



JUDGEMENT

GST Applies to Revised Rental Amounts for Leased Property, Including Increased Rent for Periods Before GST Implementation

In Case Of:	M/s. Metropolitan Transport Corporation Ltd
Issued By:	Tamil Nadu AAR
Order No:	Advance Ruling No. 12/ARA/2024
Order Date:	25 th June 2024

OBSERVATIONS

- Metropolitan Transport Corporation Limited, a Tamil Nadu Government entity, provides passenger transportation services, which are exempt from GST. The petitioner leased property to the RTO, Chennai.
- The petitioner and the RTO agreed to amend the rent every three years based on government orders. Due to unresolved negotiations, some revisions were missed. For the fiscal year 2023-24, they settled on a 15% annual increase, retrospectively applied from September 1, 2005.
- The tenant contested GST applicability on the revised rent, arguing it related to periods before GST implementation. The increased rent amount of Rs. 1,60,42,203 was disputed for the period from 01-09-2005 to 31-08-2022.
- The petitioner sought an advance ruling to clarify GST applicability on revised rental amounts, with the tenant agreeing to pay the revised rent plus GST upon receiving clarification.

FINDINGS

- The AAR determined that there was no contention over application of GST to the revised rental amounts from 01-07-2017 to 31-08-2022, considering them as a supply under GST provisions. The question was whether the increased rent for the period from 01-09-2005 to 30-06-2017 (pre-GST) should be considered a supply and subject to GST.
- For this, Section 142 of the CGST Act was applied, which governs transitional provisions, confirming that supplementary invoices or debit notes issued within 30 days of a revision are taxable under GST.
- Based on this, the AAR ruled that the increased rent of Rs. 1,60,42,203, retrospectively adjusted from 01-09-2005 to 31-08-2022, is subject to GST. The decision clarified that revisions made before GST implementation but settled after the GST Act came into effect can be taxable.

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