

A STUDY ON IMPACT OF GST ON HOTEL INDUSTRY

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ABSTRACT:

For growth and economic development of any country, it is very necessary to provide maximum opportunities for the growth and development of different industries in the country. According to KPMG, it now contributes 8.2 percent of the country's GDP. According to a ministry of Tourism data, Hotel industry also receives the largest FDI, which shows a 32% growth year on year. The hotel industry in India is expected to reach a value of INR 1,210.87 billion by the end of 2023, expanding at a compound annual growth rate (CAGR) of 13% during the 2018- 2023 period, owing to the high arrival rate of foreign tourists and business delegates.

Key Word:

GST, Multiplicity of taxes. Hotel industry

I. INTRODUCTION:

GST is a type of indirect taxes on Goods and Services. It is the replacement of Multiple indirect taxes like VAT, Service tax etc. The main aim of GST was to reduce tax evasion, bring transparency and make a centralized system of taxation. It reduced the duplication of taxes and brought more transparency.

Act related to GST was passed on 29th March, 2017 in the Parliament. The Act came into effect on 1st July, 2017; In India Goods and service tax act is a multi-stage, comprehensive, destination-based tax that is levied on every value addition. In simple words, Goods and service tax is an indirect tax on the supply of goods and services. This law has replaced many indirect taxes which was previously regulating in India. Goods and Service Tax (GST) implemented in India with the vision of 'One Nation One Tax' system, but its result on varies industry to industry. The first level of differentiation will come in depending on whether the industry deals with manufacturing, distributing and retailing or providing a service.

1.1 Types of GST

In India GST has four different kind of taxes namely CGST, SGST, IGST and UGST.

- 1.1.1 CGST:** CGST means Central Goods and Service Tax. CGST is one part of goods and service tax. It is covered under Central Goods and Service Tax Act 2016. CGST is levied based on interstate supply of goods and services. Taxes collected under Central Goods and Service Tax will be the revenue for central Government. After the introduction of CGST taxes like Excise duty, Central Sales Tax, Service Tax etc. merged under Central Goods and Service Tax. In case of local sales, under GST 50% tax is transferred to SGST.
- 1.1.2 SGST:** SGST means State Goods and Service Tax. It is covered under State Goods and Service Tax Act 2016. In SGST, taxes are exacted by within one state where transaction of goods and services take place. The revenue generated from SGST is revenue for the State Government. After the introduction of SGST all the state taxes like Value Added Tax, Entertainment Tax, Luxury Tax, and Entry Tax etc. merged under SGST. For example, if goods are sold or services are provided within the state then SGST will be levied on such transaction.
- 1.1.3 IGST:** IGST means Integrated Goods and Service Tax. IGST falls under Integrated Goods and Service Act 2016. This tax is applicable when transactions take place on interstate or when two states involved in purchases of goods and services. This tax is collected by central government. One part of tax is transferred to central government and rest is transferred to the state government.
- 1.1.4 UTGST or UGST :** UTGST stands for Union Territory Goods and Services Tax. The main purpose of UGST is to levied tax on every purchase of goods and services which take place within intrastate. UGST is applicable only to union territories of India i.e. Andaman and Nicobar Island, Chandigarh, Daman, Diu, Lakshadweep, Dadra & Nagar Haveli.

India's economic growth is only expected to surge over the next decade and travel agencies, tourism, restaurants and other prominent sub-sectors are expected to create at least 13.45 million jobs in the near future. Steadily rising disposable incomes and more collaboration with global corporations have ensured that the Indian population has spare time for leisure. This has directly impacted the Indian tourism and hospitality industry, which in recent years has emerged as one of the key drivers of growth and contributors to the gross domestic product.

1.2 Objectives of the Study:

1. To identify the problems faced by the hotels due to GST.
2. To study the impact of GST on hotel Industry in India.
3. To examine the benefits and opportunities of GST due to implementation of Act.
4. To identify the threats to the hotel industry.

1.3 Limitations of the Study:

- Limited Time for research and collection of data.
- Lack of relevant information related to the research topic.

1.4 Scope of Study:

1. The real challenges are faced by the hotel industry in the present GST system will be sourced through this study and suggested for better integration of state economies and boost overall growth.
2. The study is more applicable to know that the GST system is more likely to boost up India's economic progress by deploying uniform tax rate which erupt all tax barriers between states.
3. The study will be helpful in describing how GST is leviable on all supply of goods and provision of services as well combination thereof.

2. Research Methodology:

This research paper is exploratory paper and totally based on Secondary data. The data have been organised from different sources i.e. Journals, Books and Website of Government and others.

3. Impact of GST on Hotel Industry:

When GST was rolled out, the hotel industry experienced some positive changes. While the obvious one was subsuming multiple levies and simplifying complexities, there are other impacts – both positive and negative. Some of these key impacts are listed below:

- i. **Easy to Calculate** – Tax processing and calculation have been made simpler and quicker for the hotel industry.
- ii. **Clarity to Consumers** – GST removes multiple taxes and the cascading effect on taxation, taxation can be reduced and simplified.
- iii. **Good Quality of Service** – A lot of calculation and computation reduced as only one tax has to collect from the customers for providing the services. Many times have you had to wait in the hotel lobby wondering if you would miss your flight back home because your bill was still being prepared?
Customers aware about the tax regime on various services charged by the hotel, accordingly they expect the quality of services provided to them.
- iv. **Tax input availability**–the tourism and hospitality industry will find it easier to claim and avail input tax credit and will get input tax credit on their inputs. Before GST, the tax paid on inputs (raw edibles for food, clothing, cleaning supplies etc.) could not be adjusted against the output without any complications. However, this will become easier in the GST system.
- v. **Key growth drivers of the market** – An increase in the number of foreign tourists and international corporate travellers looking for business opportunities in the country is driving the growth of the hotel industry in India. The government has allowed 100% foreign direct investment (FDI) in tourism construction projects, development of hotels, and recreational facilities. This will act as a driving force for the development of new hotels across the country.

Negative impact of GST on Hotel Industry –

- i. The sheer complexity of the GST compliance / implementation process, as well as filings necessary at many steps, will result in additional technical constraints, greater compliance expenses, and a lot of time and effort poured in, making the journey appear and more demanding.
- ii. With more money invested in becoming GST compliant, hotel and restaurant businesses may end up recovering the same from their customers, resulting in higher tariffs, which will, in a sense, defeat the purpose of GST as consumers come full circle and continue to pay more than they need to while also availing cross – services.
- iii. Though small and medium enterprises (SMEs) stand to benefit greatly from the GST regime, they may now be required to acquire goods from registered dealers exclusively, falling which they would be required to pay full tax on shipments as would have been necessary under the previous tax plan.

Conclusion;

A basic comparison of the positives and negatives of GST reveals a mixed bag of presents and unexpected twists tossed in together. If State Governments and Union Tertiaries follow suit and support the hotels in the same manner as the sectors of other industries like Agriculture, a rapid growth and development of the hospitality sectors across the country. The government has to take initiative to avail benefits towards electricity tariffs, property tax, refinancing of existing debts, approval of hotel projects and operations to hotels which help them to minimise the cost.

At best, the impact of GST on the hotel industry can be viewed as a two- edged sword, since a hotel or restaurant business simply cannot take advantage of the leniency without feeling the pressure of the GST compliances.

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