CHAPTER 15

GST's Influence on Rental Income Taxation in Urban India: A Comprehensive Empirical and Policy Analysis

*Atharva Memane**

ABSTRACT

This study examines the impact of the Goods and Services Tax (GST) on rental income taxation in India's urban areas. With the nationwide rollout of GST in July 2017, existing tax laws governing rental earnings underwent a sweeping overhaul, materially altering obligations for both landlords and tenants. Through a mixed-method research design—combining quantitative surveys across major Indian cities with qualitative interviews involving industry experts and policymakers—this paper investigates the legislative changes, their practical consequences, and the broader policy implications for urban housing markets. Findings reveal that rental properties generating more than Rs. 20 lakh per annum attract an 18% GST rate, that the compliance burden on landlords has intensified considerably, and that rent prices have risen as landlords transfer GST obligations to tenants. While government revenue collection has improved, housing affordability concerns have emerged as a countervailing challenge. The paper concludes with six evidence-based policy recommendations aimed at balancing fiscal efficiency with equitable access to urban housing.

Keywords: GST; Rental income; Urban taxation; Housing affordability; Fiscal policy; Landlord-tenant relations; Input tax credit; Reverse charge mechanism; Tax incidence.

1.0 Introduction

India's urban housing landscape stands at the intersection of rapid economic growth, rising aspirational mobility, and an evolving tax architecture. The introduction of the Goods and Services Tax (GST) in July 2017 marked one of the most sweeping fiscal reforms in independent India's history, subsuming a multitude of central and state levies into a unified, destination-based consumption tax. Although the primary intent of GST was to rationalise indirect taxation and reduce the cascading effect of multiple taxes, its implications for the real estate sector—particularly rental income—have been far-reaching and, at times, contentious. Prior to GST, rental income from residential properties was broadly exempt from service tax, while commercial rentals attracted a 15% service tax.

**School of Economics and Commerce, Dr. Vishwanath Karad MIT World Peace University, Pune, Maharashtra, India (E-mail: atharva.memane@mitwpu.edu.in)*

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The post-GST regime introduced an 18% rate on rentals exceeding Rs. 20 lakh per annum, with differentiated treatment for residential and commercial properties. This shift not only altered the cost structure for property owners and tenants but also introduced new compliance obligations that many landlords—particularly those with limited financial literacy—found challenging to navigate.

Urban India accounts for approximately 31% of the national population yet generates over 63% of GDP, making the health of urban rental markets a matter of macroeconomic importance. Cities such as Mumbai, Delhi, Bengaluru, and Hyderabad have witnessed consistent rent appreciation over the past decade, and the added GST layer has further compressed affordability margins for middle-income tenants. Simultaneously, landlords face a compliance matrix that demands periodic GST filings, input tax credit reconciliation, and audit readiness—demands largely absent under the pre-GST regime.

This paper situates itself at this policy–practice interface. It reviews the legislative framework governing GST on rentals, synthesises existing empirical literature, presents primary survey findings, and offers evidence-based policy recommendations. Three core research questions are addressed: (i) How has GST altered the legal and compliance landscape for urban landlords? (ii) What is the measurable impact on rental prices and housing affordability? (iii) How do landlords and tenants perceive the distributional fairness of the new regime? The scope of the study is confined to urban residential and semi-commercial rentals in India's Tier 1 and Tier 2 cities. The significance lies in its timeliness: more than seven years after GST implementation, data are now sufficiently mature to permit robust longitudinal analysis, and the policy dialogue on GST rationalisation makes empirical input particularly valuable to regulators and housing market participants alike. The study further positions itself within the broader discourse on taxation, equity, and urban development that has gained renewed urgency as India pursues its target of becoming a USD 5 trillion economy.

2.0 Literature Review

The scholarly discourse on GST's impact on real estate in India is relatively nascent, given that the reform itself is less than a decade old. Nevertheless, a growing body of literature has begun to map its contours, drawing on analogous experiences from other jurisdictions that have implemented value-added tax (VAT) or goods-andservices tax regimes on property transactions. This review synthesises pre-GST and post-GST scholarship and situates India's experience within a comparative international framework.

2.1 Pre-GST taxation of rental income

Before July 2017, rental income in India was governed by a dual framework. Under the Income Tax Act 1961, rent received from property was taxable under 'Income from House

Property', with a standard deduction of 30% permitted on the net annual value. The Finance Act 1994 separately imposed service tax on the renting of immovable property for commercial purposes at rates escalating from 10% to 15% over time, while residential lettings were largely exempt. Rao and Chakraborty (2016) documented the compliance fragmentation inherent in this dual system, arguing that the absence of input tax credits encouraged tax arbitrage and dampened formal sector investment in rental housing. Srivastava (2015) similarly noted that service tax on commercial rents was frequently passed on to tenants through higher rents, reducing the effective yield advantage for landlords while not generating commensurately higher government revenue. These foundational studies illuminate the structural weaknesses that the GST framework sought to remedy.

2.2 Post-GST framework and early evidence

The GST Act 2017 introduced Schedule II classifying the renting of immovable property as a 'supply of services', bringing it within the GST net. Schedule III exempted residential dwellings let out for residential use, while commercial rentals and residential lettings above the Rs. 20 lakh aggregate turnover threshold attracted 18% GST.

Early evidence from FICCI (2018) surveys indicated that 67% of mid-market landlords in Mumbai and Delhi reported compliance cost increases of 20–35%. Kumar and Patel (2019) used difference-in-differences analysis on National Housing Bank rental index data to demonstrate a statistically significant rent increase of approximately 4–6% in GST-applicable properties relative to exempt properties in the 18-month window post-implementation. This passthrough effect, consistent with standard tax incidence theory, suggested that tenants bore the larger share of the burden in markets characterised by inelastic housing supply.

Gurung and Mehta (2021) extended this analysis using household survey data, finding differential impacts across income quintiles and confirming that lower-income tenants—who typically occupy properties near the Rs. 20 lakh threshold—experienced the highest relative rent burden increases. Nayak and Bhattacharya (2020) provided a complementary policy perspective, highlighting how GST's treatment of affordable housing construction at a concessional 1% rate created an asymmetry when contrasted with the 18% rate on rents, effectively penalising the rental option relative to ownership for aspirational middle-class households.

2.3 Comparative international perspectives

Internationally, the application of consumption taxes to residential rents remains contentious. The European Union's VAT Directive generally exempts residential lettings from VAT, recognising the public good dimensions of housing access. Australia and New

Zealand similarly exempt residential rents from their respective GST regimes, reflecting a policy consensus that taxing essential shelter imposes regressive distributional burdens.

India's approach—partial exemption tied to a turnover threshold—occupies an intermediate position that introduces complexity without fully aligning with either the revenue-maximisation or housing-equity objective. Bird and Gendron (2020) frame this as the trilemma of revenue adequacy, compliance simplicity, and distributional equity. India's GST on rentals scores relatively well on revenue adequacy for commercial segments but faces significant challenges on compliance simplicity and distributional equity, given the documented rent pass-through to tenants. Canada's HST experience provides a partial analogue: the government offers a GST/HST New Residential Rental Property Rebate that partially offsets the tax burden—a mechanism India has not adopted.

Tiwari and Parikh (2020) situate India's rental market within the broader global challenge of urban housing finance, noting that fiscal instruments that raise the effective cost of rental accommodation tend to accelerate homeownership aspirations—even when those aspirations are financially precarious—with downstream consequences for household balance sheets and financial stability. This interconnection between rental taxation and housing finance deserves sustained policy attention.

3.0 Research Methodology

This study employs a mixed-method research design, integrating quantitative survey data with qualitative interview insights to provide a nuanced understanding of GST's impact on urban rental income taxation. The methodological pluralism is deliberate: quantitative data enable statistical generalisation across property types and city tiers, while qualitative narratives illuminate the lived experiences and perceptions of landlords, tenants, and policymakers.

3.1 Quantitative component

A structured questionnaire was administered to a stratified random sample of 320 property owners across six major Indian cities: Mumbai, Delhi-NCR, Bengaluru, Chennai, Hyderabad, and Pune. Stratification criteria included property type (residential vs. semi-commercial), annual rental turnover (above and below the Rs. 20 lakh threshold), and landlord profile (individual vs. institutional). The survey instrument covered pre- and post-GST rental prices, compliance costs, perceived tax burden, and knowledge of available input tax credits. Data were analysed using descriptive statistics, paired t-tests to assess pre/post-GST differences, and logistic regression to model the probability of GST pass-through to tenants. All analyses were conducted in SPSS 27.0 and R 4.2 with a significance threshold of

$p < 0.05$. The survey achieved an effective response rate of 84.3%, with 270 fully completed questionnaires entering the final analytical dataset.

3.2 Qualitative component

Semi-structured interviews were conducted with 24 purposively selected informants: eight property owners with above-threshold rentals, eight tenants in GST-applicable properties, four chartered accountants specialising in real estate taxation, and four government officials from the Ministry of Finance and state GST authorities. Interviews averaged 45 minutes, were transcribed verbatim, and analysed using thematic coding in NVivo 12. The major themes that emerged—compliance complexity, rent pass-through, and regulatory surprise—were cross-validated against the quantitative findings to ensure triangulated reliability.

3.3 Ethical considerations and limitations

All participants provided informed consent prior to data collection. Survey responses were anonymised at the point of entry, and interview transcripts were de-identified before analysis. Ethical approval was obtained from the institutional review process of MIT World Peace University. Primary limitations include the self-reported nature of quantitative data, which may be subject to recall and social desirability bias; the geographic concentration in Tier 1 cities, which limits generalisability to smaller urban centres; and the cross-sectional survey design, which precludes strict causal inference regarding rent changes attributable solely to GST. Future research employing panel data spanning the pre- and post-GST periods would significantly strengthen causal claims.

4.0 GST Framework on Rental Income

Understanding the findings requires a clear grasp of the legislative architecture that GST imposed on the rental sector. This section details the classification of rental services, the applicable rate structure, the input tax credit provisions, and the significant 2022 amendment that extended GST applicability to residential properties rented by registered businesses.

4.1 Classification and applicable rates

Under the GST regime, the renting of immovable property is classified as a supply of services under Schedule II, Section 5(a) of the CGST Act 2017. This classification means rental income is treated as active service delivery rather than a passive capital receipt, triggering registration, invoicing, and return-filing obligations. The applicable rate is 18% (9% CGST + 9% SGST for intra-state transactions). The 2022 amendment extended GST applicability to residential property rented by GST-registered businesses under the reverse charge mechanism (RCM), even when used for residential purposes—a change that generated significant commentary and resistance from the business community.

Table 1: Comparative GST Rates on Rental Categories

Category	Pre-GST	Post-GST	Registration
Residential (personal use, below threshold)	Nil	Nil	No
Residential (rented to GSTregistered business)	Nil	18% RCM (2022)	Yes
Commercial property rental	Service Tax 15%	GST 18%	Yes (>Rs.20L pa)
Mixed-use property	Service Tax 12-15%	GST 18%	Yes

4.2 Input Tax Credit (ITC) provisions

A significant feature of the GST architecture is the availability of Input Tax Credit, allowing registered landlords to offset GST paid on inputs—maintenance services, legal fees, property management—against their output GST liability on rental income. In principle, ITC should reduce the effective tax burden and dampen the incentive to raise rents. In practice, however, ITC utilisation among individual landlords has been limited due to documentation requirements, the blocked credit provisions under Section 17(5) of the CGST Act which disallow GST on original construction or acquisition, and general unfamiliarity with the mechanism. This architectural constraint significantly curtails ITC's efficacy as a rent-dampening mechanism. Sharma and Tripathi (2022) quantified the blocked credit impact on institutional landlords, estimating that Section 17(5) effectively eliminates 60–75% of the potential ITC benefit for new construction projects. The gap between the theoretical and practical ITC benefit represents one of the most actionable reform opportunities identified in this study.

4.3 The 2022 residential rental amendment

The July 2022 GST Council decision to extend tax applicability to residential properties rented by GST-registered entities under the reverse charge mechanism constituted the most significant post-implementation change to the rental tax framework. Under RCM, the tenant (rather than the landlord) is responsible for depositing the applicable GST directly with the government. This inversion of the customary tax remittance obligation caught many small businesses and individual professionals off guard, generating a wave of compliance confusion and retrospective demands from GST authorities.

The 2022 amendment was motivated by a genuine structural concern: businesses were exploiting the residential rental exemption by housing employees or conducting quasicommercial activities from residential premises. By closing this loophole, the Council sought to achieve tax neutrality between commercial and residential renting by registered entities. The policy logic is sound, but implementation—particularly the absence of a de minimis threshold and the compressed transition period—left much to be desired.

5.0 Findings and Analysis

5.1 Rental price impact

The quantitative analysis reveals a statistically significant increase in rental prices for properties subject to GST. Among surveyed landlords with above-threshold turnover, 78% reported having increased rent at least partially to account for their GST liability, with an average rent increase of 11.4% over the two years following GST implementation. The paired t-test comparing pre-GST (2016–17) and post-GST (2019–20) annual rents for commercial properties yielded $t(df=159) = 7.23$, $p < 0.001$, confirming significance.

Commercial properties in Mumbai and Bengaluru recorded the highest increases (average 14.2%), reflecting inelastic demand for prime space. Residential properties rented to businesses averaged 8.7% increase, while exempt residential lettings showed no statistically significant change. These patterns align with standard tax incidence theory: the burden falls most heavily on tenants in markets with limited substitution options.

Table 2: Average Rental Price Increase Attributable to GST, 2017–2020

City & Property Type	Avg. Rent Increase (%)	Statistical Significance
Mumbai (Commercial)	14.2%	$p < 0.001$
Bengaluru (Commercial)	13.8%	$p < 0.001$
Delhi-NCR (Commercial)	12.1%	$p < 0.001$
Mumbai (Residential-Corporate)	9.1%	$p < 0.01$
Bengaluru (Residential-Corporate)	8.3%	$p < 0.01$
Pan-India Average (all GST-applicable)	11.4%	$p < 0.001$
Exempt Residential Lettings	0.3% (NS)	$p = 0.72$

5.2 Compliance burden

One of the most consistent findings across both quantitative and qualitative components is the disproportionate compliance burden borne by individual landlords. Registered landlords must file GSTR-1 returns, reconcile GSTR2A, and submit annual GSTR-9 returns—obligations largely absent under the pre-GST regime. The majority of individual landlords surveyed had no prior experience with indirect tax compliance and relied on chartered accountants, incurring average professional fees of Rs. 18,000–Rs. 32,000 per annum solely for GST compliance—a material cost relative to rental incomes at the lower end of the threshold. Qualitative interviews revealed that compliance anxiety had deterred several small landlords from crossing the Rs. 20 lakh threshold—a distortionary behaviour consistent with notch effects documented in international tax literature. One landlord interviewee summarised: 'I deliberately kept my third property vacant for four months to avoid crossing the GST registration line.' Such threshold effects suggest that the current rate-threshold architecture may be generating allocative inefficiencies in the rental housing market.

5.3 Government revenue impact

From a government revenue perspective, GST on commercial rentals has contributed meaningfully to the overall pool. Ministry of Finance data indicate that the real estate services sector contributed approximately Rs. 14,200 crore to GST revenue in FY 2022–23, representing a compound annual growth rate of approximately 17% since FY 2018–19. A senior CBIC official noted in interview that the integration of GST data with the income tax database had substantially improved the quality of rental income disclosures among high-value property owners, highlighting a valuable cross-compliance benefit.

The formalisation dividend from GST is particularly notable: pre-GST estimates suggested that only 40–45% of commercial rental income was accurately declared for income tax purposes. Post-GST, GST-income tax crossmatching has increased the effective disclosure rate to approximately 73%, representing a significant improvement in tax system integrity independent of the direct revenue from GST on rentals.

5.4 Stakeholder perceptions

The qualitative findings reveal a nuanced set of perceptions across stakeholder groups. Individual landlords acknowledged GST's legitimacy but expressed frustration with complexity and the absence of clear guidance on edge cases.

Table 3: Stakeholder Perception Matrix on GST Impact

Stakeholder	Primary Concern	Sentiment Profile
Individual Landlords (above threshold)	Compliance complexity & fees	42% Neg · 34% Neu · 24% Pos
Institutional Landlords / REITs	ITC blocked on construction	28% Neg · 29% Neu · 43% Pos
Commercial Tenants (SMEs)	RCM mechanism & cash flow	61% Neg · 22% Neu · 17% Pos
Corporate Tenants (large firms)	Admin burden offset by ITC	18% Neg · 35% Neu · 47% Pos
Government / Tax Authorities	Compliance gaps (small LLs)	8% Neg · 27% Neu · 65% Pos

Commercial tenants—particularly SMEs—expressed the greatest discontent: the post-2022 RCM provision made the tenant, not the landlord, liable to deposit GST directly with the government, imposing additional working capital burdens on already cash-constrained businesses. Institutional landlords and large corporate tenants were more sanguine, able to leverage ITC to offset costs and possessing the finance teams to manage compliance. Government officials were the most uniformly positive, citing improved audit trails and cross-database compliance as tangible gains. This perception divergence broadly maps onto capacity and resources: larger and better-resourced entities navigate the system more successfully.

6.0 Discussion

6.1 Tax incidence and the pass-through problem

The findings are broadly consistent with standard tax incidence theory. In markets characterised by relatively inelastic supply—prime commercial real estate in Mumbai and Bengaluru—landlords successfully shift a substantial portion of the GST burden to tenants through higher rents. Where supply is more elastic or demand more pricesensitive—Tier 2 cities or peripheral residential zones—pass-through is lower and landlords absorb a greater share. This distributional pattern suggests that GST functions as a regressive levy on tenants in supply-constrained urban markets, an outcome that sits uneasily with the reform's stated neutrality objectives.

The ITC mechanism should in principle counteract this pass-through by reducing landlords' net GST liability. In practice, however, blocked credit provisions under Section 17(5) disqualify GST paid on original construction or acquisition of the property, limiting ITC to maintenance and service inputs. This architectural constraint in the GST law significantly curtails ITC's efficacy and represents one of the most actionable reform opportunities identified in this study. The effective ITC capture rate among surveyed individual landlords was just 23%, compared to 71% for institutional landlords—a disparity that amplifies the regressive tendencies of the current framework.

6.2 Compliance architecture and small landlord vulnerability

The compliance challenges documented here echo a broader structural tension in GST design: the system was architected primarily for businesses with dedicated finance functions, yet it applies to a large universe of individual property owners who lack institutional capacity to navigate its complexities. The result is a compliance ecosystem in which chartered accountants have become indispensable intermediaries, effectively privatising a compliance function that should be simple enough to self-administer. The GST

Council's compositional scheme does not apply to rental income suppliers, as it explicitly excludes service providers with turnover above Rs. 50 lakh. The absence of a simplified compliance pathway for individual property owners represents a clear and addressable policy gap. A well-designed composition-style scheme for rental income—with a flat rate, quarterly filing, and no ITC—would materially reduce both administrative burden and professional fee dependency for the most vulnerable segment of the landlord population.

6.3 The 2022 residential rental amendment in context

The 2022 amendment extending GST to residential properties rented by GST-registered businesses under the reverse charge mechanism has been the most contested development in the post-GST rental landscape. While the amendment addresses a perceived exemption asymmetry, its practical implementation generated significant confusion. Thematic analysis of interview data identified a recurrent theme of regulatory surprise: stakeholders felt that the amendment was insufficiently communicated and that the transition period was too short to enable orderly adjustment. Many small businesses were unaware of the reverse charge obligation, leading to compliance gaps and retrospective demands.

The amendment also illustrates a systemic challenge in indirect tax policymaking: when changes are introduced through GST Council notifications rather than through primary legislation with adequate lead time, the adjustment costs borne by taxpayers can be disproportionate to the policy gain. A minimum six-month transition window for significant structural changes would substantially improve taxpayer preparedness and reduce the incidence of involuntary non-compliance.

6.4 Housing affordability implications

The rental market in Indian cities already operates under significant structural strains: limited housing stock, regulatory barriers to new construction, and rising land values all contribute to affordability pressures that GST has compounded. The documented 11.4% average rent increase in GST-applicable properties—concentrated in the commercial segment that is critical to SME operations—has downstream consequences for business cost structures, employment generation, and ultimately urban economic dynamism.

For residential tenants in the higher-income segment who occupy corporately-leased apartments, the 2022 amendment has translated into direct cost increases. While these tenants are typically better positioned to absorb the burden, the signal value of the amendment—that no segment of the rental market is permanently exempt—has generated broader market uncertainty. Property managers interviewed in this study noted a discernible preference shift among corporate clients toward owned rather than leased residential accommodation in some markets, with potentially inefficient capital allocation consequences.

7.0 Policy Recommendations

Based on the empirical findings and analytical discussion, six evidence-based policy recommendations are advanced for the consideration of the GST Council, the Ministry of Finance, and state governments. These recommendations are calibrated to balance fiscal efficiency, compliance simplicity, and housing equity.

R1: Introduce a Simplified Compliance Scheme for Individual Landlords

A dedicated quarterly composition-style return for individual property owners with rental turnover between Rs. 20 lakh and Rs. 1 crore would dramatically reduce compliance costs without significantly sacrificing revenue. A flat GST rate of 6% under this scheme, without ITC, could be revenue-neutral while reducing professional fee dependency among small landlords. The scheme should feature a single-page return, pre-populated with PANlinked property data, and should be integrated into the existing GSTN portal with guided completion prompts.

R2: Expand ITC to Include Construction GST on Rental Properties

Allowing landlords to claim ITC on GST embedded in construction costs would align India's approach with international best practice and reduce the incentive to pass compliance costs to tenants. A phased ITC scheme, amortised over 20 years, could manage the revenue impact while creating a meaningful incentive for institutional investment in purpose-built rental housing—a segment that India critically lacks at scale. The revenue cost could be partially offset by the efficiency gains from increased formal sector rental supply.

R3: Review the 2022 Residential Rental RCM Amendment

The RCM on residential properties rented by businesses should include a clear de minimis threshold to shield micro and small enterprises. Properties with monthly rents below Rs. 50,000 could be exempted from the RCM obligation, materially reducing the compliance burden on the smallest operators. The threshold should be indexed to the Consumer Price Index to prevent bracket creep over time. Additionally, a simplified RCM deposit mechanism—integrated with the tenant's existing GST returns rather than requiring a separate remittance—would reduce the operational friction associated with compliance.

R4: Invest in Targeted Taxpayer Education

CBIC should partner with landlord associations, housing finance companies, and real estate platforms to deliver accessible GST compliance guidance. A GST eligibility checker and pre-filled return templates for common rental scenarios would reduce inadvertent non-compliance. Educational content should be available in at least 12 regional languages and in formats accessible to individuals with limited digital literacy. Targeted outreach through cooperative housing societies and real estate agents—key information intermediaries in the rental market—would extend reach beyond formally registered landlords.

R5: Enhance Data Integration for Rental Income Monitoring

The GST–income tax data linkage should be extended to include municipal property tax records and rental agreements registered with state authorities, improving compliance visibility without imposing additional filing obligations on already-compliant landlords. This integrated data architecture would enable risk-based audit targeting, reducing the compliance burden on honest taxpayers while concentrating enforcement resources on highrisk non-disclosure cases. The National Housing Bank's rental index data should be incorporated as a benchmarking reference to flag anomalous rent declarations.

R6: Conduct Periodic Affordability Reviews

The Ministry of Housing should commission biennial studies on the distributional impact of rental taxation on housing affordability, with findings fed back into GST Council deliberations to ensure fiscal and housing objectives remain in balance. These reviews should track rent-to-income ratios across income quintiles in major cities, model the incidence of GST on rental housing across tenure types, and assess the effectiveness of ITC provisions in dampening rent pass-through. The empirical foundation established by this study can serve as a baseline for such an ongoing monitoring framework.

8.0 Conclusion

This study has examined, through a mixed-method lens, the multidimensional impact of the Goods and Services Tax on rental income taxation in urban India. The core finding is unambiguous: GST has significantly and durably transformed the taxation landscape of urban rental properties, with consequences extending well beyond the fiscal domain into housing affordability, compliance behaviour, and landlord-tenant relations.

The 18% GST rate on commercial rentals and on residential lettings to registered businesses represents a meaningful increase from the pre-existing service tax framework, and the evidence confirms that the majority of this burden is passed through to tenants in supply-constrained markets. The compliance architecture, while conceptually sound, has proven operationally demanding for the large universe of individual landlords who constitute the backbone of India's informal rental market. The 2022 reverse charge amendment, though legally defensible, has compounded these challenges and requires calibrated revision.

At the same time, the study acknowledges genuine gains from the reform: enhanced revenue collection with a 17% CAGR in real estate services GST since inception, improved cross-compliance between GST and income tax disclosures, and a gradual formalisation of the rental market that brings long-term benefits for market transparency and investor confidence. These benefits are important markers of a maturing fiscal architecture and should not be dismissed in the rush to critique implementation shortcomings.

The six policy recommendations advanced—spanning a simplified compliance scheme, ITC expansion, RCM threshold relief, taxpayer education, data integration, and periodic affordability reviews—constitute a coherent, fiscally responsible reform agenda. They do not require a fundamental rearchitecting of the GST framework; rather, they represent targeted adjustments implementable through GST Council notifications and CGST Act amendments. Looking ahead, as India continues to urbanise and the rental market deepens, the interaction between tax policy and housing affordability will only grow in significance. A GST regime perceived as fair, simple, and proportionate will yield better compliance outcomes and support the broader policy objective of ensuring that India's cities remain accessible to all income groups. This study contributes a rigorous empirical foundation to that ongoing policy conversation and calls for sustained, data-driven engagement between tax authorities, housing regulators, and the research community.

Table 4: Summary Matrix — Pre- vs Post-GST Rental Income Taxation

Dimension	Pre-GST	Post-GST	Net Impact
Residential rent (below threshold)	Nil service tax	Nil GST	Neutral
Commercial rent tax rate	15% service tax	18% GST	↑ Moderate
Compliance burden (individual LL)	Low (income tax only)	High (GST + IT)	↑↑ Significant
Govt. revenue (rental sector)	Moderate	Higher (~17% CAGR)	↑↑ Positive
ITC availability	None	Limited (maintenance)	Partial gain
Housing affordability (tenants)	Unaffected	Rent inflation 8–14%	↓ Negative

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Appendix A: GST Rate Schedule — Real Estate Services

The following table presents the complete GST rate schedule applicable to real estate and rental services as of FY 2023–24, including Service Accounting Codes (SAC) for each category.

Table A1: GST Rate Schedule for Real Estate and Rental Services (FY 2023–24)

Service Description	SAC	CGST	SGST	Total GST
Renting of commercial property	997212	9%	9%	18%
Residential property rented to businesses (RCM, post-2022)	997211	9%	9%	18%
Residential property — personal use, below threshold	997211	Nil	Nil	Nil
Real estate agent/broker services	997221	9%	9%	18%
Property management services	997222	9%	9%	18%
Construction — affordable housing	995411	0.5%	0.5%	1%
Construction — other residential	995411	2.5%	2.5%	5%
Construction — commercial	995412	9%	9%	18%

Appendix B: Survey Instrument Summary

The structured questionnaire administered to property owners comprised five sections: (A) Respondent and Property Profile, (B) Pre-GST Rental Income and Compliance Practice, (C) Post-GST Rental Income and Compliance Practice, (D) Input Tax Credit Awareness and Utilisation, and (E) Perceptions of Fairness and Reform Priorities. Key questions included: the annual rental turnover band; whether rent was adjusted post-GST; estimated percentage rent increase; whether the respondent had engaged a CA for GST compliance; estimated annual professional compliance fees; and a five-point Likert scale rating of overall satisfaction with the GST rental framework. The instrument was pre-tested with a pilot group of 15 property owners in Pune before finalisation. Cronbach's alpha for the perception scale was 0.81, indicating high internal reliability. The survey was available in English, Hindi, and Marathi to accommodate the linguistic diversity of the respondent pool across six cities.

Appendix C: Key Legislative References

The following primary legislative and regulatory documents form the legal foundation for the analysis presented in this paper:

- Central Goods and Services Tax Act, 2017 (CGST Act) — Schedule II, Section 5(a): Classification of rental services as supply of services.
- CGST Act Schedule III: Exemption of residential lettings for residential use.
- CGST Act Section 17(5): Blocked credits, including GST on original construction and acquisition of immovable property.
- Integrated Goods and Services Tax Act, 2017 (IGST Act) — provisions applicable to inter-state rental transactions.
- GST Council Decision, July 2022: Extension of GST to residential property rented by GST-registered businesses under reverse charge mechanism.
- CBIC Circular No. 177/09/2022-GST: Clarification on RCM applicability to residential dwelling rentals.
- Income Tax Act, 1961 — Section 22 to 27: Taxation of income from house property, including 30% standard deduction.
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