

Goldie Ashokbhai Shah

Authority for Advance Ruling — Gujarat

GUJ/GAAR/R/2025/48

Dated **19.11.2025**

Q Questions Before the Authority

- Whether the service of renting of Residential building provided by the Applicant to the Lessee, an unregistered person, for use as residential accommodation for the students and working professionals ("the Residents"), is exempt as per S. No. 12 of the Exemption Notification No. 12/2017 - Central Tax (Rate) dated 28 June 2017 and corresponding exemption notification issued under the Gujarat State GST Act?
- If the answer to above question is in negative, who shall be the person liable to pay GST on the impugned service of renting of residential dwelling and what shall be the applicable rate of GST thereupon?

F Facts

The applicant, a co-owner of a residential building, proposed to lease the property to M/s Ashimara Living Private Limited, an unregistered company. The lessee intended to use the property to provide long-term residential accommodation to students and working professionals. The applicant sought a ruling on whether this renting service qualifies for the GST exemption under S. No. 12 of Notification No. 12/2017-Central Tax (Rate).

H Ruling

Exemption under S. No. 12 of Notification No. 12/2017	No	The property is used for commercial activity, not as a residence.
Liability and rate of GST	Applicant is liable to pay GST at 18%	Under Notification No. 11/2017-CGST(R) as amended.

The Authority ruled that the service is not exempt because the property is being used for commercial purposes rather than as a residence. Consequently, the applicant is liable to pay GST on the renting service under the forward charge mechanism at the rate of 18%.

R Reasoning

The Authority determined that the lessee is using the property for a commercial activity of providing accommodation services, which falls outside the scope of the exemption for residential dwellings. It relied on the draft lease agreement, which explicitly describes the property as a commercial building. The Authority distinguished this case from previous High Court rulings, noting that the legislative intent of the exemption is to cover only personal residential use. It concluded that the service falls under Sl. No. (iii) of Entry No. 16 of Notification No. 11/2017-CGST(R), attracting **GST at 18%**.

P Provisions Relied On

S. No. 12 of Notification No. 12/2017-Central Tax (Rate)

Notification No. 11/2017-CGST(R)

Section 7 of the CGST Act

! For the Practitioner

This ruling clarifies that leasing a residential building to a third party for the purpose of running a commercial accommodation business (like a hostel or PG) does not qualify for the **residential dwelling exemption**. Practitioners should note that the Authority distinguishes between personal residential use and commercial use of property. It does not settle the ongoing litigation regarding similar exemptions in other jurisdictions, which are currently pending before the Supreme Court.

Source

Summary prepared from the published order, which is a scanned document. It is a reading aid and not the authority: where the two differ, the order governs. Verify every provision against the original before relying on it.

Original order: www.gstcouncil.gov.in -> 48 goldie ashokbhai shah compressed.pdf

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