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HRAEI calls for 10 per cent cap on GST for hospitality industry

E-visa, GST refund expected to spur growth of industry

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By HBI Staff | Mumbai

The Hotel and Restaurant Association of Eastern India (HRAEI) has said that the introduction of Goods and Service Tax (GST) bill and its passing by Lok Sabha is a welcome step and that the hospitality industry is happy that there will be a single point uniform taxation for all hotels and restaurants throughout the country, as per a release. It is believed that the move will substantially reduce paper work and multiple filing of various tax returns will be a thing of the past.

The optimism is however circumspect as the industry is not sure about the rate of GST that will be fixed by the government. The indicative rate of 16 to 20 per cent which is being speculated is very high for the hospitality industry and will mean a body blow to the industry, as a result of which the hotels and restaurants will badly suffer.

The members of the Association feel that the GST rates for the hospitality industry should be capped at 10 per cent. Since government is now targetting a manifold increase in Foreign Tourist Arrivals (FTAs) it should introduce a facility whereby the foreign guests who have paid GST on their hotel and restaurant bills can claim refund of GST at the airport at the time of departing.

Sudesh Poddar, President, Hotel & Restaurant Association of Eastern India opined, "We are confident that the e-visa initiative of the Government of India coupled with GST refund for foreign guests will spur the tourism industry into a high growth trajectory. "

It is important to note that the hospitality industry will not be able to derive much advantage by taking input credit, as a major expense of any hotel or restaurant is the manpower cost and the cost of fuel. Since initially taxes on fuel will not fall under the purview of GST, input tax credit will be much lower than the tax collected. In this scenario, HRAEI feels that it is important that the Empowered Committee of GST takes into account these factors before specifying the rate of GST for this sector.