

Tax Wire



GST on renting of Residential property to Registered person

04th August, 2022

GST on renting of Residential property to Registered person

Background

For more than 15 years, renting of property has been covered under either service tax or Goods and Service Tax (GST). Broadly, the Government's intention seemed clear – tax commercial rentals and exempt residential rentals. Accordingly, residential dwellings for use as residence were exempted from GST laws. Furthermore, short-term accommodations upto Rs. 1,000 per day (of declared tariff) were exempted from GST laws.

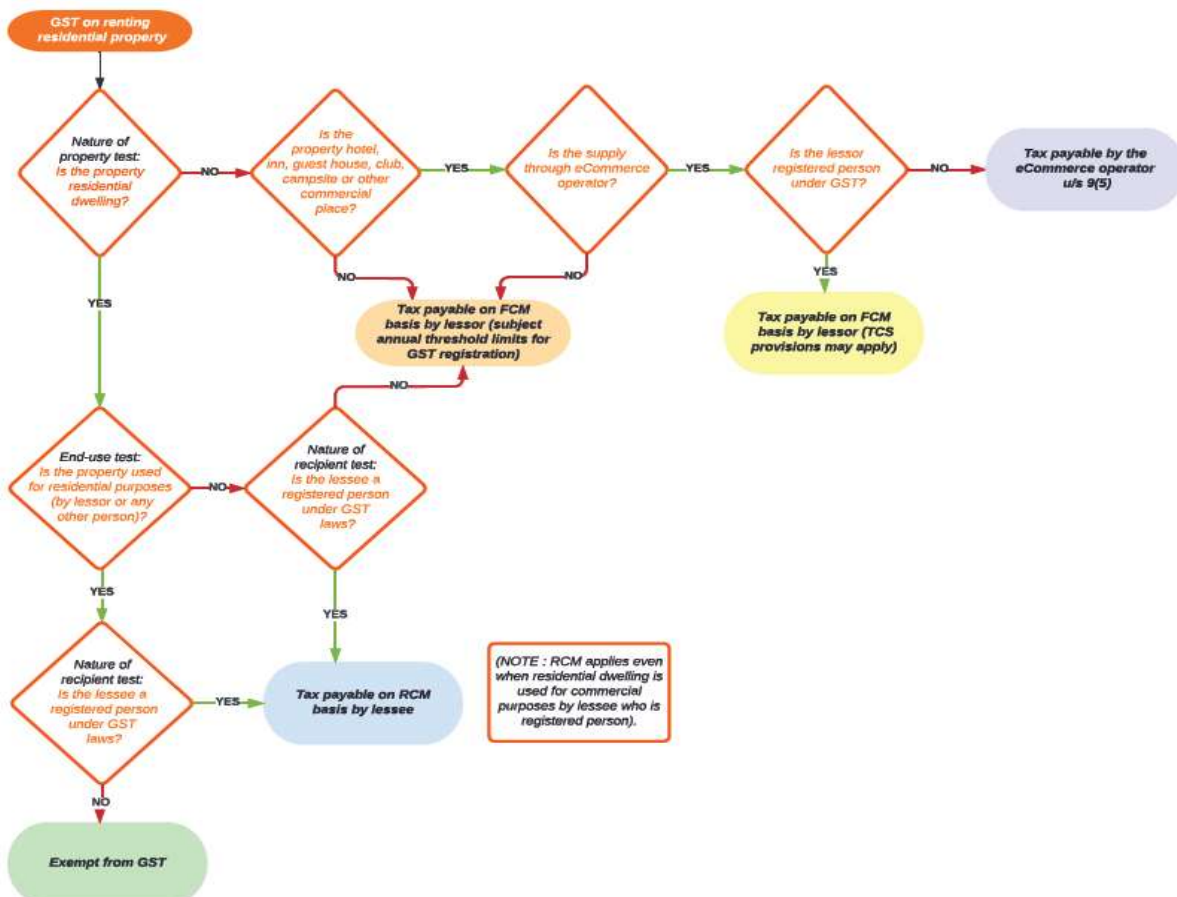
The Government has made series of amendments which came into effect from 18 July 2022, with respect to renting of property for residential purposes (both short-term accommodation and long-term).

Some of the key amendments made:

- Added a new condition to the exemption notification whereby apart from the nature of dwelling and end-

use conditions which existed earlier, exemption from GST is not available “where the residential dwelling is rented to a registered person”. Such services which are not covered under the exemption notification are now taxed at 18%.

- The exemption limit of Rs. 1,000 per day is removed in case of hotels, inns, campsites, etc. and such services are now taxed at 12% (where declared tariff per day is more than Rs. 7,500 per day, tax rate applicable remains at 18%).
- “Service by way of renting of residential dwelling to a registered person” is now covered under reverse charge mechanism where the lessee will be the person responsible to remit tax.
- The impact of the above can be simplified through the below flowchart:



Advith Comments

- Taxpayers have to evaluate the specific implications to their business on account of these changes and adapt accordingly. Especially taxpayers in the hospitality space, or those having Paying Guest/hostel accommodation for their staff/students/etc., or those providing rent-free-accommodation as a perquisite to employees, and the like.
- As can also be noticed from the flowchart, the rate of tax, person liable to pay, etc. vary depending on several parameters. While some of these parameters (like registration status) are objective, some of others (whether the property is residential dwelling) are subjective. This is likely to lead to further litigations. Any further pre-emptive clarifications from the Government are most welcome, which will enable businesses to factor the GST implications across the entire supply chain with certainty.

<<This space has been intentionally left blank>>

About Advith Consulting

Advith Consulting is a multi-disciplinary consulting Firm offering range of services to cater clients with their professional needs. What makes Advith Consulting, a class apart is:

- Energetic, experienced and vibrant professionals driven by knowledge-centric client servicing practices.
- Fluidic organisation helping clients achieve their business goals by providing solutions to various requirements by seamlessly integrating all professional services.
- Belief in upholding the highest standards of business ethics with a total commitment to quality.
- Adequately backed by a committed team of employees, talent and expertise in multiple areas, which is the key for timely deliverables.

Reach us at:

Advith Consulting LLP

No. 72/1, 1st Floor, Jnanodaya School Road
Shankarapark, Shankarpuram, Bangalore 560 004

Contact: 080 49589484;

e-mail: info@advithconsulting.in

Visit us at: www.advithconsulting.in

Disclaimer: *The content of this alert is intended solely for the purpose of information. This should not be treated as a technical tax advice for making decisions. You would have to contact your tax advisor to seek specific applicability of the contents of the alert for your case. We bear no responsibility of any loss occasioned to any person acting or refraining from action as a result of any material in this alert.*
