



SUGGESTIONS FROM THE FEDERATION OF HOTEL & RESTAURANT ASSOCIATIONS OF INDIA FOR BUDGET 2019-20

In Direct Taxes :-

S.NO	Issue	Recommendation	Justification
1.	A certain segment of hospitality industry is being classified in the peak gst rate, clubbed along with sin and speculative categories.	Rationalise 28% GST on hotels to 18% above ₹7500 slab.	<p>Hotels above a rate of ₹ 7500 have been declared as luxury & put under the 28% rating. GST Rates for hospitality in India were already high by around 12% -15% as compared to our Asian competitors where they are ~6% on an average. Indian states are losing a fair bit of global tourist & meetings & conference traffic coming in these segments & standing to lose domestic traffic in this segment which is going to cheaper South East ASian destinations. This also goes against the very grain of GST principle of equivalence as average range of indirect tax on hotels (luxury tax + service tax) in the pre-GST regime was around 18%-21%. This is also impacting investments as well. China's GST for hospitality is 6%, 21% less than the 28% peak rate for hotels in India while its accommodation is almost 15 times more, inbound tourism 5 times more and domestic tourism visits double. Clearly India needs to structurally promote hospitality infrastructure development through a war footing in India by developing an investment friendly GST rate.</p> <p>Classification of 28% category of hotels to 18% will restore parity</p>

			to rates earlier. This will also be in keeping with the principles of equivalence & national competitiveness for this sector.
2.	The GST rate on Food & Beverage service in restaurants and in hotels with a rate below ₹7500 doesn't have the option of claiming set offs, while for those in the hotels with a rate below ₹7500 is linked to rooms rate and is highly taxed creating a wide tax driven pricing inequality in the same industry.	Make available the option of 12% GST with full setoffs on all Restaurants Banqueting and F&B service.	<p>An option to charge GST at 12% with full setoffs be made available for Restaurants Banqueting and F&B service by abolishing the 18% GST in this category but retaining the 5% category as exists currently.</p> <p>Restaurants promote a very vital part of the Indian economy. They generate both direct employment & indirect employment across food supply chains. They are estimated to be contributing righting around 3 lakh crores + to the Indian economy and impacting around 50 lakh jobs. Despite its huge employment potential, GST in india on restaurants is 3 times higher than our competitors in East Asia which are at around 6%. Reducing the GST on this sector will not only spur demand, but will encourage the growth of organised sector. It will also create additional employment across all parts of the country. There are two rate categories existing here with 5% without setoffs and 18% for hotels with room tariffs above ₹7500 and for Banqueting. This is creating tremendous confusion and price disadvantage between different food service establishments.</p> <p>It is thus requested that a single option of discharging GST at 12% be made available on restaurants and f&b service formats across all categories with full input tax credits. This may be done without removing the 5% rate category it as exists currently which may be exercised by all the remaining</p>

			categories of food & beverage establishments without availing GST setoffs as currently exists.
3.	Hospitality exports are not treated at par with merchandise exports leading to a tax transmission in export markets.	Zero rate or special rate GST on hospitality exports and deemed exports. GST on goods & services exported from India are exempt from GST. However, for exports from hospitality tourism services this is not the case as they are governed by a special provision of being served in India. Hospitality and tourism exports meet all the criteria as other goods & services exports i.e. The service provider is in India, earnings are in foreign exchange & the buyers are of foreign origin. However, since their place of provision is in India, they are charged GST. Ironically, the place of provision of service, can be in India only as tourism services are intangible & can't be delinked from our tourism products that is our mountains, our seas, deserts, our culture etc.	<p>The competition for global visitors happens with other countries where the GST rates are in average 5%. India loses heavily to these markets whose tourism visitors & foreign exchange earnings are higher than India. With our peak hotel rates at ~28% & with tour operators at an additional 5%, we are the most highly taxes tourism country at 33%. ~ \$ 200 + billion is received in south & east Asia in tourism foreign exchange & as per our estimates an additional 10-15% of those earnings that is ~\$ 20- 30 bn will start flowing into India if our tourism exports i.e. earnings in foreign exchange. are made highly competitive by zero rating or at a special slab of 5%. This will make Indian hospitality & tourism products & services a highly powerful & a competitive global force creating large scale employment in India.</p> <p>It is thus requested that hospitality tourism exports & deemed exports be treated at par with other exports & services & such transactions may be zero rated or at a special slab of 5% GST without stopping the flow of input credits.</p>
4.	The provision of IGST is not made available for hospitality leading to Indian companies who avail hospitality services in states where they are not registered, unable to claim GST setoffs.	Enable IGST for immovable properties for tourism accommodation such as for hotels, cruises, campsites & for restaurants.	IGST credit be made available for immovable properties for tourism purposes such as for hotel, inn, guest house, homestay, club or campsite, by whatever name called including a house boat & restaurants has not been made available as under the GST law the place of supply of services in relation to immovable

			<p>property as above has been kept as the location of such property.</p> <p>Consequently, aforementioned output supplies are subject to CGST + SGST in the state where such hotels or is located. This is impact a huge business tourism movement within India as most of the corporates carry out their meetings, incentives & get together for their teams & staffs in many tourist locations of India such as the North East, J&K, Rajasthan, Goa, Kerala, Orissa, West Bengal etc. Barring some companies in the business of FMCG or services, most corporates are not registered across all states in India. With GST rates for hotels at ₹2500 & above already high ranging between 18% to 28% as compared to the 6% rates across south & east Asia & with no GST credits available, hotels in these states are witnessing cancellations from corporates. This is defeating the purpose of GST to achieve seamless flow of credit & is severely harming the tourism industry</p> <p>This is also deeply impact the domestic corporate and corporate conferencing business. In the global ranking of countries for associations' conventions, India has a rating of 31 with around 100+ meetings, USA is at number 1 with ~ 900+ meetings & China was rated 9th with ~ 300+ meetings. India has one city, USA has 5 & China has 2 cities, excluding Hong Kong in the top 100 ranking of cities of hosting conventions. This low global share of India will get further deteriorated as non- availability of IGST credit will make corporate travel expensive in India. This 'tax</p>
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5.	In remote, hilly and backward areas, where tourism has to be constantly stimulated, a strategic GST rate can become a positive enabler	Extend 0% exemption in special areas.	Room accommodation with a tariff below ₹1000 is not subjected to GST. In north east, hilly areas and backward areas this exemption may be extended to below ₹2000 accounting for the unique low spending pattern in those areas. This will have the potential to boost tourism traffic in those areas.