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Navigating the Specified Premises Maze: Your Guide to GST Rates and ITC Eligibility

The concept of "specified premises" under GST plays a pivotal role in determining the applicable tax rate and the availability of Input Tax Credit (ITC) for restaurant services, outdoor catering and other related services. While the concept itself is not new, its operational significance has increased substantially with the transition from a tariff-based test to a declaration-driven framework. From FY 2026–27 onwards, filing of declaration on the GST common portal within prescribed timelines has been made mandatory, thereby making compliance time-sensitive and outcome-determinative for the entire financial year. This article revisits the evolution of specified premises, explains the applicable GST rates and ITC implications across various hospitality services, and analyses the procedural aspects of filing declarations, including timelines, forms and practical limitations. The discussion aims to assist readers in understanding how classification and timely declarations directly influence tax costs and compliance certainty.

Hotel Accommodation Services: The Two-Tier Rate Structure

Two GST rates for hotel accommodation were prescribed before 22nd September 2025:

A. First being hotel accommodation services having value of accommodation up to Rs. 7,500/- per unit per day or equivalent: This was taxable at the rate of 6% under CGST, 6% under SGST/UTGST.

B. Second being hotel accommodation services having value of supply of a unit accommodation above Rs. 7,500/- per unit per day or equivalent: This was taxable at the rate of 9% under CGST, 9% under SGST/UTGST.

It can be said that there were two GST Rates, lower rate @12% on accommodation being up to Rs. 7,500/- and higher rate of 18% on accommodation of value above Rs. 7,500/-. There was no restriction on availment of Input Tax Credit on providing these services at the rate mentioned.

With effect from 22nd September 2025 [vide N. No. 15/2025-Central Tax (Rate) dated 17th September, 2025], rates rationalization was made and the GST rate on hotel accommodation services for value of accommodation up to Rs. 7,500/- per unit per day was reduced to 5% from 12% but with a condition that no credit of input tax charged on goods and services used in supplying the service has been taken. However, there is no change

GST Framework Transformation for Hospitality Sector

1	**Identify Specified Premises** **Determine premises based on tariff or declaration**
2	**File Declaration** **Submit online declaration on GST portal**
3	**Apply GST Rates** **Apply appropriate GST rates based on premises**
4	**Claim ITC** **Claim Input Tax Credit where eligible**
5	**Compliance** **Ensure compliance with new GST regulations**

in rate of tax & conditions for hotel accommodation at a value of more than Rs. 7,500/- per unit per day.

The Restaurant Service Divide: Rate Differentiation Based on Premises

A. Rate of 5% applies without ITC in case where restaurant service is supplied at place other than specified premises.

B. And Rate of 18% applies where the said service is supplied at specified premises. However, there is no restriction on availment of Input Tax Credit.

Taxability of restaurant services basically depends on place or premises, where the restaurant services are supplied.

Outdoor Catering: Understanding the 5% and 18% Rate Application

Supply of 'outdoor catering', at premises other than 'specified premises' provided by any person other than- suppliers providing 'hotel accommodation' at 'specified premises', or suppliers located in 'specified premises are taxable at the rate of 5% without Input Tax Credit.

To summarize, reduced rate of 5% is applicable where the outdoor catering services is supplied by those suppliers who are not providing hotel accommodation services at specified premises or suppliers located in specified premises and the outdoor catering services are supplied at places other than specified premises.

For outdoor catering services, other than above, such as outdoor catering services supplied at specified premises are taxable at the rate of 18%. However, Input Tax Credit is eligible.

Composite Supply Alert: Special Rules for Catering Plus Venue Rentals

This service means composite supply of outdoor catering together with renting of premises specially arranged for function.

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A. This service when supplied at premises other than specified premises and by person other than suppliers providing hotel accommodation at specified premises or suppliers located in specified premises, then reduced rate of 5% is applicable. However, no input tax credit is allowed.

B. Other than above, the rate of 18% will be applicable.

Important Clarifications on Rate Application and ITC Reversal

The concessional rate of 5% is not a matter of choice but a statutory mandate, accompanied by a denial of input tax credit.

1. The reduced rate of 5% prescribed is a mandatory rate and compulsorily be applied. It is not at the discretion of the supplier to apply for a higher rate of 18%, just to avail the Input Tax Credit.

2. More or Less, reduced rate of 5% is applicable, when the service is related to premises other than Specified Premises and higher rate of 18% is applicable when the service is related to specified premises. However, with higher rate, comes benefit of Input Tax Credit.

3. Input Tax credit has not been taken means that:

   A. ITC charged on goods or services used exclusively in supplying such service has not been taken; and

   B. ITC charged on goods or services used partly for supplying such service and partly for effecting other supplies eligible for input tax credits, is reversed as if supply of such service is an exempt supply in terms of Section 17(2) of the CGST Act, 2017 read with rules made thereunder.

To summarize, common ITC (which are common to both supplies on which ITC is not available as discussed above and for other supplies for which ITC is available) attributable to other supplies for which ITC is available can be availed to be computed in terms of Section 17(2) of CGST Act, 2017 read with rules made thereunder.

Journey of Transformation: Evolution of "Specified Premises" Definition

Till FY 2024-25: The Declared Tariff Approach

Specified premises were defined in Clause (xxxvi) of Rate Notification which read out as:

'Specified premises' means premises providing 'hotel accommodation' services having declared tariff of any unit of accommodation above seven thousand five hundred rupees per unit per day or equivalent.

Till FY 2024-25, the meaning of specified premises was dependent upon declared tariff of any unit of accommodation. If the declared tariff of any unit is above Rs. 7,500/- per day, then the said premises are a specified premises.

Further declared tariff was also defined.

*(xxxv) 'Declared tariff' means **charges for all amenities** provided in the unit of accommodation (given on rent for stay) like furniture, air conditioner, refrigerators or any other amenities, but without excluding any discount offered on the published charges for such unit.*

Summarily, declared tariff was charged for all amenities in a unit of accommodation which has been published for such unit. It was immaterial whether the said unit is provided for accommodation or not. The published rates were sufficient. Further it was without excluding any discount, even if the published rate is high and discounts are being provided generally, then the premises are specified premises.

Post FY 2025-26: The New Three-Pronged Definition

The redefinition of 'specified premises' marks a decisive shift from a tariff-driven approach to a declaration-based and transaction-oriented framework, fundamentally altering GST rate and ITC outcomes for the hospitality sector.

The definition of specified premises has been amended vide Notification bearing no. 05/2025- Central Tax (Rate) dated 16th January, 2025:

With effect from 01st day of April, 2025,

Specified premises for a financial year means:

(a) *a premises from where the supplier has provided in the preceding financial year, 'hotel accommodation' service having the value of supply of any unit of accommodation above seven thousand five hundred rupees per unit per day or equivalent;* **or**

(b) *a premises for which a registered person supplying 'hotel accommodation' service has filed a declaration, on or after the 1st of January and not later than 31st of March of the preceding financial year,* declaring the said premises to be a specified premises; **or**

(c) *a premises for which a person applying for registration has filed a declaration, within fifteen days of obtaining acknowledgement for the registration application, declaring the said premises to be a specified premises;";*

Now, for a person who is already registered under GST, the premises will

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be qualified as Specified premises, if any of the two conditions are satisfied:

I. Premises from where the supplier provided in the previous financial year, hotel accommodation service having value of supply of any unit of accommodation above Rs. 7,500/- per day or equivalent.

II. The premises have been declared as specified premises by filing declaration by registered person supplying 'hotel accommodation' service.

The said declaration must be filed on or after the 1st of January till 31st of March of the preceding financial year.

For Example: Declaration for FY 2026-27 must be filed on or after 01st of January 2026 till 31st of March 2026.

Now, for a person who is applying for registration under GST, the premises will be qualified as Specified premises, if:

the premises have been declared as specified premises by filing declaration by person applying for registration, within fifteen days of obtaining acknowledgement for the registration application.

The declaration window under GST is not a procedural formality — it is a decisive compliance event that determines the tax structure for the entire year.

Specified Premises Declarations: Process & Practical Insights

Transition in Law and Filing Mechanism

The meaning of specified premises was changed with effect from FY 2025-26 onwards. For the first FY 2025-26, manual filing of declaration was prescribed.

From FY 2026-27 onwards, declaration needs to be filed online on the GST Common portal.

Critical Filing Window for Existing Registered Taxpayers

For existing registered taxpayers, the declaration for a financial year such as FY 2026–27 must be filed between 1st January and 31st March of the immediately preceding financial year. This window is critical, as failure to file within this period effectively locks the premises into a non-specified status for the entire year, unless it otherwise qualifies based on historical transaction values.

Strict Timelines for New Registration Applicants

New applicants are required to file the declaration within fifteen days of the date of generation of the Application Reference Number (ARN). Importantly, this timeline is linked to the ARN date and not the date of GSTIN allotment, a distinction that has practical relevance given the time gap that often exists between application and registration approval.

Where this fifteen-day period lapses, the applicant does not lose the right to declare premises as specified altogether; however, the declaration can thereafter be filed only during the general window applicable to registered taxpayers, namely between 1st January and 31st March of the preceding financial year. This delay may result in unintended rate and ITC consequences for the interim period.

Who Cannot Use the Declaration Facility?

The facility is expressly unavailable to composition taxpayers, TDS or TCS registrants, SEZ units or developers, casual taxpayers and persons whose registrations stand cancelled. This exclusion underscores that the declaration mechanism is intended only for regular suppliers engaged in

taxable outward supplies within the hospitality sector.

Declarations Available on GST Portal

There are three types of declarations available on the GST common portal in relation to specified premises: Annexure VII, which is used by an existing registered taxpayer to opt in and declare specified premises for a succeeding financial year; Annexure VIII, which is filed by a person applying for GST registration to declare specified premises from the effective date of registration; and Annexure IX, which is used for opting out of the specified premises declaration.

Validity and Carry-Forward of Declarations

Another practical issue relates to the continuity of declarations. Once a declaration is filed, it remains valid for subsequent financial years unless an opt-out declaration is filed. However, given that FY 2026–27 marks the first year of mandatory online filing, it is advisable for taxpayers who had earlier filed manual declarations to file fresh online declarations to avoid procedural disputes.

Steps Involved in Filing Online Declaration

A. Log in to the GST Portal

B. Navigate to: Services -> Registration -> Declaration for Specified Premises

C. Select the option: Opt-In Declaration for Specified Premises

D. Select eligible premises, fill in the declaration, and submit using EVC.

E. On successful submission, an ARN will be generated.

Steps to Download Filed Declaration

A. Log in to the GST Portal

B. Navigate to: Services -> Registration -> Declaration for Specified Premises

C. Select the option: Download Annexure Filed

Premises Coverage and Declaration Strategy

From a structural standpoint, the declaration is premises-specific and not supplier-wise. A supplier operating multiple locations must therefore evaluate and declare each premises intended to be treated as specified. While the portal permits declaration of multiple premises, it restricts the number to ten premises per declaration, necessitating multiple filings where the number of premises exceeds this limit.

A question often arises as to whether premises must be first added to the registration particulars before being declared as specified. The declaration functionality allows selection only from premises already reflected in the registration database, making prior amendment of registration details a prerequisite where the premises are not already listed.

Voluntary Declaration: A Permissible Option

The declaration mechanism also permits voluntary classification. A supplier may choose to declare premises as specified even if the value threshold of Rs. 7,500 per unit per day has not been crossed. Such voluntary declaration does not violate the mandatory application of concessional rates, as hotel accommodation rates continue to be determined based on value of supply, while the specified premises status primarily affects restaurant and catering services.

Practical Considerations and Recommended Approach

In view of the author, premises that have already crossed the value threshold in the preceding financial year automatically qualify as specified, however, it is advisable to also declare such premises through the portal. This conservative approach can help avoid interpretational disputes during audits or investigations, particularly in cases involving mixed-use premises or multiple service offerings.



Conclusion

The transition to a declaration-driven regime for identifying specified premises represents a significant compliance shift for the hospitality sector under GST. The consequences of such classification extend beyond mere rate determination and directly impact tax credit eligibility for an entire financial year. With online filing made mandatory from FY 2026–27, timely and accurate declarations have become critical. Taxpayers must therefore carefully evaluate their premises, understand the rate–ITC trade-offs, and ensure adherence to prescribed timelines to avoid unintended tax costs and future disputes. In case the premises proposed to be declared as specified premises have not been updated on the GST portal, the same should be added at the earliest. Since such an amendment requires approval from the GST authorities and involves procedural time, any delay in updating the details may result in expiry of the prescribed timeline for filing the declaration. A proactive and informed approach to specified premises declarations is now indispensable for compliance certainty under GST.

References

- *Notification number 11/2017-Central Tax (Rate), dated the 28th June, 2017 (as amended)*
- *Notification No. 05/2025–CTR dated 16-01-2025*
- *Notifications No. 15/2025 Central Tax Rate dated 17-09-2025*
- *GSTN Advisory dated 4th Jan, 2026*

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