

# India's hospitality sector expresses 'displeasure' over GST rate

The recent announcement of Goods and Service Tax Council to impose 28 per cent Goods and Service Tax (GST) on hotel rooms above ₹5,000 room rental by creating a category of luxury has come under flak from the Indian hospitality sector, that have termed the move as a 'shocker'.

**Wonderlust Bureau**



Dr. Ankur Bhatia



Rishi Puri



Dilip Datwani

The announcement that came post the Supreme Court's ban on liquor sales at establishments within 500m of state and national highways, effective April 1.

Dr. Ankur Bhatia, Executive Director, Bird Group said, "Hospitality industry in India, a big contributor to the country's economic growth is on high growth trajectory and is expected to reach ₹2,796.9 thousand crore by 2022 as per KPMG. The industry also contributes significantly to employment, FDI and Foreign exchange. However, recently the industry has already been severely impacted by the Supreme Court liquor ban and the much awaited Goods and Services Tax (GST) rates has come as another shocker. These high and complex GST rates will create further impediments to the industry's growth which is still maturing. At the same time the new tax structure will also position India poorly as a destination vis a vis our competitors in the international market that have much lower taxation."

Rishi Puri, VP, Lords Hotels & Resorts said, "Post successful initiatives like Make in India, Swachh Bharat and Startup India, we were hoping for a more reformative GST that would have rationalised the tax structure and made India a more competitive tourism destination. Unfortunately, the recently announced GST rate for hotels will do just the opposite. By increasing the rate to 28 per cent for mid-

to-high class hotels priced above Rs.5000, inbound tourism will take a hit by at least 10 per cent. More ironic is the zero tax on hotels with tariffs of ₹1000 or below. The signal that is being sent out is, India would prefer only back-packers and for those with more money spends should look for other destinations. As it is, India as a destination is more expensive than countries like Malaysia, Thailand, Vietnam, and Cambodia among others."

"We humbly request the Government to save the inbound tourism and reconsider the GST for hospitality. A standard GST of 12 per cent across all categories of hotels will help maintain parity and achieve our beloved Prime Minister's dream of making India one of the top destinations for the International traveller," added Puri.

The GST council in its meeting held recently in Srinagar has pegged GST for AC eateries and those with liquor licence at 18 per cent, non-air-conditioned restaurants at 12 per cent, hotels charging room rentals between ₹1000 and ₹2500 at 12 per cent, ₹2500 and ₹5000 at 18 per cent and above ₹5000 at 28 per cent. Terming the rates as too complex, high and uncompetitive, the hotel industry has declared that it will make representation to the Finance Minister and Tourism Minister to review the rates once again.

"The Government should realise that while neighbouring countries like Myanmar, Thailand,

Singapore, Indonesia and others levy taxes ranging from 5 to 10 per cent, we cannot afford to have these kind of complex and high GST. This is simply not viable. Tourists will simply skip India," said Dilip Datwani, President, Hotel and Restaurant Association of Western India (HRAWI).

Being the backbone of the tourism industry, it was expecting to be placed in the 5 per cent slab.

"One of the biggest hurdles for Indian hospitality and tourism, in terms of attracting international tourists is its uncompetitive tax structure. A country as small as Singapore witnesses 10.90 million tourists against 6.31 million for India. Nations like Malaysia and

**“ A standard GST of 12 per cent across all categories of hotels will help maintain parity and achieve our beloved Prime Minister's dream of making India one of the top destinations for the International traveller. ”**



### **Ankur Bhatia**

Executive Director  
Bird Group

The way Delhi has been built or continues to be built, all weddings, be it large scale or small, take place besides highways. With this new law, one cannot really conduct a wedding with alcohol. Our tourism industry and the image of the country have also severely been impacted.

