



JUDGEMENT

Renting Out Hostel Rooms for Residential Purposes Exempt From GST

In Case Of:	Thai Mookambikaa Ladies Hostel
Issued By:	Madras High Court
Order No:	WP No. 28486 of 2023
Order Date:	22 nd March 2024

N J JAIN & ASSOCIATES

CHARTERED ACCOUNTANTS

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OBSERVATIONS

- Thai Mookambikaa Ladies Hostel, the petitioner, operates private ladies hostels, offering residential accommodation and meals to college students and working women at reasonable rates. The petitioners assert their hostels operate with a philanthropic aim, providing a safe haven for female students and professionals from distant locales and rural areas, who struggle to secure affordable accommodation in the city.
- Referring to Entry No.12 of Exemption Notification No.12/2017-Central Tax (Rate) dated 28.06.2017, the petitioners contend that their provision of residential accommodation to female students and working women qualifies for GST exemption, as it constitutes 'residential dwelling' used by the hostel inmates.
- Subsequently, the petitioners submitted applications to the Tamil Nadu State Appellate Authority for Advance Ruling, seeking clarification on pertinent questions regarding GST exemption eligibility but the authority stated that 18% GST shall be applicable.

FINDINGS

- When assessing the GST imposition on hostel accommodation, it becomes crucial to discern whether inmates utilize the premises as residential dwellings or for commercial purposes. Residential unit rental incurs GST only when it serves a commercial function. Thus, to claim GST exemption, the end-use must be residential, independent of the property's nature or the service provider's business. Rather, it hinges on the purpose of usage, i.e., 'residential dwelling,' which is exempt from GST. Therefore, the issue of GST levy on residential accommodation should be evaluated from the recipient's viewpoint, not the service provider's, who merely offers the premises on rental basis.
- Considering the renting out of hostel rooms to female students and working women exclusively serves residential purposes, this Court holds that the condition stipulated in the Notification for exemption – 'residential dwelling for use as residence' – has been met by the petitioners. Consequently, as the services fall under Entry Nos.12 and 14 of Notification No. 12/2017-Central Tax (Rate) dated June 28, 2017, the petitioners are entitled to GST exemption.

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