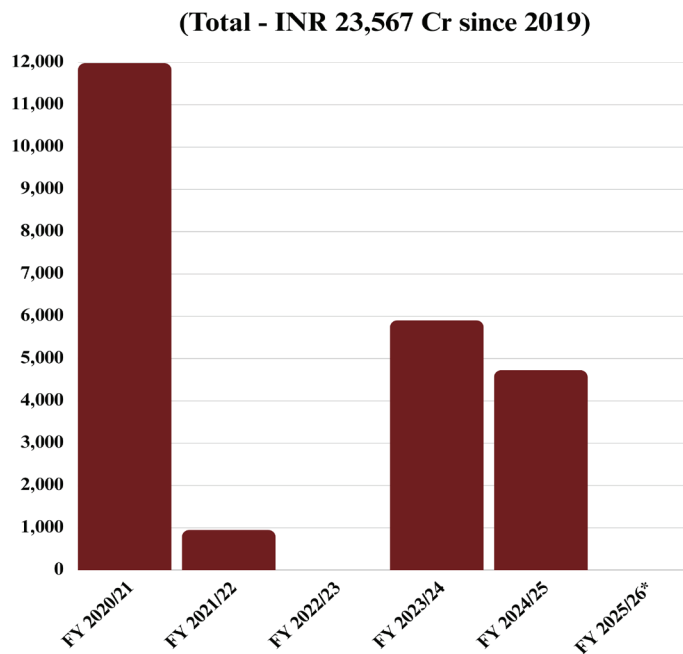
REIT (Listing dates)	Listed Price / Share	Current Price / Share*	Total Distribution / Share		
			FY 25	FY 24	FY 23
Embassy REIT (April 2019)	300	391.85	23.01	21.33	21.71
Mindspace REIT (August 2020)	275	423.60	21.95	19.16	19.10
Brookfield REIT (February 2021)	275	323.00	19.25	17.75	20.20
Nexus REIT (May 2023)	103	150.95	8.356	7.07	NL
Knowledge Realty (August 2025)	100	107.05	NL	NL	NL

*As of 22-08-2025. All numbers are in Rs.
 NL - Not Listed

Source: NSE

Fund Raised through Equity by REITs

(Total - INR 23,567 Cr since 2019)

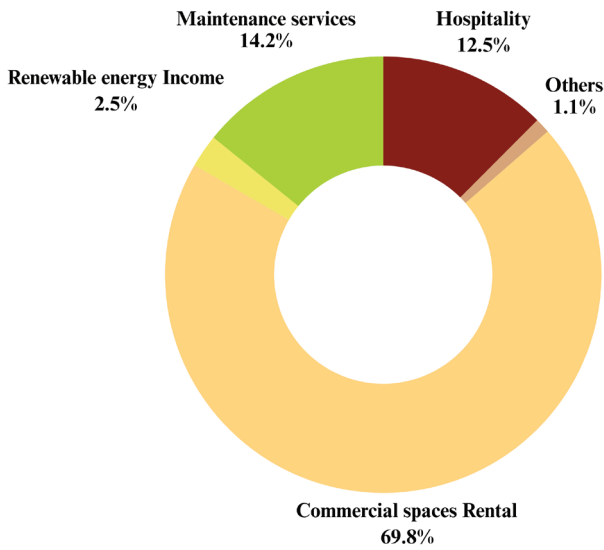


Source: SEBI

Equity fundraising by Indian REITs peaked significantly in FY 2020/21, driven by strong investor interest and market opportunities. The subsequent year, FY 2021/22, saw a sharp decline in fundraising activity, reflecting market uncertainties. However, fundraising steadily recovered in FY 2023/24 and FY 2024/25, signalling renewed confidence in the REIT sector. Over these years, Indian REITs raised a total of ₹23,567 crore. This trend highlights the at 26.2%, while hospitality accounts for just 0.5%. This revenue composition highlights Brookfield's strong focus on the office leasing segment, complemented by income from property management services, with minimal exposure to the hospitality sector.

Embassy REIT

Total Revenue - Rs 40,389 Million

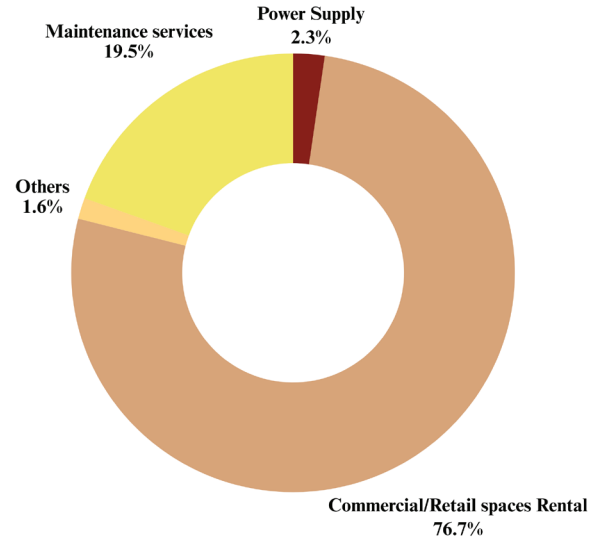


Source: Embassy REIT Annual Report 2024/25

Embassy REIT's revenue mix demonstrates a strong reliance on commercial space rentals, which account for nearly 70% of total income. Maintenance services and hospitality are also significant contributors, representing 14.2% and 12.5% of revenues, respectively. Renewable energy income and other sources provide smaller shares at 2.5% and 1.1%. This diversified portfolio showcases the dominance of office rentals in the REIT's business model while highlighting additional income from property services and ancillary businesses.

Mindspace REIT

Total Revenue - Rs 25,627 Million

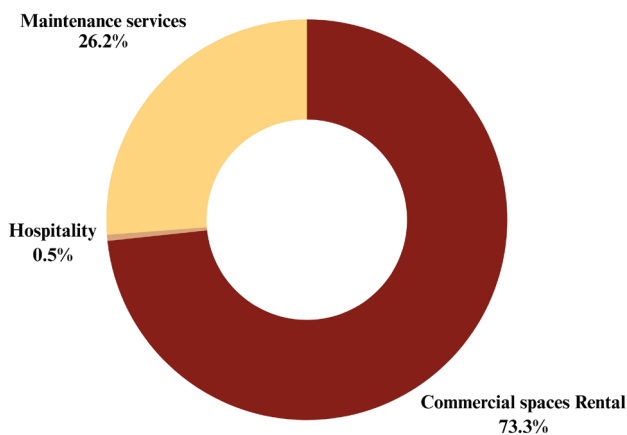


Source: Mindspace REIT Annual Report 2024/25

Mindspace REIT generates the majority of its revenue from commercial and retail space rentals, accounting for 76.7% of total income. Maintenance services make up a substantial 19.5%, reflecting the importance of property management in its business model. Smaller contributions come from power supply at 2.3% and other sources at 1.6%. This revenue mix emphasizes Mindspace's strong focus on leasing operations, supported by ancillary property services.

Brookfield REIT

Total Revenue - Rs 23,855 million

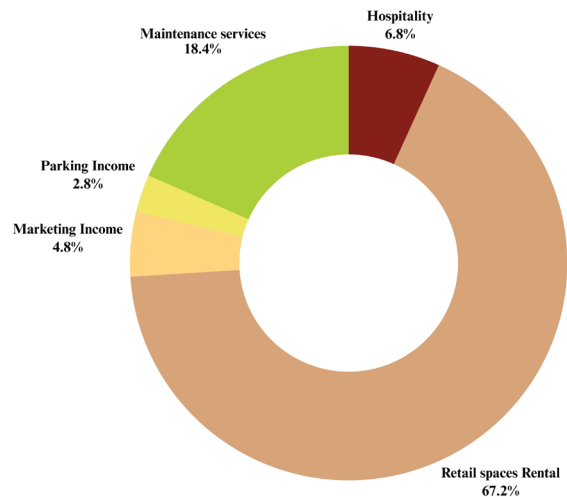


Source: Brookfield REIT Annual Report 2024/25

Brookfield REIT's revenue is predominantly derived from commercial space rentals, which contribute over 73% of the total income. Maintenance services form another significant portion at 26.2%, while hospitality accounts for just 0.5%. This revenue composition highlights Brookfield's strong focus on the office leasing segment, complemented by income from property management services, with minimal exposure to the hospitality sector.

Nexus Select Trust

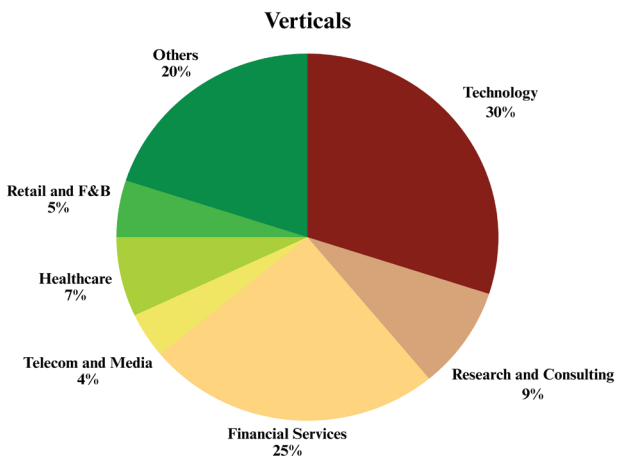
Total Revenue - 22,829 Million



Source: Nexus REIT Annual Report 2024/25

Nexus Select Trust's revenue is led by retail space rentals, making up 67.2% of its total income. Maintenance services contribute a significant 18.4%, followed by hospitality at 6.8%. Additional revenue streams include marketing income (4.8%) and parking income (2.8%), indicating a diversified business model that leverages not just rental but also property services and ancillary commercial activities.

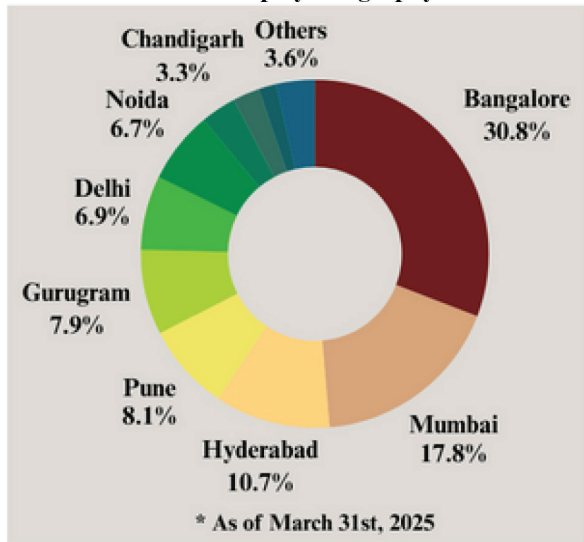
Indian REITs Rental Income by Tenant Verticals (As per year ending 31st March, 2025)



Source: REITs Annual Reports & Eventell Research

Technology and financial services are the largest sources of rental income for Indian REITs, contributing 30% and 25% respectively as of year-end March 31, 2025. Other significant tenant segments include research and consulting (9%), healthcare (7%), retail and F&B (5%), and telecom and media (4%). The remaining 20% is distributed across a diverse mix of other industries, reflecting a well-diversified and resilient tenant base for Indian REITs.

Gross Asset Value of Listed REITs Break-up by Geography

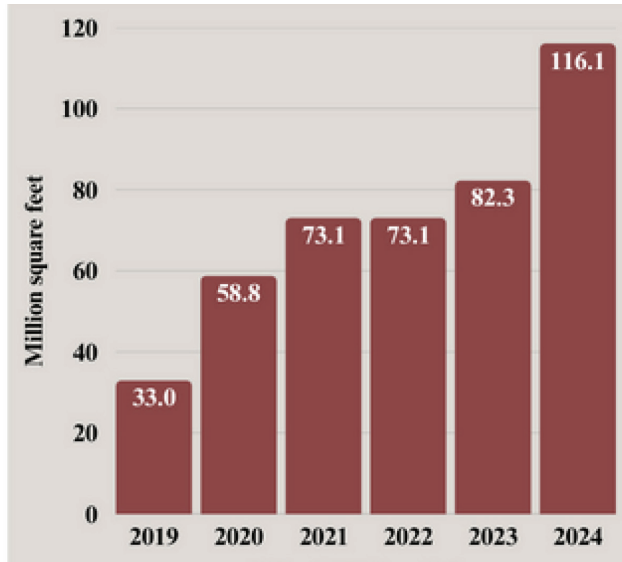


Source: REITs Annual Reports & Eventell Research

Bangalore leads India’s REIT landscape with 30.8% of the total gross asset value, followed by Mumbai at 17.8%, reflecting their dominance as commercial hubs. Hyderabad and Pune together account for nearly 19%, while the NCR region (Delhi, Gurugram, and Noida) contributes over 21%, highlighting its importance in the

REIT ecosystem. Smaller cities like Chandigarh and other regions make up a limited share, indicating that India’s REIT market is still largely concentrated in major urban centers.

Growth of Indian REIT Market (2019–2024)



Source: Indian REITs Association

India’s REIT market has witnessed remarkable growth, expanding from 33 million sq. ft. in 2019 to 116.1 million sq. ft. by 2024. After steady increases up to 2020, the market plateaued in 2021–2022 at 73.1 million sq. ft. before regaining momentum with strong issuances in 2023 and 2024. The sharp rise in 2024 underscores robust investor confidence and regulatory support. Overall, the market has grown more than 3.5 times in five years, reflecting its transformation into a mainstream investment avenue.

InvITs Insights

InvITs Price Performance

Public Listed InvITs

InvITs	Listed Price / Share	Current Price / Share*	Total Distribution / Share		
			FY 25	FY 24	FY 23
IRB InvIT Fund (May 2017)	102.00	63.39	8.00	8.00	8.00
IndiGrid Infrastructural Trust (June 2017)	100.00	159.50	15.35	14.10	13.35
PowerGrid InvIT (May 2021)	100.00	91.31	9.00	12.00	12.00
Indus Infra Trust (March 2024)	100.00	115.00	8.95	3.00	NL
Capital Infra Trust (January 2025)	100.00	79.90	12.71	NL	NL

*As of 22-08-2025. All numbers are in Rs.

Source: NSE

NL - Not Listed

Private Listed InvITs

InvITs	Listing date	Listed Price	Current Price (Last Traded price)	Remarks
Altius Telecom Infra Trust	Mar-19	100	149.00	Fairly traded
National Highways Infra Trust	Oct-20	100	136.00	Fairly traded
Shrem InvIT	Feb-21	100	107.00	Fairly traded
Anzen India Energy Yield Plus Trust	Jan-22	100	115.00	Fairly traded
Cube Highways Trust	Aug-22	100	131.00	Fairly traded
Highways Infrastructure trust	Aug-22	100	95.70	Fairly traded
Energy Infrastructural Trust	Jan-19	100	87.50	Thinly traded
Maple Infrastructure Trust	Feb-20	100	144.00	Thinly traded
Roadstar Infra Investment Trust	Dec-20	100	72.00	Thinly traded
NDR InvIT Trust	Jan-23	100	112.75	Thinly traded
Intelligent Supply Chain Infrastructure Trust	Feb-23	100	125.00	Thinly traded
TVS Infrastructure Trust	Apr-24	100	103.00	Thinly traded
Interise Trust	Mar-18	100	112.85	Not Traded
Oriental InfraTrust	Mar-19	100	88.21	Not Traded
IRB INFRASTRUCTURE TRUST	Nov-19	100	220.22	Not Traded
Sustainable Energy Infra Trust	Aug-23	100	108.00	Not Traded
Nxt-Infra Trust	Nov-23	100	100.20	Not Traded
Digital Fibre Infrastructure Trust	Mar-19	100	-	Inactive

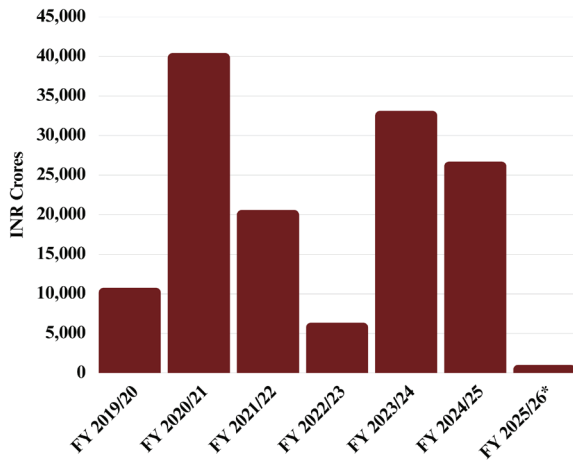
*As of 22-08-2025. All numbers are in Rs.

Source: NSE

Note: Minimum Investment Lot Size → 25,000 units (applicable to all private listed InvITs)

Fund Raised through Equity by InvITs

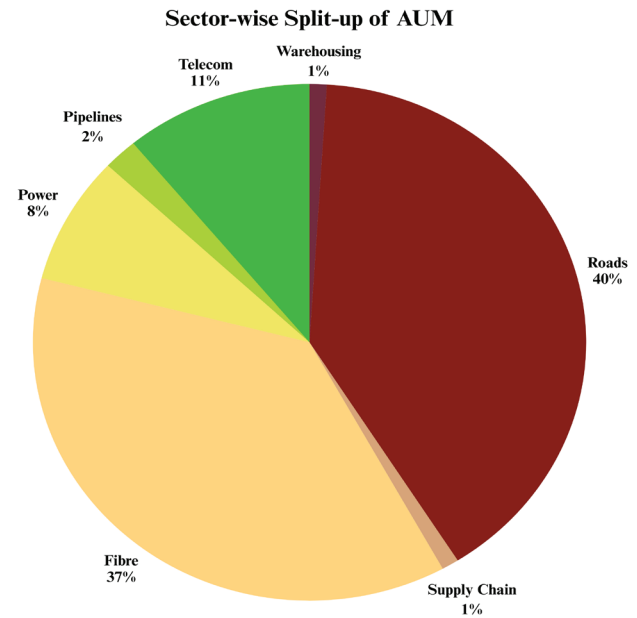
(Total - Rs. 1.4 Lakh Crores since 2019)



Source: SEBI

Fundraising activity by Indian InvITs through equity has shown significant fluctuations in recent years. The sector witnessed a major spike in FY 2020/21, with collections surpassing ₹40,000 crore, followed by strong but variable momentum in subsequent years. FY 2023/24 marked another period of high equity inflows, while both FY 2022/23 and the projected FY 2025/26 have seen much lower volumes. Cumulatively, InvITs have raised around ₹1.4 lakh crore through equity, highlighting their growing importance in India’s infrastructure financing landscape.

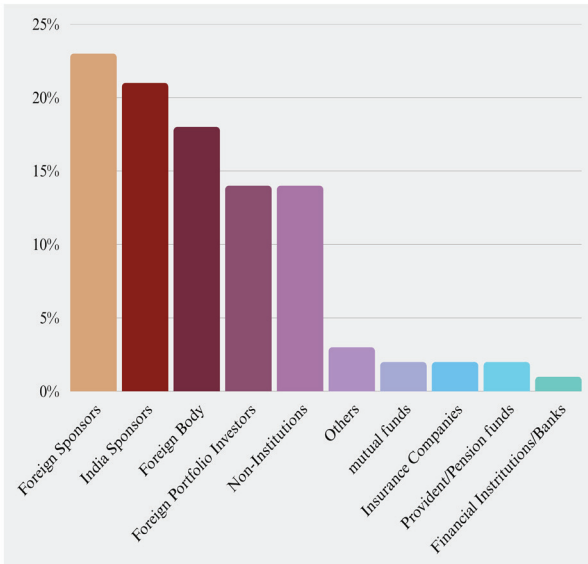
InvITs Sector-wise Split-up of Asset under management



Source: Bharat InvIT Association

Roads and fibre assets together constitute the majority of InvITs’ asset under management (AUM) in India, accounting for 40% and 37% respectively. Telecom infrastructure follows at 11%, with power projects contributing 8% of AUM. Smaller allocations are seen in pipelines (2%), warehousing (1%), and supply chain assets (1%), highlighting the sector’s strong focus on core transport and digital infrastructure while maintaining a degree of diversification.

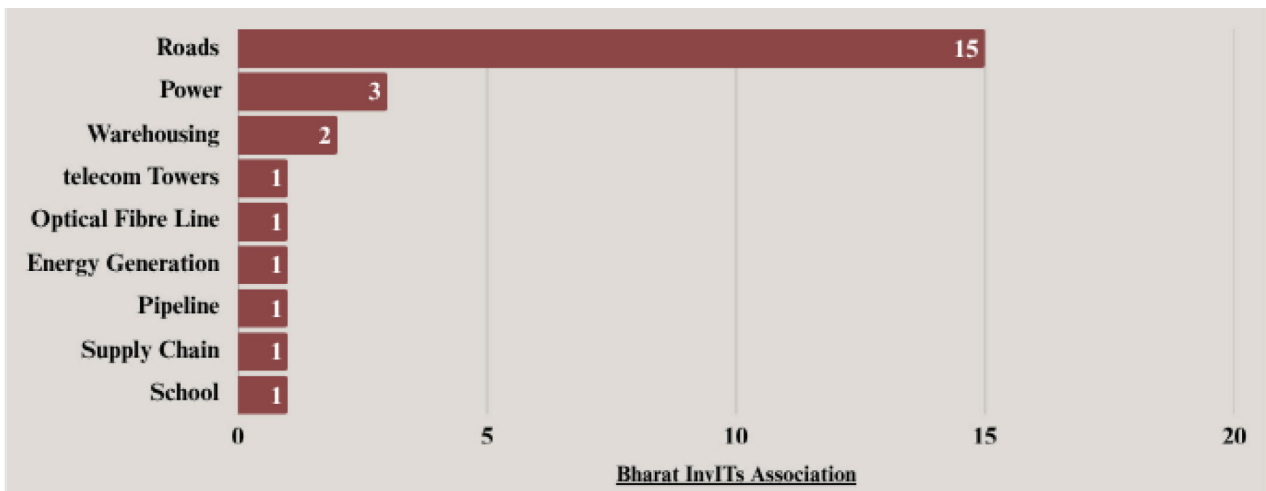
Equity Investor Base from All InvITs



The equity investor base of InvITs in India is highly diversified, with foreign sponsors and Indian sponsors holding the largest shares at just over 20% each. Foreign bodies and foreign portfolio investors are also major participants, collectively representing a substantial portion of ownership. Non-institutional investors form a notable segment, comparable in size to these institutional categories. The remaining stake is spread among mutual funds, insurance companies, provident/pension funds, financial institutions/banks, and others, demonstrating broad-based investor interest across both domestic and international categories.

Source: Bharat InvIT Association

Sectors Covered by InvITs in India



InvITs in India are currently dominated by the roads sector, which has 15 active trusts, emphasizing the government’s push for highway development. Power and warehousing follow with three and two trusts respectively, while newer sectors such as telecom towers, optical fiber, and energy generation are gradually making their mark with individual trusts. Other innovative applications include pipelines, supply chains, and schools, indicating the model’s versatility. This sectoral diversification shows how InvITs are expanding beyond traditional transport and power to also cover digital and social infrastructure.

Indian REIT & InvIT News

Country of Origin	No. of listed REITs and InvITs	Market Cap (USD bn)	Year of Inception
USA	196	1424.1	1960
Germany	64	830.2	2007
Australia	43	121.0	1971
Japan	57	109.0	2001
UK	58	87.6	2007
Singapore	46	71.4	2002
Hong Kong	13	36.6	2003
India	27	31.3	2014
China	66	27.7	2021
Malaysia	19	7.4	1989
South Korea	25	6.0	2001
Philippines	8	4.6	2020

\$258 bn market by 2028: InvITs are becoming India's hottest asset class

India's Infrastructure Investment Trust (InvIT) market is projected to expand 3.5 times to \$258 billion by 2030, according to a new study by Knight Frank India. The report highlights India's emergence as a global magnet for infrastructure capital, supported by government policies, growing institutional interest, and a pipeline of brownfield and greenfield projects.

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Singapore's GIC may invest over Rs 1,000 crore in IRB InvIT Fund to acquire road assets

IRB InvIT Fund and IRB Infrastructure Trust - the private InvIT of IRB group with Singapore sovereign wealth fund GIC - had in May 2025 entered into a non-binding offer for transfer of the latter's three BOT (build, operate, transfer) highway assets.

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India's REIT market crosses Rs 1 trillion mark in market capitalisation

The milestone highlights growing institutional and retail investor confidence in the commercial real estate sector. As of Q4 2024-25, the REITs collectively manage Rs 1.63 trillion in gross assets under management (AUM), operate over 128 million sq. ft. of Grade A assets, and have distributed more than Rs 228 billion to unitholders since inception.

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Knowledge Realty Trust REIT shares list at 4% premium over issue price

Knowledge Realty Trust REIT made a steady debut on the bourses today, with a premium of 4%. The stock listed at Rs 103 on the NSE and Rs 104 on the BSE against the issue price of Rs 100 per unit. The Rs 4,800 crore IPO of Knowledge Realty Trust REIT, India's largest office real estate investment trust, had received robust investor interest, with the issue subscribed 12.48 times overall.

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Tvs Industrial & Logistics Parks Raises ₹1,300 Crore Via Private Invit Placement

The InvIT, encompassing 11 million sq ft of warehousing assets valued at ₹3,000 crore, is scheduled to be listed on the NSE on July 8.

TVS Industrial & Logistics Parks (TVS ILP), part of the TVS Mobility Group, has raised over ₹1,300 crore through a private placement of its warehousing assets-led infrastructure investment trust (InvIT), as reported by The Economic Times.

The fundraise includes participation from both global and domestic institutional investors. The InvIT, comprising 11 million sq ft of warehousing assets valued at approximately ₹3,000 crore, will be listed on the National Stock Exchange (NSE) on 8 July.

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International REIT news



Four Singapore REITs Unlocking Value to Boost Their DPU

The REIT sector is seeing a sliver of hope as interest rates moderate and inflation heads lower. In the recent earnings season, more than a handful of REITs reported not only higher revenue and net property income (NPI), but also higher distributions.

However, REIT managers are not standing still. Many are carrying out acquisitions and/or divestments to strengthen their REIT portfolios while boosting distribution per unit (DPU).

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Singapore's Largest REIT Buys Out Office Tower for \$815 Million

CapitaLand Integrated Commercial Trust is buying the rest of a prime office tower for S\$1.05 billion. The trust already owns 45% of the commercial component of the CapitaSpring building and is buying out the interests of



CapitaLand Development and Mitsubishi Estate Co. The deal estimates the commercial portion of the building at S\$1.9 billion, with an entry yield of a "low 4%".

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Japan's NTT DC Reit targets \$988 million in SGX's biggest Reit IPO in a decade

Japan telecommunications giant Nippon Telegraph and Telephone (NTT) is set to raise US\$773 million (S\$988 million) from the initial public offering (IPO) of its data centre real estate investment trust (Reit), marking the largest Reit listing on the Singapore Exchange (SGX) mainboard in a decade.

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Taxation for Investors under REITs and InvITs



Mr Srinivas Moorthy, Consultant, InvTrust Info

Mr Nikshep Anthony, Senior Analyst, InvTrust Info

As India's real estate and infrastructure investment trusts-REITs (Real Estate Investment Trusts) and InvITs (Infrastructure Investment Trusts) - continue to expand their presence in capital markets, understanding their tax implications has become imperative for investors aiming to optimize after-tax returns. Although both structures share several regulatory and tax features, distinct differences, particularly in income classification and SPV-level taxation, necessitate a nuanced approach to investor tax planning.

This article delves into the detailed taxation framework applicable to investors in REITs and InvITs, highlighting key income components, tax treatments, compliance considerations, and providing two standalone tax tables for clear reference.

Core Income Components and Tax Treatments

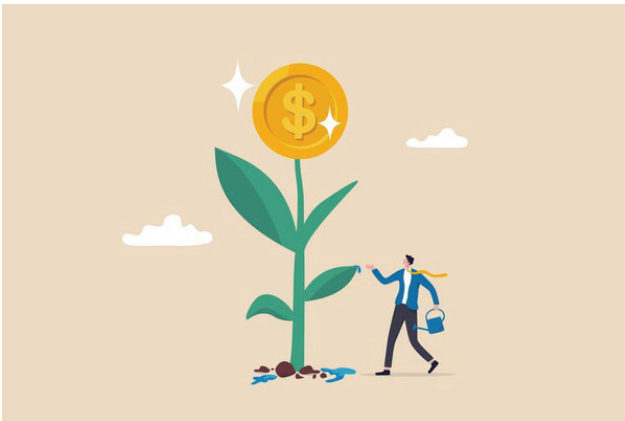
Investor returns from REITs and InvITs typically consist of:

- Dividend income
- Interest income
- Capital repayments (return of capital)
- Capital gains on sale of trust units
- Rental income (specific to REITs)

Each component carries different tax implications shaped by the tax status of underlying SPVs (Special Purpose Vehicles), distribution nature, and holding period.

Dividend Income

Both REITs and InvITs derive dividend income from their underlying operating SPVs. Under the previous tax regime, dividends received by SPVs were exempt from distribution tax, rendering dividend income exempt in investors' hands. However, with the introduction of the concessional tax regime (Section 115BAA), many SPVs have opted for a reduced tax rate, which transforms dividends from tax-exempt to taxable in investors' hands at their applicable slab rates.



Investors must therefore assess the tax election of SPVs within the trust structure as it directly impacts dividend taxability. Additionally, dividends exceeding ₹5,000 (increasing to ₹10,000 from FY 2025-26) attract a 10% TDS for compliance.

Interest Income

Interest income mostly flows through the trusts, especially in InvITs which often carry substantial debt exposure. This interest is taxed as regular income at the investor's slab

rate for residents and is subject to a 5% withholding tax for non-residents. Resident investors face a standard 10% TDS on interest income to facilitate tax collection.

Rental Income (Specific to REITs)

REIT units that have direct ownership of rental properties distribute income classified as rental income to investors, taxable at the slab rate with a 10% TDS obligation. InvITs, on the other hand, generally do not have a rental income component due to their infrastructure and contractual revenue models.

Capital Repayment

Capital repayments represent the return of the original investment. These are not taxable until the total repayments exceed the acquisition cost of the units. Past this threshold, any excess is taxable as ordinary income at slab rates, necessitating meticulous record-keeping for accurate tracking.

Capital Gains on Sale of Units

Recent amendments effective since July 23, 2024, introduced the following capital gains taxation scheme for both trusts:

- **Short-Term Capital Gains (STCG):** Units held for less than 12 months are taxed at 20%.
- **Long-Term Capital Gains (LTCG):** Units held beyond 12 months are taxed at 12.5%, with an exemption of ₹1.25 lakh of gains annually.

These gains exclude indexation benefits due to the securities nature of these investments. Securities Transaction Tax (STT) applies to units sold on exchanges, influencing the final effective tax rate.

Detailed Tax Tables for Investors in REITs and InvITs

The following tables summarize the precise tax treatments applicable for investors in each structure.

Taxation Table for Investors in REITs

Income Type	Taxation at REIT/SPV Level	Resident Investor Taxation	Non-Resident Investor Taxation	TDS Provisions	Notes
Dividend	Exempt if SPV under old regime; taxable if SPV under concessional regime	Exempt if old regime; slab rate if concessional	Exempt if old regime; slab rate if concessional	10% on dividend > ₹5,000 (₹10,000 from FY 25-26)	Tax depends on SPV election
Interest	Pass-through	Taxed at slab rate	5% withholding tax	10% (resident), 5% (non-resident)	Part of distribution per unit (DPU)
Rental Income	Pass-through	Taxed at slab rate	Taxed at slab rate	10%	Applicable only if REIT holds rental properties directly
Capital Repayment	Reduction in cost of acquisition	Not taxable until total repayment exceeds cost; taxed beyond that	Same as resident	None	Tax deferred until repayment exceeds cost
Capital Gains (Unit Sale)	N/A	STCG (holding <12 months): 20% LTCG (holding >12 months): 12.5%, exempt up to ₹1.25 lakh per annum	Same as resident	None	No indexation; STT applicable on public exchange sales

Taxation Table for Investors in InvITs (FY 2024-25)

Income Type	Taxation at InvIT/SPV Level	Resident Investor Taxation	Non-Resident Investor Taxation	TDS Provisions	Notes
Dividend	Exempt if SPV under old regime; taxable if SPV under concessional regime	Exempt if old regime; slab rate if concessional	Exempt if old regime; slab rate if concessional	10% on dividend > ₹5,000 (₹10,000 from FY 25-26)	Same dividend tax treatment as REITs
Interest	Pass-through	Taxed at slab rate	5% withholding tax	10% (resident), 5% (non-resident)	Significant component of InvIT distributions
Capital Repayment	Not taxable, treated as return of capital	Not taxable until total repayment exceeds cost; taxed beyond that	Same as resident	None	Taxes deferred until repayment exceeds acquisition cost
Capital Gains (Unit Sale)	N/A	STCG (holding <12 months): 20% LTCG (holding >12 months): 12.5%, exempt up to ₹1.25 lakh per annum	Same as resident	None	No indexation; STT applicable on public exchange sales

Conclusion

The refined taxation framework for REIT and InvIT investors in India offers a balanced approach facilitating income transparency and tax efficiency. However, the complexity arising from SPV tax regimes, distribution classifications, and capital gains provisions necessitates diligent tax planning and record keeping.

Investors need to remain cognizant of the nuanced differences in income types and their respective tax treatments to maximize after-tax returns. Staying updated on regulatory changes and leveraging professional tax advisory services are recommended to ensure compliance and optimize investment outcomes.

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