

Renting of Residential Unit to a Registered Person (Proprietor)

Residential unit if rented for residential purposes to any person was exempt from levy of GST since July 2017. Effective from 18.07.2022, this exemption was tweaked, whereby renting of residential unit to a registered person was made taxable even if the said property was used for residential purposes. Secondly, this service was put under RCM and therefore the registered lessee was made liable to pay the tax.

Question arose with regards to taxability of renting of residential property to a proprietorship concern where the property was used as a residence by that proprietor. A press release was issued to Press Information Bureau (PIB) to clarify that proprietor will not be required to pay tax, strangely this Press release was not issued under instruction of the Board or council, hence it was quickly disowned and therefore was considered as unreliable.

Board has now amended the exemption notification by way of an explanation as under:

Renting of Residential Unit to a registered lessee would be exempt if the said lessee fulfills following conditions:

1. The registered person (lessee) is a proprietor of a proprietorship concern
2. He takes the residential unit on rent in his personal capacity
3. He uses that said property for his own residence
4. Renting is on his own account and not on the account of proprietor



As this change is affected by way of an explanation, it will come into force retrospectively from 18.07.2022.

Also please note that renting of residential property to an Unregistered person is exempt from levy of GST.

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