

IMPORTANT GST UPDATES



Issued in case of M/s SriSai Luxurious Stay LLP by Karnataka Authority for Advance Ruling
Advance Ruling No. KAR ADRG 25/2023 | Date: 13-07-2023

Ruling

KAAR ruled that PG/Hostel Rent paid by inhabitants does not qualify for GST exemption. GST on reverse charge would apply to the rental payments made to landowners.

Observations & Findings

M/s. Srisai Luxurious Stay LLP, the applicant, is an unregistered Limited Liability Partnership (LLP) firm, run a business providing paying guest (PG) accommodation, service apartments, and other facilities in Bengaluru. The firm sought advance ruling to clarify three key points:

- Whether PG/Hostel rent paid by inhabitants qualifies for GST exemption as residential dwellings.
- Whether charges collected for additional services provided by the LLP are bundled with the main service of hostel/paying guest accommodation.
- Whether GST on reverse charge applies to the rental paid to landowners.

KAAR noted that the applicant runs a business that offers boarding and lodging facilities, meals, fully furnished rooms, security, housekeeping, and other amenities for residents. They claimed that the renting of their accommodation qualifies for GST exemption under Entry No. 12 of Notification No. 12/2017-Central Tax (Rate). However, it was noted that the accommodation provided by the applicant is akin to a guest house or lodging facility rather than a residential dwelling.

The applicant contended that the allied additional services they provided were naturally bundled with the hostel/paying guest service. However, it was argued that these services were optional, and residents could opt-out of them. As such, they did not qualify as naturally bundled services.

Additionally, the applicant questioned whether GST on reverse charge applied to rental payments made to landowners. A new entry (5AA) in Notification No. 13/2017-Central Tax (Rate) had been introduced, requiring GST on rent for residential properties to be paid under reverse charge. Based on these observations, the KAAR ruled the following:

- Services provided by the applicant did not qualify for GST exemption since the accommodation offered was not a residential dwelling but rather a guest house or lodging facility.
- The additional services provided by the applicant were not considered naturally bundled with the hostel/paying guest accommodation since they were optional and did not affect the main supply of accommodation.
- The applicant, after obtaining GST registration due to their taxable services, would be liable to pay GST under reverse charge on rental payments made to the landowners.