

SEBI Notifies the Real Estate Investment Trusts Regulations, 2014

On 26th September 2014, Securities and Exchange Board of India (SEBI) in order to lay down legal framework for Real Estate Investment Trusts came out with Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, which provide for their registration, regulation, etc. These regulations shall come into force on the date of their notification in the Official Gazette and importantly provide for the following:

- "REIT" or "Real Estate Investment Trust" is defined as a trust registered as such under these regulations.
- These regulations provide that no person shall act as a REIT unless it is registered with the SEBI. For registration, an application for grant of certificate of registration as REIT shall be made, by the sponsor [which means any person(s) who set(s) up the REIT and is designated as such] in Form A as specified in the Schedule I to these regulations and shall be accompanied by a non-refundable application fee of such amount and shall be payable in the prescribed manner. SEBI may, in order to protect the interests of investors, appoint any person to take charge of records, documents of the applicant and for this purpose, also determine the terms and conditions of such an appointment. SEBI shall take into account requirements as specified in these regulations for the purpose of considering grant of registration.
- For registration, SEBI shall consider all matters relevant to the activities as a REIT, especially, the following-
 - a. the applicant is a trust and the instrument of trust is in the form of a deed duly registered in India under the provisions of the Registration Act, 1908;
 - b. the trust deed has its main objective as undertaking activity of REIT in accordance with these regulations and includes responsibilities of the Trustee as prescribed under these regulations;
 - c. persons have been designated as sponsor(s), manager and trustee under these regulations and all such persons are separate entities and fulfill the prescribed criteria under these regulations;
 - d. no unit holder of the REIT enjoys preferential voting or any other rights over another unit holder; there are no multiple classes of units

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of REIT;

- e. the applicant has clearly described at the time of application for registration, details pertaining to proposed activities of the REIT;
- f. the applicant and parties to the REIT are fit and proper persons based on the criteria as specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008;
- g. whether any previous application for grant of certificate by the applicant or any related party has been rejected by the SEBI;
- h. whether any disciplinary action has been taken by the SEBI or any other regulatory authority against the applicant or any related party under any SEBI Act or the regulations or circulars or guidelines made thereunder.

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Furthermore, these regulations has several provisions which provide for regulating the various aspects of REITs such as Rights and Responsibilities of Parties to the REIT, Valuer and Auditor; Issue and Listing Of Units; Investment Conditions, Related Party Transactions, Borrowing and Valuation Of Assets; Rights of Unit Holders, General Obligations, Disclosures and Reporting , etc.

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Changes in Service Tax effective from 1st October, 2014

Vide Finance Act 2014 certain changes have been made in Service Tax, which will become applicable from 1st October 2014. Some of the important changes are asunder:-

- On delay in submitting taxes, variable rates of interest have been introduced, for example, earlier simple interest @ 18% per annum was charged irrespective of the duration of the delay. Now, simple interest @ 18% per annum would be charged up to six months. Beyond that interest would be charged @ 24% per annum till the completion of a year and @ 30% per annum beyond the delay of one year;
- It has been clarified that Service Tax is applicable on Radio Taxis also (whether or not air conditioned). Furthermore, they can now avail the abatements available to rent-a-cab services;
- Service Tax is now chargeable on advertisements on internet websites, out-of-home media, on film screen in theatres, bill boards, conveyances, buildings, cell phones, Automated Teller Machines, tickets, commercial publications, aerial advertising, etc. However, advertisements in newspapers, books (other than business directories/yellow pages/trade catalogues) would continue to be

non-taxable;

- Irrespective of how much service tax has to be paid, the payment for same shall be made through E-payment mode.

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New listing and de-listing regulations coming soon

SEBI is soon going to come out with listing and de-listing regulations as a step to strengthen the legal framework while moving away from the present listing agreement. Reason behind this is to have the force of law behind such listing and de-listing requirements, rather than having a mere agreement dictating such terms and conditions. This entails that the corporate bodies have to be more responsible and strictly adhere by such regulations. These regulations are expected by next month. Not only the structure would be changed but it is being hinted by SEBI that the terms and conditions would also be revised.

The new regulations will also attempt to provide an easier but fair regime to delist the shares of untraded stocks. While coming out with these regulations, SEBI will consider the comments/ suggestions made by various stockholders, earlier this year, to its discussion paper on revamping the delisting agreements and to come out with listing/ de-listing regulations.

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SEBI (Infrastructure Investment Trusts) Regulations, 2014

On 26th September 2014, SEBI also came out with SEBI (Infrastructure Investment Trusts) Regulations, 2014 to lay down the framework for Infrastructure Investment Trusts and their registration and regulation thereof. Among other things, in these regulations SEBI has defined 'Infrastructure Investment Trust' or InvIT; laid down the procedure for registration of InvIT; the eligibility criteria for such registrations of InvIT; conditions of registration certificate; rights and responsibilities of parties to the InvIT and Valuer & Auditors; rights and responsibilities of Investment manager and Project manager; Offer of units of InvIT and listing of InvIT, etc.

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