

# APPLICABILITY OF GOODS AND SERVICES TAX ON RENTING OF RESIDENTIAL DWELLING

## 1. Background:

Taxability of the amount received for renting of Residential Dwelling in GST Regime are identical to as it was in 2012 (Negative Regime of Taxation in Service Tax). and exempted under respective laws. Hon'ble Finance Minister Mr. Arun Jaitley while deciding the rate and exemption on services on 19 May 2017 at the GST Council Meeting have said that they are following grandfather approach in deciding taxability of services in GST regime

## 2. Relevant provisions under GST Laws up to 17th July 2022 and amendments made and effective from 18th July 20122.

2.1 GST is levied and payable under section on supply of goods or services as provided in section 7 of Central Goods and Services Tax Act, 2017 ("CGST Act") unless it is exempted vide any notification issued under section 11 of CGST Act 2017. The term supply as defined in Section 7 (1) is inclusive manner to include, all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business.

2.2 Section 7(1A) provides that where certain activities or transactions constitute a supply in accordance with the provisions of sub-section (1), they shall be treated either as supply of goods or supply of services as referred to in Schedule II i.e. it only differentiates a supply either as a supply of goods or a supply of services to invoke only if an activity is qualified as a supply u/s Section 7(1).



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**2.3 Entry – 2. Land and Building of Schedule II of Section 7(1) provides as follows.**

- (a) Any lease, tenancy, easement, licence to occupy land is a supply of services [The lease of tenancy of land can be of any period - even 99 or 999 years].
- (b) Any lease 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 [This covers renting or leasing of building. Even renting of part of residential complex for business or commerce will be subject to GST.

**2.4.** However, the Liability to pay GST did not arise as it was specifically exempted vide Entry 12 of the **CGST (Rate) Notification no. 12/2017 dated 28.06.2017** which is reproduced below for reference

Sl. No.	Chapter, Section, Heading, Group or Service Code (Tariff)	Description of Services	Rate (%)	Condition
(1)	(2)	(3)	(4)	(5)
12	Heading 9963 or Heading 9972	Services by way of renting of residential dwelling for use as residence.	Nil	Nil

A similar exemption was also Notified vide Notification No. 9/2017 - Integrated Tax (Rate) dated 28-6-2017

**3. What is the residential dwelling:**

**3.1** To get exemption from services by way of renting of residential dwelling as notified above, the burden is of course on the owner to show that his case comes within the parameters of the exemption notification.

**3.2** The expression ‘residential dwelling’ has not been defined under GST Laws. It is pertinent to note that under the erstwhile service tax law, the expression ‘residential dwelling’ was defined in paragraph 4.13.1 of Taxation of Services: An Education Guide dated 20-6-2012 which was issued by Central Board of Indirect taxes and Customs which is reproduced below for the facility of reference:

**4.13.1** What is a ‘residential dwelling’? Since the phrase ‘residential dwelling’ has not been defined in the Act. It has therefore to be interpreted in terms of the normal trade parlance as per which it is any residential accommodation, but does not include hotel, motel, inn, guest house, camp - site, lodge, house boat, or like places meant for temporary stay. Thus, in the aforesaid education guide issued by Central Board of Indirect Taxes and Customs which contains clarifications, it is provided that in normal trade parlance residential dwelling means any residential accommodation and is different from hotel, motel, inn, guest house etc. which is meant for temporary stay. The aforesaid clarification which is issued by the Board, in the absence of anything to the contrary in the Act, binds to the department and the service provider may referred it in its case.

**3.3.**The **Supreme Court in Kishore Chandra Singh v. Babu Ganesh Prasad Bhagat AIR 1954 SC 316** has held that expression residence only connotes that a person eats, drinks and sleeps at that place and it is not necessary that he should own it. The aforesaid decision was referred to by Bombay High Court in **Bandu Ravji Nikam v. Acharyaratna Deshbhushan Shikshan Prasara Mandal [2003] 3 Mhulj 470 (para 7.)**

**3.4.** It is well settled that when the word is not defined in the Act itself, it is permissible to refer to the dictionaries to find out the general sense in which the word is understood in common parlance. (Refer: **Mohinder Singh v. State of Haryana AIR 1989 SC 1367** and **CCE v. Allied Air - Conditioning Corpn. (Regd.) [2006] 7**

SCC 735). Therefore, it may also be referred to the meaning of the expression 'residence' and 'dwelling' as defined in **Concise Oxford English Dictionary 2013 Edition** as well as **Blacks Law Dictionary 6th Edition** to ascertain its meaning in common parlance and in popular sense which read as under:

**3.4.1. The Concise Oxford Dictionary:**

**Domicile:** 1. the country in which a person has permanent residence. 2. the place at which a company or other body is registered.

**Residence:** 1. the fact of residing somewhere. 2. a person's home. 3. the official house of a government minister or other official figure.

**3.4.2. Blacks Law Dictionary:** Residence- Place where one actually lives or has his home; a person's dwelling place or place of habitation; an abode; house where one's home is; a dwelling house.

**3.4.3. Dwelling-** The house or other structure in which a person or persons live; a residence; abode; habitation; the apartment or building, or a group of buildings, occupied by a family as a place of residence. Structure used a place of habitation.

**3.5.** Thus, it is evident that the expression 'residence' and 'dwelling' have more or less the connotation in common parlance and therefore, no different meaning can be assigned to the expression 'residential dwelling' and it cannot be held that the same does not include hostel which is used for residential purposes by students or working women.

**3.6.** From above provisions of law, the renting of residential dwelling for residential use is exempt from GST. It is a fact that in many transactions wherein the owner / co-owners who let out / lease out their residential property to a business entity and the same in turn provided such premises on its employees

as accommodation and contractors working for them, professionals, banks, Post Office etc who have housed their business premises in factory area and used for residential use for the employees. The arrangement between owner and business entity is generally of P2P basis. The question was whether such lease transaction was exempted from GST or not.

**3.7. Appellate Authority of Advance Ruling, Karnatak in case of Taghar Vasudeva Ambrish ,2020 (41) G.S.T.L. 47 (App. A.A.R. - GST - Kar.)** have held that

*Appellant co-owners of multi-story building permitted by local authority to construct said building for purpose of hostel, jointly leasing same to a lessee for sub-letting to students/single woman - In terms of Entry No. 13 of Notification No. 9/2017-I.T. (Rate) exemption is available to services falling, inter alia, under Heading 9972 11 by way of renting of residential dwelling for use as residence - Said heading covers rental or leasing services of residential properties only - Term 'residential dwelling' has not been defined in GST law and accordingly taking normal trade parlance, it cannot include a hostel premises for which building was constructed - It is a socialable accommodation and not a residential accommodation - Even, otherwise, assuming but not admitting that said building is a residential dwelling in view of longer duration of sub-lease, still second condition is not fulfilled inasmuch as it is not being used by recipient of services, i.e., lessee as residence - Lessee is using this building for business of subletting for providing hostel/ paying guest accommodation to students - Accordingly, exemption not admissible to appellant lessor - Impugned AAR ruling sustainable. [paras 9, 10, 11, 12, 13]*

**3.8.** Against above Ruling the Appellant have filed a Writ before Karnataka High Court (**Taghar Vasudeva Ambrish v. Appellate Authority for Advance Ruling, [2022] 135 taxmann.com 287 (Karnataka)**) while disposing the said Writ, it is held that



*Expression 'residential dwelling' to be understood in popular sense/common parlance - Residential dwelling in normal trade parlance means any residential accommodation and is different from hotel, motel, inn, guest house etc. which is meant for temporary stay as per service tax education guide issued by CBIC and same is binding on department - Residential dwelling is being rented as hostel to students and working professionals fall within purview of residential dwelling as same is used by such persons as residence - Benefit of exemption notification cannot be denied on ground that lessee is not using premises as no requirement that lessee itself should use premises - Finding recorded by Appellate Authority for Advance Rulings (AAAR) that hostel accommodation is more akin to sociable accommodation is unintelligible and not relevant - Petitioner is entitled to benefit of exemption notification - Ruling delivered by AAAR of Karnataka quashed [Section 6 of Integrated Goods and Services Tax Act, 2017]*

**3.9.** The ARR, Maharashtra, in case of M/s Kasturi & Sons Ltd. [2022] 140 taxmann.com 256 (AAR – Maharashtra) held that

*Letting out of residential building is in nature of supply of real estate service and classifiable under SAC 997211 - Language used in exemption entry makes it clear that exemption is given on nature of property and its usage and not by status of recipient - Exemption is available as residential properties will be used only as residences by staff of recipient-company - Residential property let out for commercial purposes can be classified as supply of services and GST is payable on same - Property is given on commercial rent or residential rent shall be based on nature of end use and not nature of property - Exemption would be admissible [Maharashtra Goods and Services Tax Act, 2017] [Paras 5.5 and 5.7]*

**3.10.** From above it may be concluded that the exemption would also be extended to the

owners who are giving the property on lease to business entity provided the end of residential dwelling is for residential use. However, the GST Council in its 47th meeting have recommended the withdrawal of the given exemption when these services are provided to a registered person i.e. GST would be applicable when a residential dwelling is rented to a registered person. Further, the notification of reverse charge on services has also been amended to provide that the service by way of renting a residential dwelling to a registered person would be subject to GST under reverse charge. Thus, the registered person receiving the above service would be liable to pay GST under reverse charge. On above amendment, with effect from 18 July 2022 the GST on renting a residential dwelling to a registered person would be subject to GST under reverse charge. The recommendation to withdraw the exemption seems to override the impact of the above Karnataka High Court Judgment. Karnataka in case of **Taghar Vasudeva Ambrish v. Appellate Authority for Advance Ruling**, [2022] 135 taxmann.com 287 (Karnataka).

**4. Issue of Notifications related to amendments:**

To implement the decisions of GST Council as above two notifications issued which are reproduced below for reference.

Notification no. 04/2022-Central Tax (Rate) dated 13th July 2022	Service exemption notification no. 12/2017- Central Tax (Rate) dated 28th June 2017 is amended.
Notification no. 05/2022-Central Tax (Rate) dated 13th July 2022	Reverse charge notification no. 13/2017- Central Tax (Rate) dated 28th June 2017 is amended.

Entry 12 of notification no. 12/2017- Central Tax (Rate) dated 28th June 2017 is amended vide Notification no. 04/2022-Central Tax (Rate) dated 13th July 2022 as follows.

Sr. No.	Description of service	Rate	Condition
12	Services by way of renting of residential dwelling for use as a residence except where the residential dwelling is rented to a registered person.	NIL	NIL

4.1. Accordingly, with effect from 18th July 2022, GST exemption is available only if all the following conditions are satisfied –

Condition 1 – Service provider is engaged in providing service or renting of residential dwelling; and Condition 2 – The residential dwelling is used for the purpose of residence by the service receiver; and Condition 3 – The residential dwelling is rented to an

unregistered person. First two conditions are same as earlier. However, addition of the condition 3 has changed the scenario. Now, the exemption is available only if the service receiver is a person not registered under GST. The following table briefly summarizes the position under GST on rent of residential property for use as residence post issuance of notification no. 04/2022- Central Tax (Rate) dated 13th July 2022 –

Service provider	Service receiver	Taxable/ exempt	Effective date
Registered	Registered	Exempt	From 1st July 2017 till 17th July 2022
Registered	Unregistered	Exempt	From 1st July 2017 till date [Such services provided to unregistered person are exempt even after 18th July 2022]
Registered	Registered	Taxable	From 18th July 2022
Unregistered	Registered	Taxable	From 18th July 2022
Unregistered	Unregistered	Not Applicable	Not Applicable

4.2. Applicability of GST applicable on rent under RCM:

Notification no. 05/2022- Central Tax (Rate) dated 13th July 2022 has amended basic reverse charge notification no. 13/2017- Central Tax (Rate) dated 28th June 2017. As per the notification, sr. no. 5AA is inserted which is tabulated hereunder –

Sr. No.	Description of service	Rate	Condition
5AA	Services by way of renting of a residential dwelling to a registered person.	Any person	Any registered person

4.3. Summary of the exemption and applicability of GST on renting of residential dwelling as effective from 18th July 2022 –

Particulars	Service provider	Service receiver	Taxable/ exempt
Service by way of renting of residential dwelling for use as a residence	Registered	Registered	Taxable [GST is payable by the service receiver under <b>reverse charge</b> ]
Service by way of renting of residential dwelling for use as a residence	Unregistered	Registered	Taxable [GST is payable by the service receiver under <b>reverse charge</b> ]
Service by way of renting of residential dwelling for use as a residence	Registered	Unregistered	Exempted [as per notification no. 04/2022- Central Tax (Rate) dated 13th July 2022]
Service by way of renting of residential dwelling for use other than residence	Registered	Registered/ Unregistered	Taxable as forward charge

## 5. Press release by PIB on dated.12th August 2022 & 30th December 2022 vis a vis Notification No. 15/2022- Central Tax (Rate) dated.30th December 2022:

(i) The Union government has clarified in a tweet, press information bureau (PIB) dated.12th August 2022 that “renting of residential unit taxable only when it is rented to business entity.” It further clarified that



“no GST when it is rented to private person for personal use; no GST even if proprietor or partner of firm rents residence for personal use.”

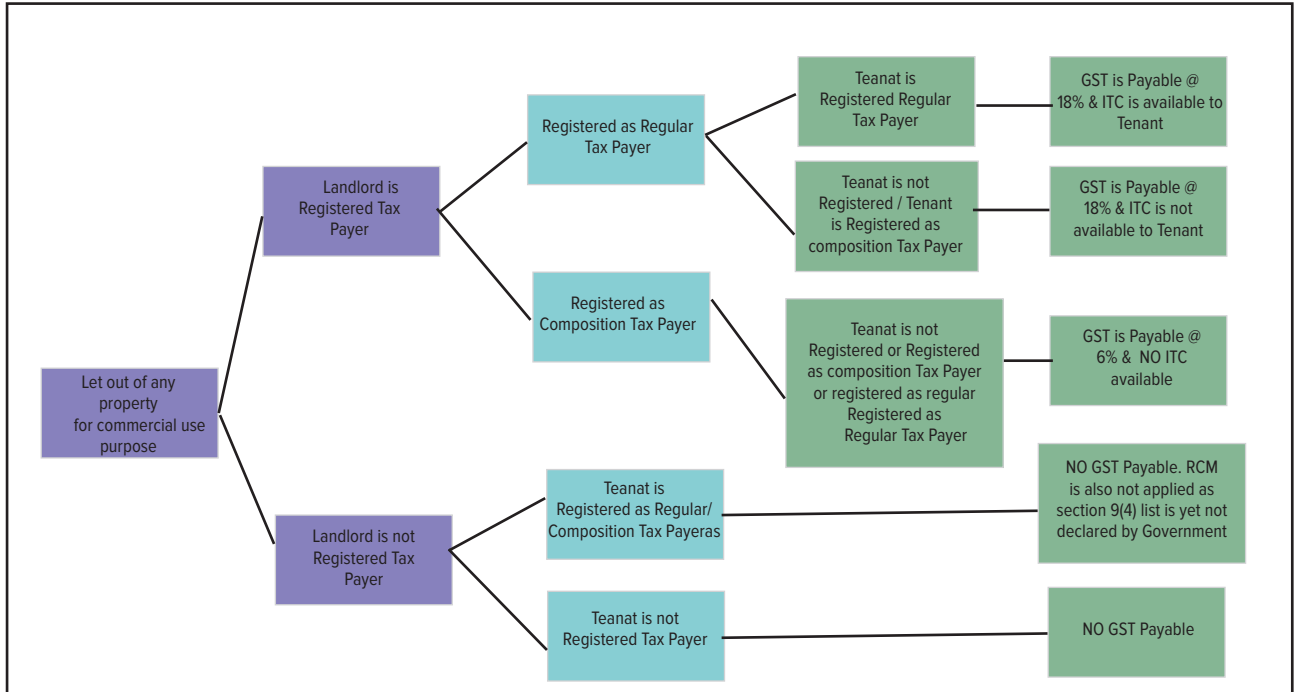
- (ii) Subsequently a writ petition was filed before the Delhi High Court challenging the Notification No.04/2022-Central Tax (Rate) dated 13th July, 2022 whereby the exemption which was earlier granted for renting of residential accommodation is no longer available to the GST registered tenants. The petitioner challenged the relevant entry of Notification No. 04/2022-Central Tax (Rate), dated 13-07-2022 being ultra vires Article 14 of the Constitution of India.

The High Court held that where the residential dwelling is rented by the proprietor of a proprietorship firm in his personal capacity for use as his own residential dwelling and such renting is not on the account of his business but is rented on his personal account, then the exemption would continue to be available. Further, it was also held that where the residential dwelling is rented by a partner of a partnership firm in his personal capacity for his own residential use and not accounted for in the accounts of the partnership firm, the exemption would be available. Similar position would be valid in the case of other forms of businesses. Ref: Seema Gupta vs Union of India in case of W.P.(C) 10986/2022 & CM APPL. 32131/2022 ( Delhi High Court) :

- (iii) CBIC have issued Notification No. 15/2022-Central Tax (Rate) dated 30th December 2022 effective from 1st January 2023 in line with the Delhi High Court that the exemption will cover “services by way of renting of a residential dwelling to a registered person where – (i) the registered person is proprietor of a proprietorship concern and rents the residential dwelling in his personal capacity for use as his own residence; and (ii) such renting is on his own account and not that of the proprietorship concern.” This notification aims to implement the recommendation of the GST Council. In its meeting on December 17, it recommended that no GST is payable where the residential dwelling is rented to a registered person if it is rented in their personal capacity for use as their residence and on his own account and not on account of his business.

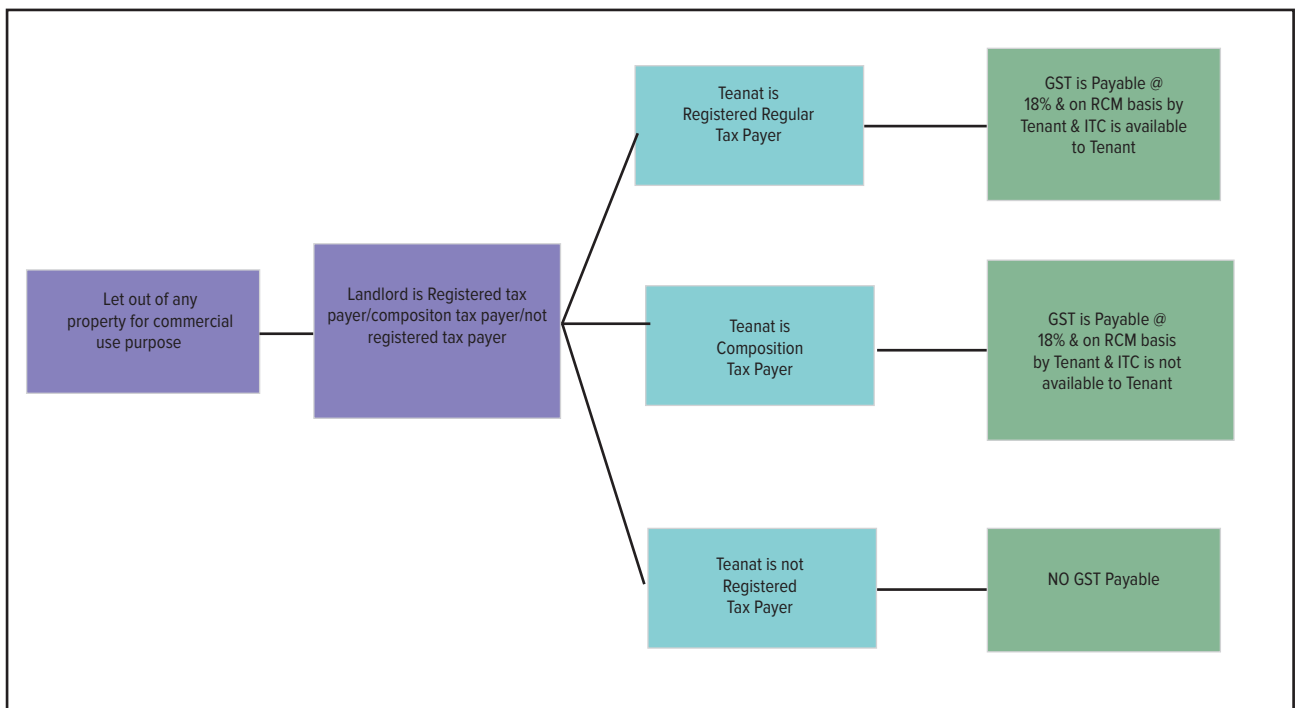
## 6. Abstract and Pictorial Presentation of the taxability of resident dwelling from 18th July 2022.

- (a) **Any Property to be used for Commercial purpose (Forward Charge):** Any registered person let out any property for Business purpose will be treated as Taxable supply and Rent received for such let out by registered Person will be taxable as forward charge basis @18% with availability of ITC. If Registered person is Composition Tax payer (threshold limit of turnover Rs.50 lakhs) then GST rate will be 6% without ITC.



**b. Any Property to be used for Residential purpose (Reverse Charge):**

Any Registered person take property on Rent for Residential purpose from any person have to pay GST on RCM basis as per Central GST Rate notification 05/2022 dated.13th July 2022 which is 18%. If Registered person is Composition Tax payer (threshold limit of Rs.50 lakhs) than RCM GST rate will be 18% without ITC



**7. ITC claim under GST on rent paid.**

GST charged by the landlord / owner on rent charged under forward charge is available for ITC by the recipient of service / tenant. When a tenant is registered and takes a residential property on rent from any person



(registered or unregistered person) GST will be applicable under RCM. Liability to pay GST @ 18% will be of the recipient (tenant/lessee) of service. The recipient will also be able to claim the ITC of the GST paid under reverse charge as the payment of rent will be a business expenditure and the same is not included in the list of blocked ITC u/s 17(5). A registered tenant will have to pay GST on rent under the reverse charge mechanism and then, claim input tax credit (ITC) on the payment made. However, Section 17(5)(g) of the Central Goods and Services Tax Act, 2017 does not allow for input tax credit of GST paid for any services for 'personal consumption'. It is only applicable in case on supplies for 'business purposes'.

## 8. Taxability in the hands of different recipients:

- (a) **Situation – 1: When a company, LLP, Firm, AOP, BOI, etc** takes a residential dwelling for the purpose of residence on rent for employees it will be considered as an item of business expenditure. GST will be paid under RCM and the ITC of the GST paid under reverse charge can be claimed.
- (b) **Situation – 2:** When a **composition dealer** who is registered under GST takes a residential dwelling for the purpose of residence on rent then it will be considered as an item of business expenditure. GST will be paid under RCM but the ITC of the GST paid under reverse charge cannot be claimed as per section 10(4) of CGS Act 2017 by a composition dealer.
- (c) **Situation – 3:** When an individual who is registered under GST as a **proprietorship concern** takes a residential dwelling for the purpose of residence on rent for himself/herself / family then it will be considered as an item of personal expenditure and not the business expenditure of a proprietorship concern. GST will be paid under RCM but the ITC of the GST paid under reverse charge cannot be claimed as it is blocked per section 17(1) 2017 of CGST Act. It is advisable for individuals to not take residential property on rent in the name of the business (proprietorship concern) to avoid

GST liability.

- (d) **Situation – 4:** When a residential dwelling is taken by a registered person on rent for **commercial purposes** it will be treated at par with the commercial unit. If the landlord is unregistered then GST shall not be levied and paid by either the landlord or the tenant. If the landlord is registered GST will be charged on a forward charge basis and the recipient can take the ITC of the same.

## 9. Renting Service supplied jointly by co-owners:

- 9.1. In case of a property is co-owned by two or more persons, the exemption limit of Rs. 20 lakhs or Rs.10 lakhs (as applicable to few North Eastern States, to be referred) as the case may be is available separately to each co-owner. The Authority of Advance Ruling in case of Elambrancheri **Khaldoon, 2018 (18) G.S.T.L. 152 (A.A.R. - GST)** it is ruled that

*“SSI Exemption under GST (Threshold Limit) - Rent of jointly owned immovable property - Clubbing of Co-owner's share - Although rent of such immovable property is collected by one co-owner for administrative convenience, same is equally shared by each of co-owner and such share of each co-owner is below Rs.20 lakhs - Each co-owner is distinct legal entity and merely by joining with co-owners in sharing rent, does not make them another different entity, unless there was any such intention - There is no such intention in this case - Even under Income Tax law, such co-owners are assessed separately - Accordingly, SSI/threshold exemption of Rs.20 lakhs available to each of co-owner separately - Section 22 of Central Goods and Services Tax Act, 2017. - [A precedent decision under Service Tax law as reported at 2017 (51) S.T.R. 38 (Tri.-Chan.) referred]. [paras 3, 4, 5, 6]*

*Registration - Threshold limit - Rent of jointly owned immovable property - Co-owner's eligibility for registration - Since each co-owner is a distinct and different entity, each entitled for threshold exemption of Rs.20*



*lakhs - In instant case, share of each being below this limit, registration under GST not required - Section 22 of Central Goods and Services Tax Act, 2017. [paras 3, 4, 5, 6]*

**9.2. Authority of Advance Ruling, West Bengal in case of Rabi Sankar Tah, 2019 (31) G.S.T.L. 154 (A.A.R. - GST) ruled that**

*Registration under GST - Threshold limit - Clubbing of co-owner's share of rented property - Association of Persons - Applicant, one of three co-owners of rented property seeking to know as to whether they would be treated as Association of Persons (AOP) for purpose of threshold limit for registration - HELD : In instant case while entire rental amount for the year on account services of renting of immovable property exceeds threshold limit of ` 20 lakh, share of each of three co-owners is below aforesaid threshold limit - Since co-owners are having definite and ascertainable share of consideration for services, they will have to be treated separately for purpose of registration under GST law and not as Association of Persons - Even under Income Tax law, such co-owners are assessed separately - Catena of judgments under erstwhile Service Tax laws, including one Ruling under GST in **Elambrancheri Khaldoon, 2018 (18) G.S.T.L. 152 (A.A.R. - GST) supporting this view - In view of above, AOP cannot be treated as a person and share of each co-owner cannot be clubbed for determining threshold limit for registration under GST - Gross turnover, separately of each co-owner is determining factor of threshold for registration for each person - Section 22 of Central Goods and Services Tax Act, 2017. [paras 3.10, 3.13, 3.14, 3.15]***

## **10. Place Of Supply Registered Person:**

The recipient (registered person) needs to start paying GST under reverse charge mechanism. Since the notification is effective from 18/07/2022, GST would be due on rent accruing from such date. As per Section 2(94) of the Act, 2017, 'registered person' means a person who is registered under section 25.

10.1. The notification(s) does not qualify the word "registered". Therefore, if any recipient holds a registration under GST Laws anywhere in India and has taken a 'residential dwelling' on rent, then the recipient would be required to pay GST under reverse charge basis, in that state where such 'residential dwelling' is located. For this purpose, a fresh registration in that State may be required and ITC of SGST paid on expenses incurred for the resident dwelling may be taken. This is because as per provisions of section 12(3) of the IGST Act 2017, the 'Place of supply' in case of services in relation to immovable property will be the 'location of such immovable property'.

10.2. However, there is no bar to continue with registration taken in the state other than the state where immovable property situated. Since the 'Place of supply' in case of services in relation to immovable property will be the 'location of such immovable property', and the owner of the property located in a state other than the state where immovable property situated, may not require to take separate registration. If the property is situated in Bhubaneswar, then place of supply will be in Bhubaneswar and if the landlord is also registered in Odisha, then it is an intra-state transaction and CGST + SGST should be charged on the invoice value. But if the landlord is registered in West Bengal, then it will be an inter-state transaction and IGST should be livable because place of supply is the location of the property which is in Odisha.

## **11. Invoice For GST On Rent:**

If the landlord is required to levy GST on rent as forward charge, then the landlord has to issue Tax Invoice in accordance with the provisions of GST Invoice Rules. The invoice should contain Invoice Number, Invoice date, rent charged, place of supply, Rate of GST, etc. as required by GST laws. The Invoice must be serially numbered and clearly show the place of the immovable property. However, when GST payable under RCM, the recipient business entity will raise. Issue the tax invoice. It may be noted that the SAC (Service Accounting Code) for rental & leasing falls under heading 9972. For rental or leasing services involving own or leased residential property fall under SAC code 997211.



## 12. Concluding Remarks:

12.1. From 18th July 2022, after these amendments, a registered person, be it individual or a company or a firm is liable to pay GST under RCM despite such residential dwelling is used as a residence. The registered persons / corporates entities who will use residential dwellings for their employees / directors and they are entitled to consider rentals paid as business expense are entitled to claim such rentals as a business expense and be entitled to avail input tax credit of GST paid under the reverse charge mechanism taking a view that such expenses are in furtherance of business.

12.2. The registered persons, who have been using residential dwelling for use as residence and not claiming such rentals as business expenses would not be entitled for input tax credit of GST paid under reverse charge mechanism as it is not in furtherance of business.

12.3. On amendment the Government intended to levy tax on such residential dwelling, which are given to corporates / registered person even if such residential dwelling are used for the residential purposes (up to 17th July 2018 such exemption was available). These amendments have created discrimination amongst various scenarios, for instances renting of residential dwelling by a registered person to an un-registered person for use as residence is not leviable to GST, however, on the other hand when such services are provided to registered person be it individual not claiming such rentals as business expense, who is using for residence purposes, is liable to pay GST under reverse charge mechanism.

12.4. Further, the nature of the end-use was

residential should be considered i.e. GST applicability is not decided by the nature of the property or agreement made by the business entity but by the purpose for which it is used that is resident dwelling which is exempted from GST.

12.5. Under these circumstances, Department should issue necessary clarification regarding leviability of tax under RCM when such services are used by those registered persons, who are not claiming such rentals as business expenses. In other words, reverse charge should be applicable only for those registered persons who are entitled to claim such rentals as business expenses and eligible to avail input tax credit of GST paid under reverse charge mechanism, otherwise, it would be an additional burden on the tenants (individual registered persons), who enter into rent agreement / lease deeds with the landlords for using residential dwelling as residence and do not claim such rentals as business expense.

12.6. The amendment made and effective from 18th July 2022 shows that, the GST Council has no interest in simplifying the tax system and enlarging scope of the tax net and no consultation made with the stake holders. In amendment the Government may not be benefited when tax is paid under reverse charge as it is given from one hand and taken back from another hand nothing actually goes into Government's kitty as GST Paid will be taken as ITC. However the GST paid on inputs services if used for provided for exempted output services will not available for ITC and it will increase the cost.

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