



1.Reverse Charge Mechanism (RCM) on Rent of Immovable Property under GST: A Comprehensive Guide for Tenants and Landlords (2025)

Introduction

The **Reverse Charge Mechanism (RCM)** under GST has significant implications in the rental of immovable properties. Whether you are a tenant or landlord, understanding when GST is applicable, who is liable to pay, and how it varies between residential and commercial properties is essential for compliance. This detailed guide covers all scenarios including tenant and landlord registration status, property usage, and the latest GST requirements as of 2025.

1. GST on Rent of Immovable Property: An Overview

- **Applicable GST Rate:** 18% (CGST + SGST/UTGST or IGST as per state rules).
 - **Scope:** Rent or lease of immovable property is a taxable supply of service, except for certain residential lettings used exclusively for residential purposes.
 - **Key Point:** Renting immovable property for commercial or business purposes attracts GST.
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2. What is Reverse Charge Mechanism (RCM)?

Under RCM, the responsibility to pay GST shifts from the supplier (landlord) to the recipient (tenant) in specific situations. For rent of immovable property, this mechanism applies when:

- The landlord is **unregistered** under GST.
- The tenant is **registered** under GST.
- The rented property is used for **business or commercial purposes**.

3. GST and RCM Applicability on Residential Property Rent

Scenario	GST Applicability	RCM Applicability
Residential property rented for personal use	Exempt (No GST)	No RCM
Residential property rented for business use	Taxable @18%	Tenant pays GST under RCM if landlord unregistered
Landlord registered	GST charged by landlord	Not applicable
Landlord unregistered	No GST charged	Tenant pays GST under RCM

Important: No GST applies on rent of residential property when used solely for residence. GST and RCM apply only if property is used for business purposes.

4. GST and RCM Applicability on Commercial Property Rent

- Rent paid for commercial immovable property (offices, shops, warehouses, etc.) is taxable at 18%.
- **Landlord registered:** GST charged and paid by landlord (forward charge).
- **Landlord unregistered:** Tenant pays GST under RCM.

5. Tenant and Landlord Registration Status: Impact on GST Liability

Tenant Registered	Landlord Registered	GST Payable on Rent	Who Pays GST?
Yes	Yes	Yes	Landlord (Forward Charge)
Yes	No	Yes	Tenant (Reverse Charge)

No	Yes	Yes	Landlord (Forward Charge)
No	No	No	No GST

Note: RCM applies only if the tenant is registered under GST.

6. Input Tax Credit (ITC) on Rent Paid under RCM

- Registered tenants can claim ITC on GST paid under RCM if the property is used for business.
- ITC is **not available** on rent for residential premises used for personal purposes.
- Proper documentation such as invoices and payment proofs are essential for claiming ITC.

7. Compliance Requirements for Registered Tenants under RCM

- Calculate and pay GST on rent paid to unregistered landlords.
- Deposit GST via electronic cash ledger while filing **GSTR-3B** by the 20th of the next month.
- Disclose RCM transactions in GST returns (GSTR-1 and GSTR-3B).
- Maintain rent agreements and proof of landlord's GST registration status.

8. Compliance Requirements for Landlords

- **Registered landlords:** Must issue GST-compliant invoices charging 18%, file returns, and deposit GST.
- **Unregistered landlords:** No GST filing or payment required, but tenant pays GST under RCM if tenant is registered.

Conclusion

Understanding the Reverse Charge Mechanism on rent of immovable property is crucial for both tenants and landlords. Registered tenants must diligently assess their RCM liabilities when renting from unregistered landlords, especially

for commercial or business-use residential properties. Proper compliance ensures eligibility for Input Tax Credit and helps avoid penalties.

For expert assistance on GST compliance and RCM on immovable property rent, contact our team of tax professionals today!