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**Revised GST Framework for Restaurant Services in Specified Premises: Key Changes Effective from April 1, 2025****ASHWARYA SHARMA**

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This article highlights the key changes introduced by the government through **Notification No. 05/2025-Central Tax (Rate)** dated **January 16, 2025**, which will take effect from **April 1, 2025**. It also incorporates insights from the recently issued **FAQs** that address various scenarios under the new framework.

It is important to note that these changes in **GST rates** and **ITC eligibility** apply **only** to **restaurant and catering services** provided from hotels or similar premises classified as **specified premises**. There is **no change** in the GST treatment of **hotel accommodation services (hotel rooms)** per-se.

With this in mind, let's explore the significant changes taking effect from **April 1, 2025**.

**A. Change in definition of Specified Premises**

The term '**specified premises**' is defined under Clause (xxxvi) of the Explanation in Paragraph 4 of Notification No. 11/2017 – Central Tax (Rate) dated June 28, 2017, as amended by Notification No. 05/2025 – Central Tax (Rate) dated January 16, 2025, as follows:

- A premises where the supplier provided hotel accommodation services in the **preceding** financial year, with the transaction value exceeding Rs. 7,500 per unit per day; or
- A premises where a registered person supplying hotel accommodation services has filed a **declaration** between January 1 and March 31 of the **preceding** financial year, designating it as a specified premises even though transaction value does not exceed Rs. 7,500 per unit per day; or
- A premises where a **new** applicant for GST registration has filed a **declaration** within 15 days of registration, designating it as a specified premises.

Previously, 'specified premises' referred to a premises providing hotel accommodation services with a '**declared tariff**' exceeding Rs. 7,500 per unit per day. The term 'declared tariff' was defined as the charges for all amenities provided in a unit of accommodation—such as furniture, air conditioning, refrigerators, or other facilities—without considering any discounts. As a result, whether the hotel or premises qualified as a '**specified premises**' depended on its '**declared tariff**', rather than the **actual** transaction value of the unit per day.

Under the **new regime**, the concept of '**declared tariff**' has been removed. The classification of a '**specified premises**' is now based on the **actual transaction value** of room rent supplied by the hotel/premises in the **preceding financial year**.

## **B. Objective of the Change**

The change in the definition of specified premises is aimed to:

- Replace the notion of 'declared tariff' with 'value of supply' (i.e., transaction value). This is because the GST rate applicable to the supply of hotel accommodation service is also dependent on the value of supply
- Making the 'specified premises' status dependent upon the 'transaction value' of previous financial year would provide certainty for any given financial year
- Give an option to the supplier of hotel accommodation service to declare his premises as 'specified premises' even though the 'transaction value' of his room rent is below 7500

## **C. Key Points on Declaring Hotel Premises as 'Specified Premises'**

- A registered person supplying hotel accommodation services with a transaction value of room rent exceeding Rs. 7,500 per unit per day in the preceding financial year will be automatically classified as a specified premises, without requiring any additional declaration.
- A registered person supplying hotel accommodation service upto Rs. 7,500 per unit per day in the preceding financial year can file a declaration declaring the premises to be a 'specified premises'.
- This declaration must be filed in the format notified as Annexure VII to Notification No. 11/2017-CT(Rate) dated 28.06.2017.
- The declaration must be filed between 1st January and 31st March of the financial year preceding the financial year for which the registered person intends to declare the premises as 'specified premises'.
- A person applying for new registration (who intends to supply hotel accommodation services) can also file a declaration declaring the premises from where hotel accommodation services are to be supplied, to be a 'specified premises'.
- This declaration must be filed in the format notified as Annexure VIII to Notification No. 11/2017-CT(Rate) dated 28.06.2017.
- This declaration must be filed within 15 days of obtaining acknowledgement (ARN) of the application for registration in FORM GST REG-02.
- Anyone who is not supplying/intending to supply hotel accommodation service cannot file this declaration
- Once a premises qualifies as a specified premises—either automatically due to room charges exceeding Rs. 7,500 or by filing a declaration when room charges are below Rs. 7,500—restaurant services provided within such premises will be subject to higher rate of GST at 18%, with the benefit of input tax credit (ITC)

## **D. Validity and Mechanism of 'Opt-in' and 'Opt-out' Declarations**

- To facilitate ease of compliance, the 'opt-in' declarations (Annexures-VII and VIII of Notification No. 11/2017-CT(Rate)) will be valid until the taxpayer decides to 'opt-out' by filing a declaration in Annexure IX of the same Notification, declaring that the premises shall not be a 'specified premises'.
- This 'opt-out' declaration must be filed between 1st January and 31st March of the financial year preceding the financial year from which the taxpayer wants to 'opt-out'.
- Similar to the 'opt-in' declaration, the 'opt-out' declaration will also be valid until the taxpayer decides to 'opt-in' again using the declaration in Annexure-VII.
- This mechanism of 'opt-in' and 'opt-out' will obviate repeated annual filing of these declarations before the beginning of each financial year.
- The status of a premises as a 'specified premises' or 'not a specified premises' will remain the same for the entirety of a financial year (or, in the case of new registrations, for the remainder of the financial year) and cannot be changed during the financial year.
- The 'opt-in' and 'opt-out' declarations, which are to be filed between 1st January and 31st March of any financial year, will take effect only from 1st of April of the next financial year.

## **E. Additional Points**

- The declarations for FY 2025-26 shall be filed physically/manually before the jurisdictional GST authorities until electronic filing of these declarations is enabled.
- Declarations can be submitted through email or post, and in such cases, dated acknowledgement shall be issued in the same mode.
- The revised definition of 'specified premises' is also applicable for determining the rate applicable on **catering services** provided in specified premises, as specified at Sl. No. 7 of Notification No. 11/2017-CT(Rate) dated 28.06.2017.
- The declarations are **premises-specific**, meaning that a hotel accommodation supplier must file **separate declaration** for each premises, even if multiple premises exist under the **same GSTIN**.
- If a specified premises is located within a **mall**, only the restaurants within that hotel will be subject to **18% GST with ITC benefits**. Other restaurants in the same mall, but outside the specified premises hotel, will continue to be taxed at 5% GST without ITC benefits.

In conclusion, the revised GST framework for restaurant and catering services within specified premises marks a significant shift towards a more transparent and predictable tax regime. By replacing the concept of 'declared tariff' with 'transaction value,' the government has aligned the classification of specified premises with the dynamic pricing models prevalent in the hospitality industry.

For businesses, these changes necessitate a careful assessment of their 'premises' classification and timely filing of declarations to optimize their tax position. For consumers, this means a potential shift in pricing dynamics when dining at restaurants located within hotels.

The next time you dine out at a high-end restaurant, take a moment to check if it falls under a specified premises!

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