



GST UPDATES

GST applicability on “renting of immovable residential property to registered person”

Central Board of Indirect Taxes & Customs (CBIC) vide [CGST\(Rate\) Notification no. 04/2022 dated 13.07.2022](#), has notified that renting of immovable residential property be treated as supply of service from 18th July 2022 and thus will attract GST @ 18% under reverse charge mechanism (RCM) if it is rented to **registered person**.

Prior to 18th July 2022, GST was applicable only to commercial properties and residential property was exempted if rented out to any person (whether a registered or unregistered person)

Impact of the notification will be as follows:

Now, GST @ 18% will be levied if the tenant is registered under section 25 of the CGST Act, 2017 and pays rent to the landlord registered or unregistered. Tenant is responsible for paying GST on Reverse Charge basis.

For example:

- a) When any registered person (a company, limited liability partnership, Firm, Association of person, trust, society etc.) takes a residential dwelling on rent for employees, they would be liable to GST under RCM and the GST paid under RCM can be claimed as input tax credit.
- b) When a composition dealer registered under GST, pays rent for residential dwelling, they would be liable to GST under RCM basis. However, he cannot or does not use this credit as they pay tax at specified lower rates.
- c) When a registered individual, pays rent on residential dwelling for personal use, he will be liable to GST under RCM but GST paid cannot be claimed as Input Credit as it falls under blocked credit.
- d) When a registered person takes a residential dwelling on rent for commercial purpose it will be treated at par with the commercial unit. Thus, if the landlord is registered, GST will be charged on forward charge basis and the recipient can take the ITC of the same.

Our Interpretation:

- A registered person is liable to pay GST on RCM basis in case residential property is taken on rent. Accordingly, in case of residential property even if Landlord is a registered person still tenant will be liable for GST on RCM basis.
- It will affect the working capital of the businesses as they need to pay GST on RCM basis and then take credit.
- It will be an additional expense for a composition dealer as they would be liable to pay GST under RCM but not able to claim Input tax credit.