

# IMPORTANT GST UPDATES



Issued in case of M/s Nagabhushana Narayana by Karnataka Authority for Advance Ruling (AAR)  
Advance Ruling No: KAR ADRG 17/2023 | Date: 13-04-2023

## Ruling

### General Power of Attorney holder liable to Pay GST on Renting of Immovable Commercial Property.

#### Observations & Findings

Shri Nagabhushana Narayana, a non-resident Indian, who is the absolute owner of the scheduled property, has appointed his mother Smt Prabhavathi, resident of Bengaluru, to manage the property through a General Power of Attorney (GPA). This includes induction of tenants, creating tenancy and to execute necessary deeds or documents either registering before the jurisdictional sub-registrar and to receive all profits, rents, lease advance money, advance security deposit amount from the existing tenant and also from the prospective tenant and to take care all necessary action regarding tenancy of the said scheduled property, except for to mortgage or sell or alienate the scheduled property.

Following the provisions of GPA, Smt Prabhavathi has created tenancy and inducted various tenants by way of leasing out the scheduled property for commercial purposes. This establishes that though Shri Nagabhushana Narayana, is the absolute owner of property, the act of leasing of immovable property was taken up by Smt Prabhavathi as a GPA holder of the said property. Also the incomes from the property, including the rent are received and retained by the GPA holder.

The activity of leasing or letting out of the building including a commercial, industrial or residential complex for business or commerce, either wholly or partly, is a supply of services in terms of entry 2(b) of Schedule II to Section 7 of CGST Act, 2017. Further in terms of Section 2(105) of CGST Act, 2017 'supplier' in relation to any goods or services or both, shall mean the person supplying the said goods or services or both and shall include an agent acting as such on behalf of such supplier in relation to the goods or services or both supplied.

Thus from the said provisions, Smt. Prabhavathi, the GPA holder is the supplier of service of leasing of the building for commercial purposes. Since Smt Prabhavathi is a resident of Bengaluru, Karnataka and a supplier of taxable service, is liable to take registration under Section 22(1) of the CGST Act, 2017. In the instant case, since the supply of service is directly in relation to immovable property, the place of supply of service shall be the location of the said immovable property i.e., in Bangalore, Karnataka. Since the place of supply and location of supplier are both in Karnataka the said supply amounts to intra-state supply and the taxable person, i.e Smt. Prabhavathi is liable to pay CGST and KGST of 9% each on the taxable value in terms of entry no 16(iii) (SAC heading 9972) of Notification No. 11/2017 dated 28.06.2017, as amended.