



Advocacy in Action: Shaping Policies, Creating Opportunities

APREA has been instrumental in advancing the interests of the real assets industry in India through sustained engagement with regulators, policymakers, and government agencies. Its advocacy efforts have helped shape discussions on REITs, InvITs, taxation, capital markets, and commercial real estate, supporting greater market accessibility, stronger capital formation, and a more conducive investment environment for industry participants.



Govt Greenlights IT SEZs' Floor-wise Denotification

Move expected to allow developers to lease non-processing area to IITs not involved in export activity and reduce vacancy levels

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Mumbai: In a relief to owners and operators of office parks across the country, the central government has allowed partial floor-wise denotification of special economic zones through a new amendment to SEZ Rules, 2006.

As per the Special Economic Zones (Fifth Amendment) Rules, 2022, the board of approval, on request of a developer of an information technology (IT) or IT-enabled services SEZ, may permit denotification of part of the built-up area of the SEZ as non-processing area.

"This non-processing area can be utilised to set up operations of businesses engaged in IT and ITES. However, the non-processing area will consist of a complete floor and part of a floor will not be allowed to be denotified, said a notification issued by the Department of Commerce last Wednesday.

The board of approval will allow denotification only after payment, without interest, of tax benefits attributable to the non-processing area, social and commercial infrastructure created to be used by both processing and the proposed denotified area.

"Most of these IT SEZs are at prime locations and these companies will achieve full leasing once the new changes kick in," said Sanjay Datta, MD & CEO, Tata Realty & Infrastructure. "Government's revenue is expected to improve with higher GST collection and also owing to the requirement of processing area that gets converted into non-processing zone."

Across the country, operational office stock in IT SEZs stood at over 18 billion sq ft, of which around 35 million sq ft is vacant, which effectively implies 17.8% vacancy levels, showed data from JLL India.

Key Amendment

Allow denotification of part of built up area as non processing

Only entire floor not per floor allowed to be denotified

Processing area cannot be less than 50% of total area

Move to help reduce IT SEZ office vacancy levels

IT SEZ office stock 198 m sq ft, 17.8% vacant

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SEZ area IIT companies approved in export activity and reduce the vacancy levels at their office complexes.

"This will help us meet the growing needs of the IT/ITES sector and GCCs, and further diversify our tenant base. It is going to further foster the achievement of higher occupancies and enhance value for all stakeholders," said Alok Agrawal, CEO, Brookfield India Real Estate Trust.

Sugul Zaidi, CEO, Asia Pacific Real Estate Association (APREA), said this development will garner significant attention from global investors, who are closely observing India's regulatory landscape, recognising the country's strategic moves to enhance the business environment.

Denotification of non-processing area will not be allowed if it results in decreasing the processing area to less than 50% of the total area or less than 50,000 sq meter, 25,000 sq meter and 12,000 sq meter in category A, B and C, respectively.

"Having flexible options of floor-wise denotification will help bring us to all target segments. The rural vacancy level in India, which is significant due to SEZ vacancy rates, will come down gradually. This move will also encourage F&B and other support amenities to thrive better in SEZ complexes," said Sunil Pareek, executive director, Asset Property Group.

As per the amendment, businesses operating in non-processing areas will not be able to avail any rights and facilities meant for SEZ units. No tax benefits will be available on operations and maintenance of common infrastructure and facilities of such IT SEZs.

The vacancy level across key cities is expected to inch upward with several leases approaching expiry soon. Additionally, around 10 million sq ft of SEZ spaces are under construction and set to be completed within the next two years.

The demand for office leasing, primarily driven by major multinational corporations, especially those in the technology sector, has turned sluggish owing to a slowdown in the US and Europe that contributes to office demand in India in a major way.

Although discussions are going on, deal conclusions are taking time owing to a cautious approach in the market. The change in SEZ rules in terms of floor-wise denotification will help in supporting the demand, experts said.

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SEZ Reform: Greater Flexibility for Office Assets

APREA played an instrumental role in advocating for amendments to India's Special Economic Zones (SEZ) framework, culminating in the government's approval of partial and floor-wise denotification of SEZs. This landmark reform freed up approximately 16 million square feet, which was locked as vacant A+ Grade offices. The change reflects APREA's continued efforts to ensure that regulatory frameworks remain aligned with market realities and investor needs.

Benefits to members:

- Greater flexibility to optimise and repurpose office space in response to changing occupier demand
- Improved occupancy levels and asset performance through the ability to lease space beyond traditional SEZ users
- Enhanced attractiveness of India's office sector to domestic and international investors

Tax Treatment of Business Trust Distributions

APREA led a senior industry delegation representing India's REITs and InvITs to engage directly with the Ministry of Finance. The amendment proposed that any income received by unit holders, other than dividends, interest, capital gains, and treasury income—including distributions arising from the repayment of debt by an SPV to a Business Trust—would be taxed in the hands of unit holders as "Income from Other Sources".

Benefit to members:

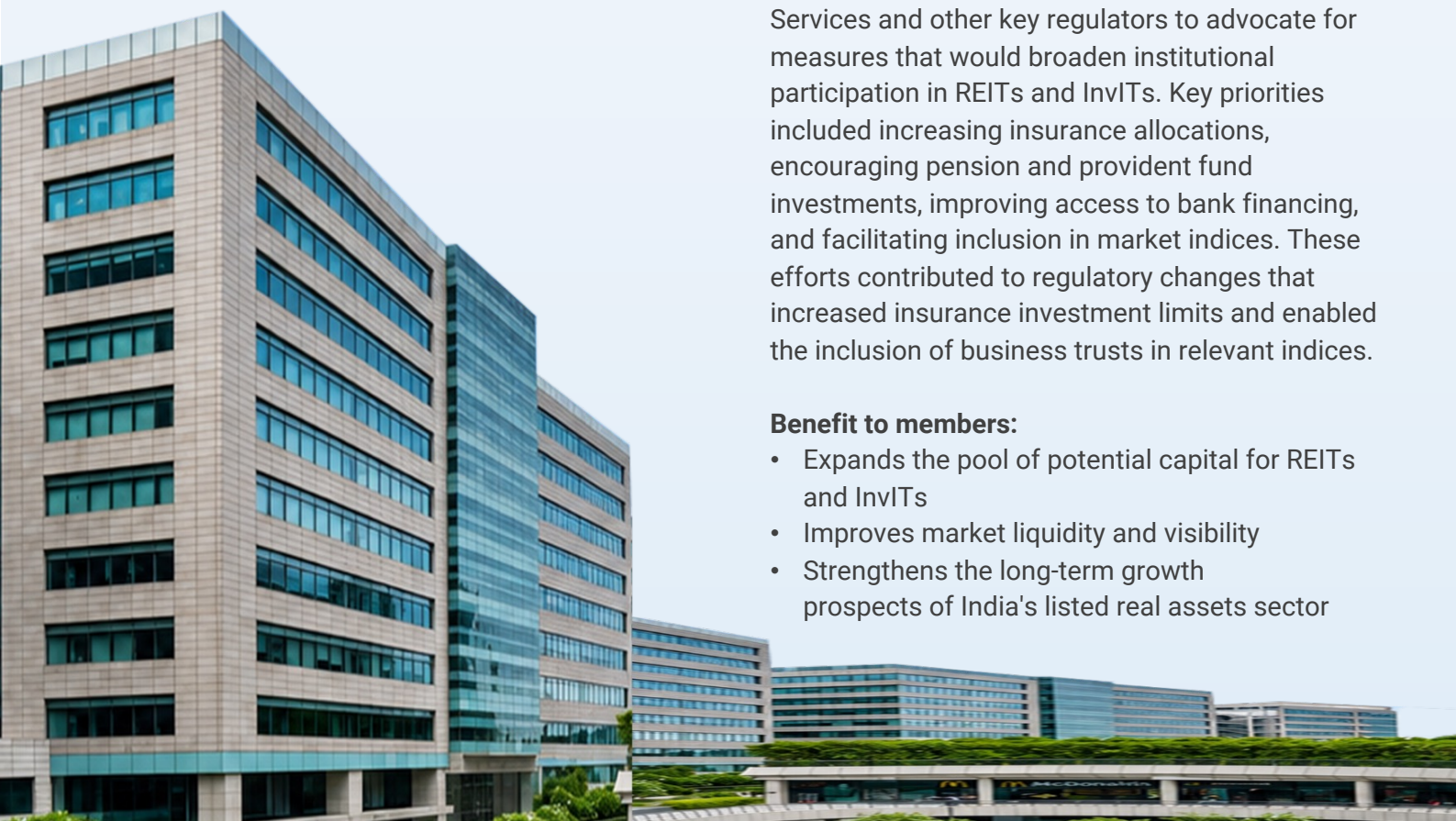
- Supported efforts to preserve the attractiveness of REITs and InvITs as investment vehicles
- Promoted a more balanced tax framework for listed real asset investments
- Strengthened engagement between the industry and government on matters affecting capital formation and investor participation

Expanding Institutional Capital for REITs and InvITs

APREA engaged with the Department of Financial Services and other key regulators to advocate for measures that would broaden institutional participation in REITs and InvITs. Key priorities included increasing insurance allocations, encouraging pension and provident fund investments, improving access to bank financing, and facilitating inclusion in market indices. These efforts contributed to regulatory changes that increased insurance investment limits and enabled the inclusion of business trusts in relevant indices.

Benefit to members:

- Expands the pool of potential capital for REITs and InvITs
- Improves market liquidity and visibility
- Strengthens the long-term growth prospects of India's listed real assets sector



Representation on the Income Tax Bill, 2025

APREA represented the interests of REITs and InvITs during the parliamentary review of the Income Tax Bill, 2025, providing recommendations on tax provisions affecting business trusts and the broader infrastructure sector. APREA's submissions were formally recorded as part of the Parliamentary Select Committee process and continue to inform ongoing engagement with policymakers.

Benefit to members:

- Ensures industry views are considered in tax policy discussions
- Supports the development of a more efficient and competitive tax framework
- Promotes a more stable investment environment for long-term capital

GST Reform and Input Tax Credit for Commercial Real Estate

APREA continued its advocacy for the availability of Input Tax Credit (ITC) for commercial real estate, engaging extensively with tax authorities, government agencies, and policymakers. The next phase of advocacy will focus on practical reform proposals and international best practices to improve tax efficiency for income-producing real estate. APREA continues to work on this matter through ongoing engagement with policymakers and industry stakeholders.

Benefit to members:

- Potentially reduces operating and development costs
- Enhances the competitiveness of commercial real estate assets
- Supports investment across office, logistics, retail, hospitality, and other commercial sectors

Digital Connectivity Standards for Commercial Real Estate

APREA provided industry feedback to the Telecommunications Regulatory Authority of India (TRAI) on proposed digital connectivity regulations for commercial properties. The submission reflected practical implementation considerations from the real estate industry and sought to ensure that future standards support occupier needs while remaining commercially viable for property owners.

Benefit to members:

- Supports the development of future-ready assets
- Helps shape regulations affecting office, industrial, retail, and mixed-use properties
- Ensures members' perspectives are reflected in policy development

Overall Impact

APREA's advocacy initiatives in India have strengthened engagement with regulators, policymakers, and government agencies on issues that directly affect capital formation, taxation, investment accessibility, and market development. These initiatives help create a more supportive environment for real estate and infrastructure investments while advancing the interests of APREA's members across the value chain.

