

“IMPACT OF GST ON HOTEL INDUSTRY”

A Project submitted to
University of Mumbai for partial completion of the degree
of Bachelor in Commerce (Accounting and Finance)
Under the faculty of Commerce

By
SAKSHI VIJAY BHOSALE

T.Y.B.A.F (SEMESTER-VI)

PRN.NO. :2021016401618455

Under the Guidance of
ASST. PROF.DR. KISHOR CHAUHAN

JNAN VIKAS MANDAL'S

Mohanlal Raichand Mehta College of Commerce

Diwali Maa College of Science

Amritlal Raichand Mehta College of Arts

Dr. R.T. Doshi College of Computer Science

NAAC Re-Accredited Grade 'A+' (CGPA : 3.31) (3rd Cycle)

Sector-19, Airoli, Navi Mumbai, Maharashtra 400708



FEBRUARY, 2024



JNAN VIKAS MANDAL'S

Mohanlal Raichand Mehta College of Commerce

Diwali Maa College of Science

Amritlal Raichand Mehta College of Arts

Dr. R.T. Doshi College of Computer Science

NAAC Re-Accredited Grade 'A+' (CGPA : 3.31) (3rd Cycle)

Sector-19, Airoli, Navi Mumbai, Maharashtra 400708

CERTIFICATE

This is to certify that **MISS. SAKSHI VIJAY BHOSALE** her worked and duly completed hisProject work for the degree as Bachelor in Commerce (Accounting and Finance) under the Faculty of Commerce in the subject of **ACCOUNTING & FINANCE** and his project is entitled, "**IMPACT OF GST ON HOTEL INDUSTRY**". Under my supervision.

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any Degree or Diploma of any University.

It is his own work and fact reported by her personal finding and investigations.

Guiding Teacher,

ASST. PROF. DR. KISHOR CHAUHAN.

Date of submission

DECLARATION

I the undersigned **MISS. SAKSHI VIJAY BHOSALE** here by, declare that the work embodied in this project work titled “**IMPACT OF GST ON HOTEL INDUSTRY**”, forms my own contribution to the research work carried out under the guidance of **ASST. PROF. Dr. KISHOR CHAUHAN** is a result of my own research work and has not been previously submitted to any other University for any other Degree/ Diploma to this or any other University.

Wherever reference has been made to previous works of others, it has been clearly indicated as such and included in the bibliography.

I, here by further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

Name and Signature of the learner

Sakshi Vijay Bhosale

Certified by

ASST. PROF. DR. Kishor Chauhan

ACKNOWLEDGMENT

I would like to acknowledge the following as being idealistic channels and fresh dimensions in the completion of this project.

I take this opportunity to thank the **University of Mumbai** for giving me chance to do this project.

I would like to thank my **I/C PRINCIPAL, DR. B.R. Deshpande**, for providing the necessary facilities required for completion of this project.

I take this opportunity to thank our Coordinator Dr. Kishor Chauhan, for her moral support and guidance.

I would also like to express my sincere gratitude towards my project guide **ASST.**

PROF.DR.KISHOR CHAUHAN whose guidance and care made the project successful.

I would like to thank my **College Library**, for having provided various reference books and magazines related to my project.

Lastly, I would like to thank each and every person who directly or indirectly helped me in the completion of the project especially **my Parents and Peers** who supported me throughout my SS

INDEX

<i>SR. NO.</i>	<i>TITLE OF CHAPTER</i>	<i>PAGE NO.</i>
<i>1</i>	<i>INTRODUCTION OF SUBJECT</i>	<i>7-8</i>
<i>2</i>	<i>INTRODUCTION</i>	<i>9-44</i>
	Goods And Service Tax	
	Hotel Industry	
	GST On Hotel Industry	
<i>3</i>	<i>RESEARCH ON METHODOLOGY</i>	<i>45-50</i>
	Objective of the study	
	Hypotheses of the study	
	Statement of the problem	
	Scope of the study	
	Limitations of the study	
	Significance of the study	
	Data collection tools and techniques	
<i>4</i>	<i>REVIEW OF LITERATURE</i>	<i>51-62</i>
	Purpose of a literature review	
	Federation of hotels & restaurant association of western india	
	The hotel & restaurant of eastern india	
	Pacific business review international	
	IOSR journal of business & management (IOSR-JBM)E-ISSN	
<i>5</i>	<i>DATA ANALYSIS, INTERPRETATION & PRESENTATION</i>	<i>63-79</i>
<i>6</i>	<i>SUGGESION</i>	<i>80-81</i>
<i>7</i>	<i>FINDINGS AND CONCLUSION</i>	<i>82-87</i>
<i>8</i>	<i>BIBLOGRAPHY</i>	<i>88-91</i>
<i>9</i>	<i>ANNEXURE</i>	<i>92</i>

INTRODUCTION OF SUBJECT

The President of India approved the Constitution Amendment Bill for Goods and Services Tax (GST) on 8 September 2016, following the bill's passage in the Indian parliament and its ratification by more than 50% of state legislatures. This law will replace all indirect taxes levied on goods and services by the central government and state government and implement GST by July 2017. The implementation of GST will have a far-reaching impact on almost all the aspects of the business operations in India.

With more than 140 countries now adopting some form of GST, India has long been a stand-out exception. GST is a value-added tax levied at all points in the supply chain, with credit allowed for any tax paid on input acquired for use in making the supply. It would apply to both goods and services in a comprehensive manner, with exemptions restricted to a minimum.

In keeping with the federal structure of India, it is proposed that the GST will be levied concurrently by the central government (CGST) and the state government (SGST). It is expected that the base and other essential design features would be common between CGST and SGSTs for individual states. The inter-state supplies within India would attract an integrated GST (IGST), which is the aggregate of CGST and the SGST of the destination state.

Goods and Services Tax reform is one of the biggest reforms in the history of independent India. It is a single tax on the supply of goods and services from the manufacturer to the consumer. The Indian Hotel Industry is one of the booming sectors in the economy and it contributes to around 6.23% of National GDP and 8.78 percent of the total employment in the country.

A month after the introduction of GST; Ganesh Shetty, President of Restaurants and Hoteliers Association, Pune, said that the businesses in hotels across India had come down by 20%. He further stated that the hotels were incurring high costs in terms of the up gradation of IT infrastructure, training of personnel and hiring of experts for compliance with the new system of GST. The consumers also complained about the increase in their restaurant bills and have stated that their bills are more than the earlier regime. In this context, a study is undertaken to identify the problems and prospects of the impact of GST Reform on Hotel Industry in Kerala. The study revealed that the hoteliers faced problems in transitioning to the new system, their compliance costs

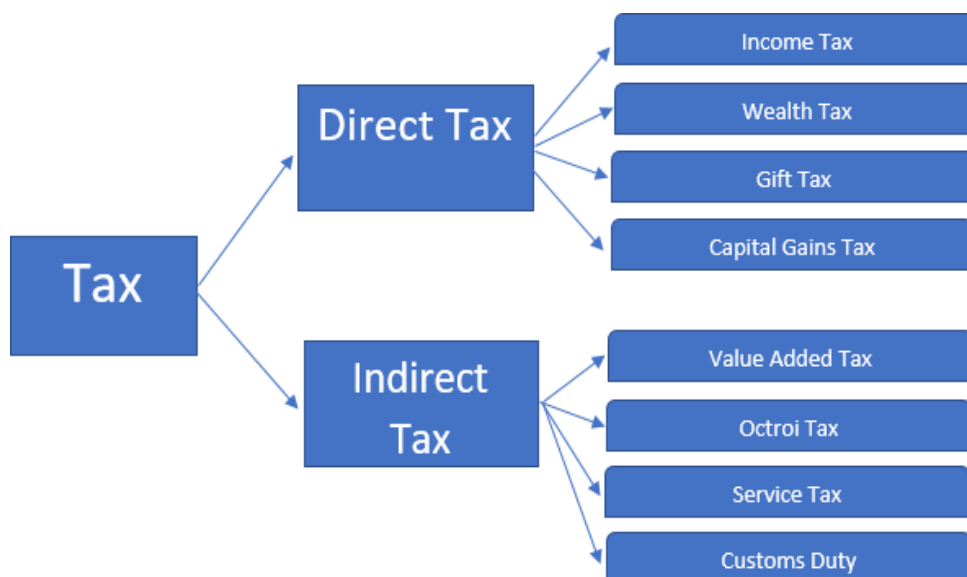
rose and there was a general increase in the price of goods and services. However, it is expected that in the long run GST will prove beneficial and make the dream of One Nation One Tax come true.

Keywords: Goods and Services Tax, Hotel Industry, Indirect Tax, Taxation System, Promotional schemes, Value added Tax, Positive and Negative Impact, Federation of Hotels and Restaurants Association of India, Tax Obligation, Reforms in Taxation.



CHAPTER : 1
INTRODUCTION

Taxation is the inherent power of the state to impose and demand contribution upon persons, properties, or right for the purpose of generating revenues for public purposes. Taxes are enforced proportional contributions from persons to property levied by the law-making body of the state by virtue of its sovereignty for the support of the government and all public needs.



Types of Taxes in India:

Prevalence of various kinds of taxes is found in India. Taxes in India can be either direct or indirect. However, the types of taxes even depend on whether a particular tax is being levied by the central or the state government or any other municipalities. Following are some of the major Indian government taxes.

1. DIRECT TAXES:

It is named so because it is directly paid to the union government of India. As per a survey, the Republic of India has witnessed a consistent rise in the collection of such taxes over a period of past years. The visible growth in these tax collections as well as the rates of taxes reflects a healthy tax along with better administration of taxation. To name a few of the direct taxes, which are imposed by the Indian government are:

- Banking cash Transaction Tax
- Corporate Tax
- Capital Gains Tax
- Double Tax Avoidance treaty
- Fringe Benefit Tax

- Securities Transaction Tax
- Personal Income-tax
- Tax Incentives

2. INDIRECT TAXES:

As opposed to the direct taxes, such a tax in the nation is generally levied on some specified services or some particular goods. An indirect tax is not levied on any particular organization or an individual. Almost all the activities, which fall within the periphery of the indirect taxation, are included in the range starting from manufacturing goods and delivery of services to those that are meant for consumption. Usually, the indirect taxation in the Indian Republic is a complex procedure that involves laws and regulations, which are interconnected to each other. These taxation regulations even include some laws that are specific to some of the states of the country. The organizations offer services in all or most of the related fields, some of which are as follows:

- Anti-Dumping Duty
- Custom Duty
- Excise Duty
- Sales Tax
- Service Tax
- Value Added Tax (VAT)
- Goods and Service Tax (GST)

World's first country implemented GST is France (in the year 1954). More than 160 countries have implemented GST system. Framework of GST in India had formed 17 years ago. The first move on GST implementation in India was begun on July 17, 2000, under Vajpayee Government. In 12 August 2016, Assam became the first state to pass GST. On September 23, 2016, GST Network was formed, it is an online network designed to solve the problems and questions of customers and businessmen.

Indian tourism industry is a major contributor to the Indian Economy, and it is expected that it will grow at a higher pace in times to come and become a major revenue earning

industry for the Government. Hotels and restaurants are a major component of the tourism industry and can be termed as the backbone of the industry without which the industry cannot survive. Further, it provides employment opportunities to a large population of the country and a large number of micro, small and medium entrepreneurs are dependent on this sector as a source of their livelihood.



Source: www.GST in india.com

In the erstwhile regime, hotel & restaurant industry was faced with the problem of compliance with multiplicity of taxes viz. VAT, Service Tax, Luxury Tax and even excise duties on manufacture of pastries etc. However, with the advent of the GST Law, all these taxes have been subsumed under one single tax. However, with the new law has come a variety of new problems and issues which are facing the industry.

All of us use the services of hotels and restaurant for stay, meetings, party, get together etc. It is generally been observed that the ultimate payment made by us is much higher than the prices mentioned on the menu list or tariff charts. The difference arises because of 4 major heads:

- 1) Service Charges
- 2) Luxury tax
- 3) VAT (Value added Tax) and
- 4) Service tax

In this article we will discuss in detail about each head separately.

1) Service Charges

Generally, service charges are applied in case of restaurant or hotel food bill (and not on stay charges i.e., room rent). It is a non-statutory charge. Many a time this service charges are assumed to be as part of service tax which is not so. Service charges is a kind of tip which is charged by the restaurant or hotel and it normally ranges from 0% to 10% (In some cases it may be even higher and is purely discretionary on the part of service provider).

The service tax and VAT is applicable on service charges as well.

2) Luxury tax

It is applicable on stay charges (i.e Room Rent) and is not applicable on food charges. Luxury tax is statutory in nature and is applied by the different states on the stay charges (i.e Room Rent).

3) VAT (Value Added Tax)

VAT is generally applicable on restaurant or food bills. However sometime it is also applied on room rent by showing the food portion separately.

The rate of VAT again varies from state to state and is applicable on the whole value of the food bill.

4) Service Tax

Service tax is a tax levied by the Central Government of India and all services provided by a service provider except those notified in the negative list are liable for payment of service tax. On the other hand, service charge is a charge levied by the hotel for providing a service. While service tax collected is remitted with the Government, service charge collected is retained by the hotel itself. Hence, the levy of service charge is at the discretion of the hotel management, while the levy of service tax is a mandatory requirement prescribed by the Central Government.

Service Tax Rate for Hotels

Service tax is applicable only on 60% of value of rent of room, inn, guest house, clubs or other commercial places meant for lodging purposes. However, when service tax is paid only on 60% of the total value, no CENVAT credit or Input Credit can be claimed by the service provider.

GST Composition Scheme Rules

Restaurants are required to pay GST at a concessional rate of 5% on the turnover under Composition Scheme subject to following restrictions.

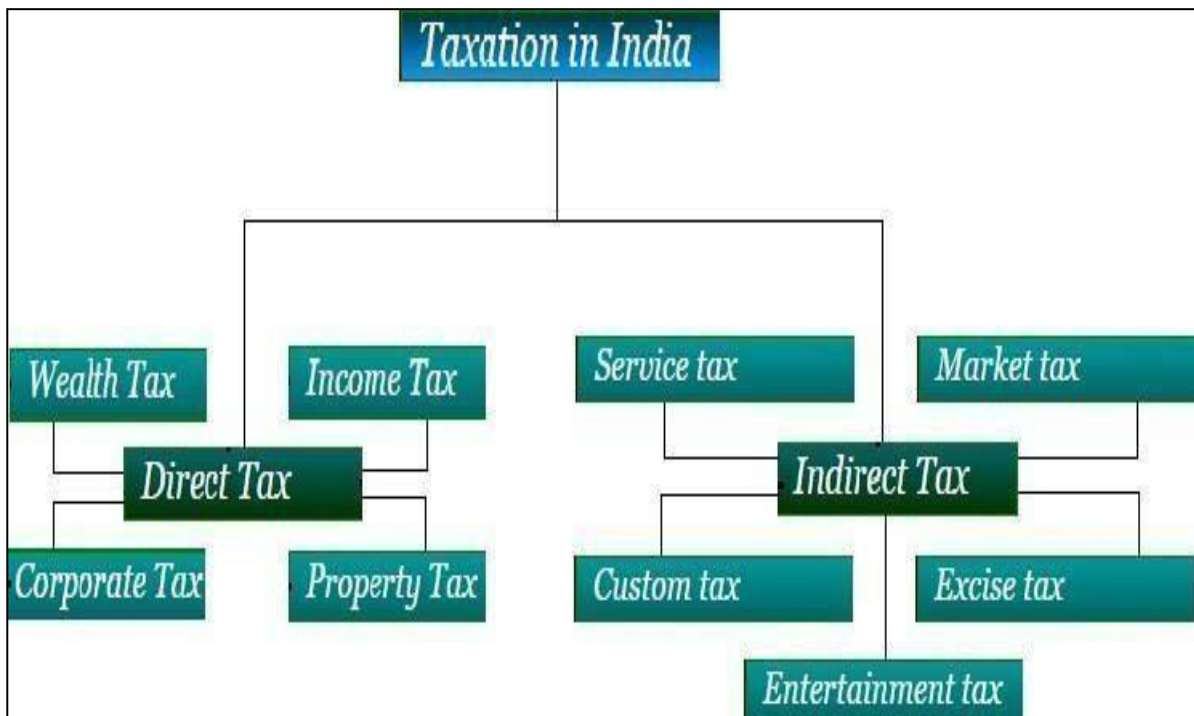
Turnover not to exceed Rs 1.5 Crores (Rs 1 Crore in case of special category States) Should not be engaged in any services other than restaurant (special exception carved out for services like interest and exempt services)

- Restaurant cannot make inter-state outward supply of goods
- Cannot supply any items not taxable under GST such as alcohol.
- They cannot supply goods through an e-commerce operator
- Restaurants cannot avail any input tax credit
- They cannot collect taxes from the customer

Regular Tax Payer V/s Composition dealer

Particulars	Regular Tax Payer	Composite Tax Payer
Registration	Threshold limit – Rs. 20L	Threshold limit – Rs. 1.5 Cr
Territory of Business	No restriction on supply	Limited to Intra-State Supply
Switch from Regular to Composition or Vice versa	Compliance procedure is high	Once crosses the limit, compulsory registration under regular provisions
Input tax credit	Depends on the category	Not entitled to avail the credit
Business through e-Commerce	Can supply goods through e-commerce	Cannot supply goods through e-commerce
Tax collection	Allowed to collect tax from the buyer	Cannot collect tax from the buyer
Tax invoice	Can raise a tax invoice for outward supply	Can raise Bill of Supply instead of Tax invoice for outward supply
GST returns	Monthly – GSTR 1 & GSTR 3B	Quarterly – Only GSTR 4

NATURE OF SERVICE	PARTICULARS	TAXABLE AMOUNT	TAX RATE	CONDITIONS
Hotel Accommodation	VALUE OF ROOM RENTAL	upto Rs.1000	0%	NO CONDITION
		Between Rs.1001 and Rs.7500	12%	
		Rs.7501 and above	18%	
Restaurant Service	Restaurant is part of specified premises*	Any Amount	18%	NO CONDITION
	Restaurant is not part of specified premises*	Any Amount	5%	No Input Tax Credit
Outdoor Catering	Supply by or at specified premises*	Any Amount	18%	NO CONDITION
	Supply by and at other than specified premises*	Any Amount	5%	No Input Tax Credit



BACKGROUND OF GOODS AND SERVICE TAX OUTSIDE

INDIA:

Following are some successfully implemented GST models in other countries:

1. FRANCE

- a. Rate of GST 19.6%
- b. France was the first country to introduced GST in 1954.

Worldwide, almost 150 countries have introduced GST in one or the other form since now. Most of the countries have a unified GST System. Brazil and Canada follow a dual system vis a vis India is going to introduce. In China, GST applies only to goods and the provisions of repair, replacements and processing services.

2. AUSTRALIA

- a. Rates of GST 10%
- b. GST is administrated by the tax office on behalf of the Australian Government, and is appropriated to the states and territories.
- c. Every company whose turnover exceeds \$ 75000 is liable for registration under GST and in default 1/11th of the income and some amount is form of penalty.

3. CANADA

- a. GST is imposed at 5% in Part ix of the excise tax act. GST is levied on goods and service made in Canada except items that are either exempt or zero rated.
- b. When a supplier makes a zero-rated supply, he is eligible to recover any GST paid on purchases but the supplier who makes a supply of exempt goods he is not eligible take input tax credit on purchases for the purpose of making the exempt goods and services.

OVERVIEW OF GOODS AND SERVICE TAX IN INDIA

Goods and Services Tax (GST) is an indirect tax or consumption tax used in India on the supply of goods and services. It is a comprehensive, multistage, destination-based tax: comprehensive because it has subsumed almost all the indirect taxes except a few state taxes. Multi-staged as it is, the GST is imposed at every step in the production process, but is meant to be refunded to all parties in the various stages of production other than the final consumer and as a destination-based tax, it is collected from point of consumption and not point of origin like previous taxes.

The tax came into effect from 1 July 2017 through the implementation of the One Hundred and First Amendment of the Constitution of India by the Indian government. The GST replaced existing multiple taxes levied by the central and state governments.

The tax rates, rules and regulations are governed by the GST Council which consists of the finance ministers of the central government and all the states. The GST is meant to replace a slew of indirect taxes with a federated tax and is therefore expected to reshape the country's 2.4 trillion-dollar economy, but its implementation has received criticism. Positive outcomes of the GST include the travel time in interstate movement, which dropped by 20%, because of disbanding of interstate check posts.

Goods and service tax is an indirect tax levied at national level and it Abolishes all indirect tax. It is a comprehensive tax levy on sale, manufacturing and consumption of goods and services. Regime of GST was started by Vishwanath Ratap Singh in 1986 during Rajiv Gandhi government but it failed to get approval in Lok Sabha. Finally, GST Act was passed on 29th march 2017 and it came into force on 1st July 2017. Rules regulation and rates governed by GST council comprise all state and central finance ministers.

“One tax for entire nation“. Benefit under GST is tax on tax is removed and the cost of goods decreased. GST removed cascading effect (tax on tax) on the sale of goods and services which helps to decrease the cost of goods and services. Activities like returns, refund registration response need to be done on the GST portal. This helps to speed up GST process.

STAGES IN DEVELOPMENT OF GST IN INDIA:

The detailed events according to various timelines for GST implementation in India are Granted below:

During 2000

The concept of GST was suggested by Atal Bihari Vajpayee Government. State Finance Ministers formed an Empowered Committee (EC) to create a structure for GST, based on their experience in designing state VAT. The Committee was headed by Asim Dasgupta, the Finance Minister of West Bengal. Dasgupta chaired the committee till 2011.

During 2003

The Kelkar Task Force on Indirect Tax had suggested a comprehensive Goods and Service Tax (GST) based on VAT principle.

During 2004

A Taskforce that was headed by Vijay Kelkar the advisor to the Finance Ministry, indicated that the existing law structure had many issues that would be mitigated by the GST system.

In February 2005

In the month of February, Finance Minister, P. Chidambaram, said that the medium-to-long term goal of the government was to implement a uniform GST structure across the country.

In February 2007

An announcement was made by Honourable Union Finance Minister in the Central Budget (2007 – 08) to the effect that GST would be introduced with effect from April 01, 2010.

In November 2009

Based on inputs from government(s) of Centre and States, Empowered Committee released its first discussion paper on GST.

In March 2011

In the Lok Sabha, the 115th Constitution Amendment Bill was introduced for the levy of GST on all goods and services across India.

In November 2012

A “Committee on GST Design”, consisting of officials of the government of India, State Governments and Empowered Committee was constituted.

In August 2013

The Parliamentary Standing Committee submitted its report to the Lok Sabha.

The recommendations of the Empowered Committee and the recommendations of the Parliamentary Standing Committee were examined by the Ministry in consultations with the Legislative Department. Most of the recommendations were accepted and the Draft Amendment Bill was suitably revised.

In September 2013

The final draft Constitutional Amendment Bill incorporating the above stated changes was sent to the Empowered Committee for consideration.

During 2014

Under the leadership of Narendra Modi, the NDA government was come into power. The new Finance Minister Arun Jaiteley introduced the GST bill (122nd Constitution Amendment) in the Lok Sabha.

During 2015

In February 2015, Jaitley set another deadline for GST implementation in India as 1 April 2016.

Constitution Amendment (122nd) Bill was passed by Lok Sabha on May 06, 2015.

Select Committee submitted its report to Rajya Sabha on July 22, 2015.

During 2016

On Aug 3, 2016, Rajya Sabha passed the GST Bill. On Aug 12, 2016, Assam became the 1st state to pass GST Bill.

On Sept 12, 2016, Honourable President of India gave his final assent for constitution 122nd Amendment Bill, 2014. Constitutional 101st Amendment Act came into force which empowers both the State and Centre to levy this GST.

On Sept 23, 2016, **GST Network** was formed, it is an outline network designed to solve the problems and questions of consumers and businessmen.

During 2017

On 16th Jan, 2017, Finance Minister Arun Jaitley announced July 1, 2017 as GST rollout deadline.

On 20th March 2017, Cabinet approved CGST, IGST and UT GST and compensation bills.

On 20 May, 2017, Lok Sabha and Rajya Sabha pass all the four key GST Bills – Central GST (CGST), Integrated GST (IGST), and Union Territory GST (UTGST).

On 18th May, 2017, the GST council fits over **1200 Goods** in one of the four rates of GST (5%, 12%, 18%, 28%).

On July 1st, 2017, Goods and Service Tax came into force across India except Jammu & Kashmir.

On July 8th, 2017, Goods and Service Tax law was made applicable to the state of Jammu and Kashmir.

On Dec 29th, 2021, The 46th GST Council meeting was held on 31st December 2021 in New Delhi. Union FM Nirmala Sitharaman led meeting has decided to defer the GST rate hike to 12% for textiles.

Central Tax notification no. 40/2021 Further amendments are carried out to seizure and detention rules, penalties related to the same, and certain forms such as DRC-10, DRC-22, DRC-23 and APL-01 stands amended with the addition of new form DRC-22A.

CGST Rule 36(4) is amended to remove 5% additional ITC over and above ITC appearing in GSTR-2B. From 1st January 2022, businesses can avail ITC only if it is reported by supplier in GSTR-1/ IFF and it appears in their GSTR-2B.

28th February 2022 The due date to file GSTR-9 & self-certified GSTR-9C for the FY 2020-21 has been extended up to 28th February 2022.

DEFINITION OF GOODS AND SERVICE TAX (GST)



Clauses 366 (12A) of the constitution Bill defines GST as “Goods and service tax” means any tax on supply of goods, or services or both except taxes on the supply of the liquor for human consumption.

Further the **Clause 366 (26A)** of the Bill defines Services means anything other than Goods.

Thus, it can be said that GST is a comprehensive tax levy on manufacture, sale and consumption of goods and services at a national level. The proposed tax will be levied on all transactions involving supply of goods and services, except those which are kept out of its preview.

PURPOSE OF GST:

The two important purposes of GST are as follows:

- 1. Single Umbrella Tax Rate:** GST shall replace a number of indirect taxes being levied by Union and State government.
- 2. Removing cascading effect:** GST is intended to remove tax on tax effect and provides to common national market for Goods and Services.

TYPES OF GOODS AND SERVICE TAX IN INDIA:

□ **Central Goods and Service Tax (CGST)**

It is levied by the Central Government of India on any transaction of Goods and Service Tax taking place intra-state (within one state).

□ **State Goods and Service Tax (SGST)**

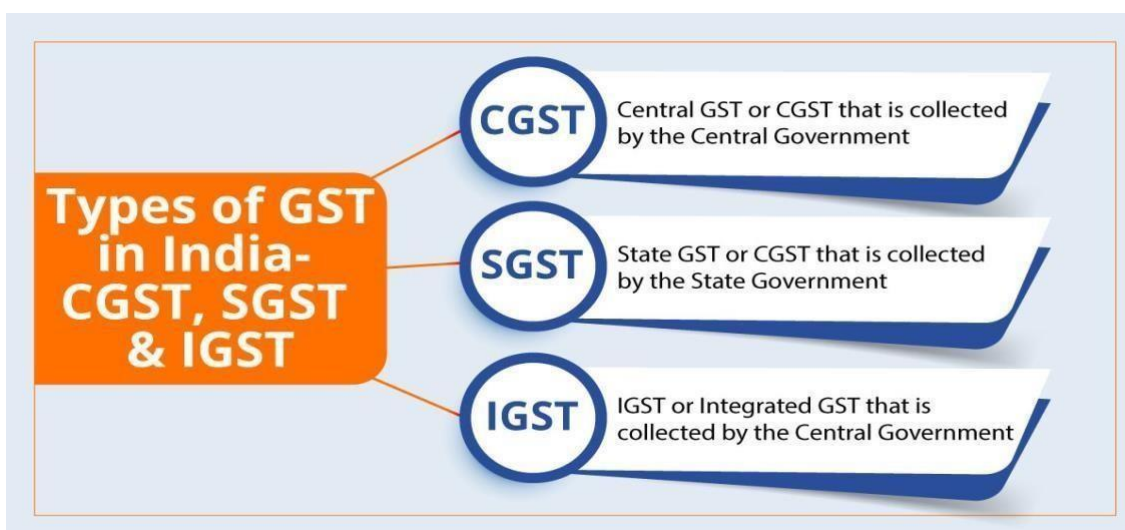
It is levied by the by the state where Goods are being sold/purchased or services are provided.

□ **Integrated Goods and Service Tax (IGST)**

It is applicable on inter-state (between two states) transactions of goods and services, as well as on importers. This tax will be collected by the Central government and further be distributed among the respective states.

□ **Union Territory Goods and Service Tax (UTGST)**

It is applicable on the goods and services supplied within any of the five Union Territories of India viz. Andaman Nicobar Island, Dadra and Nagar Haveli, Chandigarh, Lakshadweep and Daman and Diu.



EXISTING TAXES SUBSUMED UNDER GST:

The Goods and Services Tax (GST) was introduced in India to remove the multiplicity of taxes levied, thereby reducing the complexity and tax cascading. The GST subsumed all previous taxes that were levied on the sale of goods or provision of services by either Central and State government.

1. Centre taxes subsumed under the GST are:

- Central Excise Duty
- Duties of Excise (Medicinal and Toilet Preparations)
- Additional Duties of Excise (Goods of special Importance)
- Additional Duties of Excise (Textile and Textile Products)

- Additional Duties of Customs (commonly known as CVD)
- Special Additional Duty of Customs (SAD)
- Service Tax
- Central Surcharge and Cess so far as they relate to supply of Goods and Services.

2. State taxes subsumed under GST are:

- State VAT
- Central Sales Tax
- Luxury Tax
- Entry Tax (all forms)
- Entertainment and Amusement Tax (except when levied by the local bodies)
- Taxes on advertisements e.g. Purchase Tax
- Taxes on Lotteries, betting and gambling
- State surcharges and cesses so far as they relate to supply of Goods and Services.

Goods and services are divided into five different tax slabs for collection of tax - 0%, 5%, 12%, 18% and 28%. However, petroleum products, alcoholic drinks, and electricity are not taxed under GST and instead are taxed separately by the individual state governments, as per the previous tax system. [citation needed] There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. In addition a cess of 22% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products. Pre-GST, the statutory tax rate for most goods was about 26.5%, Post-GST, most goods are expected to be in the 18% tax range.

TYPES OF CATEGORIES UNDER GST RATE:

The GST tax is levied based on Revenue Neutral Rate. For the purpose of imposing GST tax in India, the goods and services are categorized in to four which are as follows:

1. Exempted categories under GST in India:

The GST and council and other GST authorities notifies list of exempted goods. Such goods are not fallen under payment of GST tax. The authorities may modify or amend the list time to time by adding deleting any item if required by notification to public.

2. Essential Goods and Service under GST in India:

Essential Category of goods and services are charged very lower GST rate. Essential goods and services are the goods and services for necessary items under basic importance.

3. Standard Goods and Service under GST in India:

A major share of GST tax payers falls under this category of Standard Goods and Service. A Standard rate is charged against the goods and services under this category.

4. Special Goods and Service under GST in India:

Under special category of goods and services, GST rates would be high. Precious metals including luxury items of goods and services fall under special goods and services for GST rate implementations.

GST RATE IN INDIA AT GLANCE:

The different rates of tax under GST according to the type of goods or services are classified as follows.

Particulars	Rate
1. Exempted categories	0%
2. Commonly used Goods and Services	5%
3. Standard Goods and Services fall under 1st Slab	12%
4. Standard Goods and Services fall under 2nd Slab	18%
5. Special category of Goods and Services including Luxury Goods	28%

COMPOSITION SCHEME UNDER GST

Goods and Services Tax (GST) is set to bring a new regime of business compliance in India. Now-a-days, large organizations have resources as well as the expertise in order to address these requirements. On the other side, many Start-ups and Small and Medium Enterprises (SMEs) struggle in order to complete these provisions. To resolve such kind of scenarios, the government has introduced a Composition Scheme under GST.

Composition scheme is a convenient way for the small taxpayers in order to escape from too many GST formalities and pay the tax at a fixed rate based on their business turnover.

Under this scheme, a taxpayer will pay tax as a percentage of his/her turnover during the financial year without the benefit of Input Tax Credit. The floor rate of tax for CGST and SGST shall not be less than 1%. A taxpayer opting for composition scheme will not collect any tax from his/her customers.

When the eligible taxpayer is opting for the Composition Scheme under GST, a taxpayer has to file a summarized return on a quarterly basis, instead of three monthly returns (as is applicable for normal businesses).

Who Can Avail Composition Scheme?

Only those persons who fulfill all the following are eligible to apply for

composition scheme:

- Deals only in the intra-state supply of goods (or service of only restaurant sector).
- Does not supply goods not leviable for tax.
- Have an annual turnover below Rs. 75 Lakhs (Rs. 50 Lakhs for north-eastern states) in preceding financial year.
- He shall pay tax at normal rates in case he is liable under reverse charge mechanism.
- Not supplying through e-commerce operator.
- Not a manufacturer of – ice cream, pan masala or tobacco (and its substitutes).

Why Should You Opt for Composition Scheme Under GST?

- No requirement to maintain records
- Hassle free payments of tax at single rate

Filing monthly returns is a costly and cumbersome process that may just be asking too much from a small dealer trying to grow a business.

Tax Composition

COMPOSITION SCHEME UNDER GST			
TURNOVER UPPER LIMIT		75 LAKHS	
RATE (%)	CGST (%)	SGST/UTGST (%)	TOTAL (%)
MANUFACTURER	1.00	1.00	2.00
RESTAURANT	2.50	2.50	5.00
TRADERS	0.50	0.50	1.00

The eligibility criterion under composition scheme has been increased to Rs.

75 lakhs (Rs. 50 Lakhs for North Eastern States).

- Traders will have to pay 1% tax.
- Manufacturers will have to pay 2% tax.
- Restaurant businesses will have to pay 5% tax.

However, no input tax credit (ITC) will be made available.

PROCESS TO GET REGISTERED AS COMPOSITE TAXPAYER

There can be two cases under the process of getting registered as composite taxpayer:

CASE 1- Registration process under composition scheme for a person who is already registered under current tax regime

- A person who is registered under the current regime and applying for the Registration under GST will be given Provisional Certificate first.
- If that person want to get registered as composite taxpayer under GST, he shall file an intimation in FORM GST CMP-01, duly signed or verified through electronic verification code. It may be noted that that it has to be filed prior or within 30 days after the appointed day(July 1, 2017) :

1. Directly on the common portal

2. Through a Facilitation Centre

- Further, he has to give the details of stock, whether purchased from registered or non-registered person, held by him before he has opted to get registered under the composition scheme in FORM GST CMP-03 within 60 days in the electronic form.
- The registered person shall not collect any tax from the appointed day but shall issue bill of supply for supplies made after the said day.

CASE 2- Registration process under composition scheme for a person who is applying for fresh registration.

A person who is applying for the fresh Registration under GST has to file

FORM REG-01 and under Part B of the form he has to select the option of Section 10 (Registration as composite taxpayer).

The extension of eligibility criteria will benefit small & medium enterprises (SME'S) and restaurants as they continue to remain outside the ambit of normal levy. This will contribute on a large scale to the GDP as well as job sector of the country.

HOTEL INDUSTRY

A hotel is a commercial establishment offering living quarters and facilities for the assemblage of people for social, business or entertainment purposes. It provides temporary lodging, accommodation with or without arrangements for meals, other prepared food and refreshments. The growth of the hotel industry in any place is an index of the economic development of that region, especially the industrial development and development in terms of tourist activity. Tourism industry is a major employment generating sector and a significant source of foreign exchange in India. For tourism to grow on healthy lines and to make substantial headway, the quantum of accommodation available and the facilities offered should be adequate to meet the needs of the prospective tourists. Also, the range of variety offered should be suitable to their varied tastes and purses.

To the business purpose it gives the quarters, office, and rooms for the individual for social, business or enjoyment purpose. It gives separately impermanent cabin, settlement within and without plans for greater, other arranged nourishment and freshness in mind. (Directorate of Economics and Statistics). Increase the business in any place to hotel industry is the base of increase the monetary advancement of that area, particularly the mechanical improvement and improvement in terms of vacationer action. Tourism creates the more job in the India and major factor of foreign exchange for the hotel and trip industry. To hotel tour industry to develop on solid lines and to make very good progress. The only of settlement accessible and the main facility should be provide to the costumer. In that facility have various ranges that will be provided as per amount decided. Hotels are very much important in tourism, it play very important role.

The concept of shelter in India isn't new. 20th century is turning point for hotel industry in India and many business owners entered into the field. Lodging industry is an administration situated segment which offers numerous offices/administrations. On the bases of facilities provided by hotels they are categorized into different tax slabs under GST. Hotel industry is play very important in service sector. Because of rising in tourism and travel with improving the level of domestic and foreign tourist, hotel sector is continuously growing.

Hospitality industry is an industry that depends on the availability of leisure time and disposable income. A hospitality unit such as a restaurant, hotel, or an amusement park consists of multiple groups such as facility maintenance and direct operations (servers, housekeepers, porters, kitchen workers, bartenders, management, marketing, and human resources etc.)

Hospitality industry concentrates on customer's satisfaction by creating good services and products that will meet their needs. This is a very competitive industry since there can be various types of product and service such as the diversity of cuisine, dining options, drive-through option, variety of beverage, different hotel's themes, etc. Therefore, it is important for service providers to establish a good relationship with customers, so that they will come back for more.

Before structuring as an industry, the historical roots of hospitality were in the western world in the form of social assistance mainly for Christian pilgrims directed to Rome. For such a reason, the eldest public hospital in Europe was the Ospedale di Santo Spirito in Sassia founded in Rome in the 8th century. On the model of the oriental world.

India is known as a food loving country where each and every area has its own unique cuisine. Over the last few decades the hotel and restaurant business in India has been developing at a fast pace or somewhere in the vicinity and the development story proceeds for the following not so distant. In 2010 the growing rate of food service and restaurant business was 15-20 percent yearly with the worth of `43,000 crores. As per Indian Food service Report 2016 it is estimated that the restaurants market industry is to be worth of 3.09 Lakh Crore. In 2016 the report also stated that the food market of the country has directly employed more than 5.8 million. The key contributors of the growth of restaurants and food and service businesses in India are the middle class sector. As the few sections of the society are upgrading like the evolving way of lifestyle, rising agenda of women empowerment, high consumable income and reliable

portable system accessibility, these upgrading sections are contributing in the development of most of the businesses in the country.

Services provided by hotel industry,

- Serving of food and liquor
- Room accommodation services
- Rent a cab
- Catering
- Laundry services
- Renting space for events, conference etc.
- Business support service
- Beauty parlors
- Club and gymnasium services
- Telecommunication like Fax, WIFI, telephone

Contribution of Hotel Industry in GDP

After facing numerous challenges like high taxes and food cost inflation, but still restaurants industry in India is a major contributor in the growth of the country's economy where it is contributing significantly to the GDP, paying taxes, and providing employment to millions of people. After demonetization the restaurants industry has regularly been under the scanner. In India this industry is on constant growth and is now impacted with GST- Goods and Services Tax.

Riding on the back of economic growth due to recovery in the global conditions, resulting in higher movement in the meetings, incentives, conferences and exhibitions (MICE) segment, and the consistently growing middle class having increasingly disposable incomes and a fondness for travel, the hotel industry is expected to post a robust growth of 7%-9% in FY18-19, according to a report by CARE Ratings. Another factor named by the report as a driving force for growth is India's attractiveness as a medical tourism destination.

“The Indian hospitality industry has emerged as one of the key industries driving the growth of the services sector and, thereby, the Indian economy,” says the report.

At the close of 2018, the country saw macroeconomic stability owing to a decline in inflation, and current account deficit (CAD). The Union budget had identified some major pillars that will support economic growth for the country that includes tax reforms, fiscal discipline, investment in infrastructure, ease of doing business, agriculture and farmer welfare, rural sector, social sector, education and job creation. This is said to have translated into an overall pick up in economic activities, thereby having a positive impact on the demand for hotels in the country.

According to India Brand Equity Foundation (IBEF), the tourism and hospitality sector’s direct contribution to GDP surged by 23.6% in 2017, raising the share of the industry (direct & indirect) to Rs5.9 trillion (\$91.3 billion). “Also, tourism in India accounts for 9.4% of the GDP and is the 3rd largest foreign exchange earner for the country and ranked 7th in terms of tourism total contribution to GDP in 2017,” says the CARE report.

“The expected future inventory in 11 major markets across categories (only branded) is low at around 49,380 rooms for the next five years (FY18-23). Therefore, with increasing demand on the back of improvement in economic activities and lower room additions, we expect the major markets in the industry to sustain the average room rates (ARRs), going forward, and grow at an average of 3.5-4.5% per annum. Also, we expect the occupancy to inch up to an average of about 68-70% by the end of FY23 compared with 66.6% in FY18,” says the report.

The existing room supply for the country grew by 7.5% in FY17-18 totaling to 128,163 rooms (as of 31 March 2018) according to the report. This considers the 8,944 new rooms that entered various markets during the year, as well an expansion of the existing properties.

Kolkata saw the highest increase in supply (20.7%) in FY17-18, adding to the relatively small base of hotels, followed by Chennai (10.5%) and Ahmedabad (8.9%).

Existing inventory (Major cities and across categories – Only branded)

Sr no.	City	Existing inventory at the end of			Y-o-y Growth	CAGR
		2012-13	2016-17	2017-18		
1	New Delhi*	16,738	20,981	22,159	5.6%	5.8%
2	Mumbai	12,807	13,494	13,726	1.7%	1.4%
3	Bengaluru	8,536	11,995	12,659	5.5%	8.2%
4	Chennai	6,330	8,332	9,211	10.5%	7.8%
5	Hyderabad	5,411	6,254	6,772	8.3%	4.6%
6	Goa	4,406	6,400	6,741	5.3%	8.9%
7	Pune	5,317	6,445	6,330	-1.8%	3.5%
8	Jaipur	4,129	5,058	5,426	7.3%	5.6%
9	Kolkata	2,163	3,199	3,860	20.7%	12.3%
10	Ahmedabad	2,477	3,117	3,393	8.9%	6.5%
11	Agra	1,299	2,092	2,260	8.0%	11.7%
	Total	69,613	87,367	92,537	5.9%	5.9%
12	Other Cities**	24,642	31,852	35,626	11.8%	7.7%
	Total	94,255	119,219	128,163	7.5%	6.3%

Note: *NCR includes New Delhi, Noida and Gurugram

** Other cities includes all other hotel markets across India

Source: Hotelivate

Among the 11 selected cities, Mumbai's hotel market achieved the highest occupancy recorded over the past few years amongst all major markets across the country and also recorded the second highest average room rate (Rs7,740), further consolidating its position as the best performing hotel market in terms of RevPAR too.

Accordingly, the hotels industry is expected to see an increase in room revenue at the rate of about 10%-12% CAGR over the next five years.

The report names complex regulatory environment and inadequate tourism infrastructure among the challenges facing the industry.

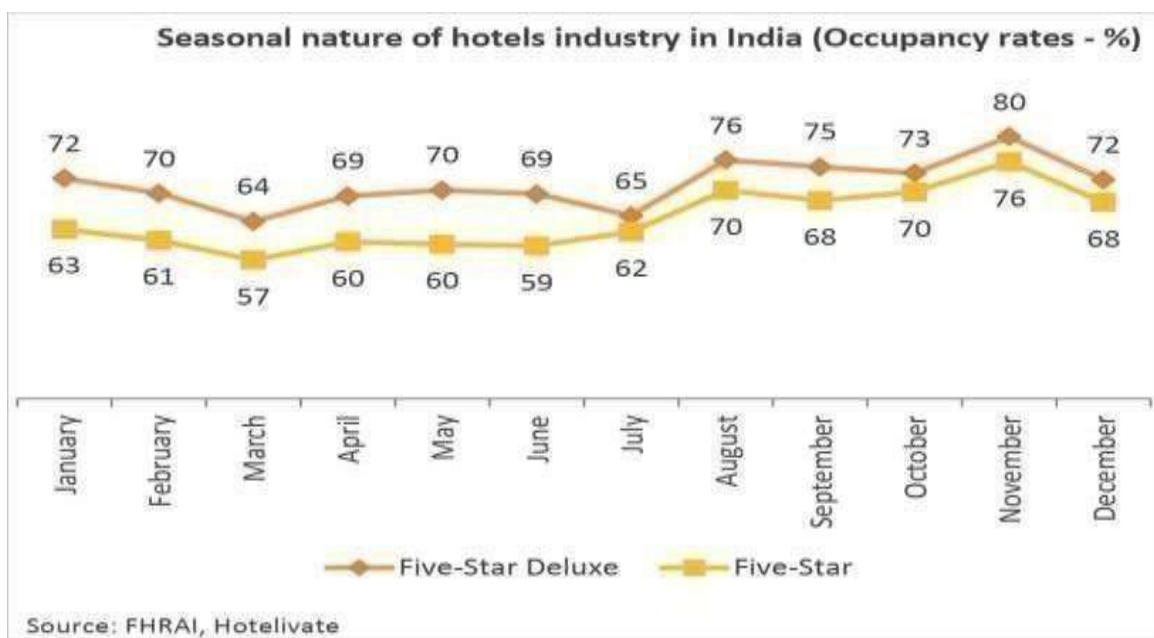
Goods and services tax (GST) has been implemented from 1 July 2017, with the aim of replacing the indirect taxes on all goods and services. Initially, room tariff above Rs. 5,000 was to attract the higher tax rate of 28%, which has been revised now and only tariff above Rs 7,500 would fall in the highest tax slab under the GST regime.

“Accordingly, we at CARE Ratings believe that the effective tax rate would not have any major impact on the average room rates (ARRs) and occupancy rates (ORs) of the hotels, given that GST players would be able to avail the input tax credit for both goods and services,” the report says.

Alternatives to the premium hotel segment have been listed by the report to include time-sharing as a form of vacation ownership of property, wherein units may be on a partial ownership, lease or a „right to use“ basis where the sharer has no claim to the ownership of the property. The other option mentioned is the service apartments,

which are fully furnished apartments available for short-term or long-term stay, providing all the luxuries of a premium hotel such as room service, laundry service, fitness centre, etc., and have larger rooms and more space at a far more competitive rate.

Customers of the hotel industry are classified by the report under the heads of business traveller, leisure traveller and airlines cabin crew, each displaying varied demand dynamics. The report also highlights the cyclical nature of the industry, pointing out that during positive cycles the industry witnesses periods of sustained growth and sees healthy average room rates (ARRs) and occupancy rates (ORs) which fall in the lean seasons.

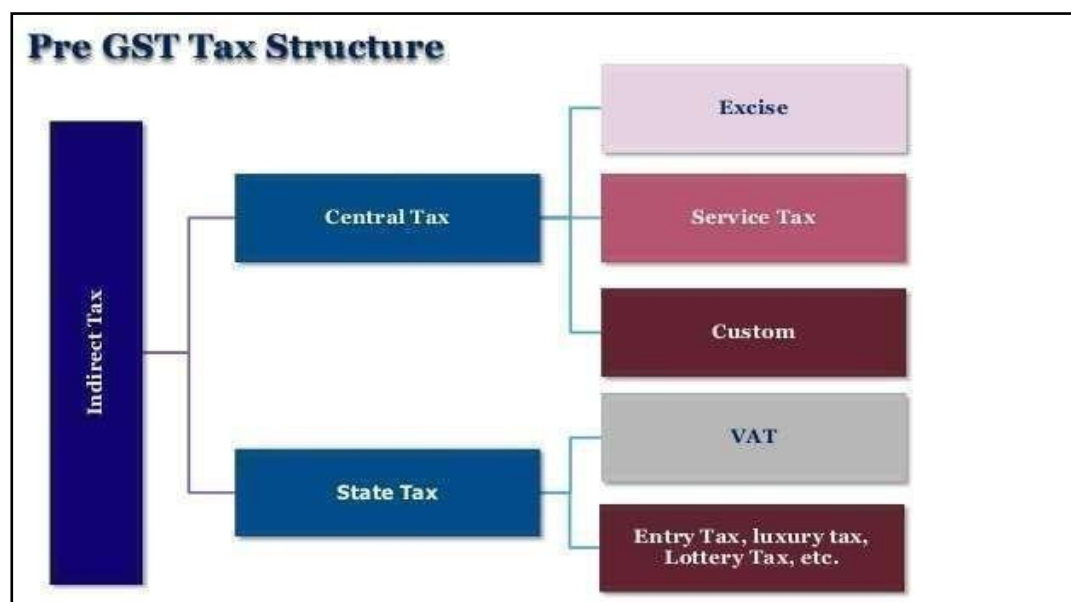


Elaborating on the pattern of revenue generation, the report notes: “While the macro-economic factors affect the business destinations (RevPARs – revenue per available room, growth is sensitive to the macro-economic indicator such as the nominal GDP), the leisure destinations show a greater sensitivity to non-economic factors such as terror attacks, health related travel warning, etc. (decline in FTA in 2008-09 was largely on account of the Mumbai terror attacks on November 26, 2008 and the swine flu linked travel advisories). Consequently, the average RevPARs of 12 major cities had registered a decline of about 13.9% in 2008-09 and 9.7% in 2009-10. While in 2010-11, with higher growth in nominal GDP and an increase in FTAs post- recession, these 12 major cities recorded an average increase of about 2.6% in RevPARs. Similarly, due to increased domestic and international trade activities and various initiatives taken by

the government post 2015-16, the number of foreign travellers in the country has increased. This has been reflecting in the overall RevPARs in India that registered a CAGR growth of about 5% between 2014-15 and 2017-18.”

TAXATION ON HOTEL INDUSTRY PRE GST

Previously, the hotel industry was plagued by multiple of taxes i.e., Service tax, luxury tax, and VAT which ultimately results in cascading effect (Business Today, 2017). The three taxes that were levied were the VAT and luxury tax by the States and service tax by the Centre. The VAT rate varied from state to state (generally levied between 12% to 14.5%), luxury tax depended on the room tariff and the state (generally varies from Nil to 12%). Similarly, service tax varied on the type of service. For hotels with room tariff in excess of Rs 1,000 and above, service tax was applicable at 60% of room tariff in addition to VAT (ranging between 12 to 14.5%) and luxury tax wherever applicable. In case of restaurants on the F&B bills, service tax was applicable on 40% of the bill or effective rate of 5.8% apart from VAT @ 12 to 14.5%. In case of social functions (marriage, seminars etc.) the applicable service tax rate after 30% abatement was 10.15% (Hotelier India, 2017).



When the VAT, service tax, and luxury tax are combined, the total impact goes up and lies between 20 to 27 percent. As input credit from central taxes could not be set off against VAT liability and vice-versa, this leads to cascading effect (Jain, 2017). The previous rate of service tax is 15% including cesses viz Swachh Bharat Cess (SBC) and

Krishi Kalyan Cess (KKC) (The Subramanian Committee Report on the Revenue Neutral Rate and Structure of Goods and Services Tax).

GST IN HOTEL INDUSTRY

Before GST, hotel industry was under different kinds of taxes like services tax, VAT, luxury tax and it was creating complexity in accounting. Tax rate was not uniform as they were imposed by both state and central government. But after July 1st 2017 all hotels and restaurants came under single tax system. Now entire India is subjected to impose single tax rate irrespective of where they situated. GST shall be payable by taxable person on the supply of goods and services. Taxable person is defined in section 9 of model GST law which stipulates that a person who carries on any business at any place in Indian state and who is registered or required to be registered under schedule III of the Act”.

Constitutional Validity of Service Tax on “Accommodation Services” According to the Model law on GST which neither contains the exemptions nor the rates of taxation, it appears that all services in relation to hotels and restaurants would be subject to levy of GST as the same is to be treated as „supply“.



Hotels and Food Service Businesses in India, is the fastest growing business. Therefore due to the changes in tax collection framework the development of the business is being affected. Goods and services Tax introduction has created some

perplexity among the restaurant proprietors. The concept of goods and services tax was implemented to abrogate all extra money charging schemes which was before embraced by the retailer in order to make money. This reform will clearly decrease the consistence cost for the tax payer as under this system the operation will change into uniform entity across states and the tax structure will also be harmonize.

The restaurant sector was burdened with multiple high costing taxes and changes under previous tax collection framework. Previously consumers use to pay VAT, service tax and additional service charge on every restaurant bill but in GST all the extra and unnecessary charges were eliminated. In the GST taxation system all the slabs were clearly stated but many restaurants still are confused and restaurant owners are applying rates and taxes as they interpret, or according to their own wish. This study analyses impact of GST composition scheme on Hotel Industry in India. This will provide insights to see how GST will function in this sector and will enable us to know the benefits and drawbacks of GST in this regards. The study finds that GST has both benefit and drawbacks on hotel business. GST has also affected the promotional schemes of the different companies with this the companies are now looking for the alternative promotional schemes.

GST has a vast impact on all the sectors like Food and Restaurants business,

Housing and housing industry, FMCG, Rail Sector, monetary Services, information Technology, MSME. The Restaurant Industry is burdened with lots of taxes at each and every point- starting from the purchase of the raw materials to the sales of finished items. Multiple taxes were charged from the customers at the final bill. In the previous tax collection framework consumers had to pay three taxes: the Service Charge, Service tax and Value Added Tax (VAT). Among these taxes the service charge which was charged was not a tax. The government has not ordered any restaurant to levy service charge and they do it on their own. Usually, this amount is 10% of the price of food products that order. Consumers have to pay two taxes: service tax and Value Added Tax. Under the GST tax system big traders of the organized sector will be at advantageous stage as they will get one market to shop for raw materials from any part of the country because the tax will stay the same everywhere the country. The GST tax framework facilitates restaurants purchase raw materials at a less expensive rate. The final bill for the customers is additionally clutter-free and much easier to know for the end-customers, because it only consists of the GST. Both Service tax and Value Added Tax have now been replaced by GST. Both Central GST and State GST was applied.

The same rates will also be applied by the local delivery restaurants. 12% tax is paid if the snacks sold from restaurants are pre-packed and pre-cooked. GST is not levied on any liquor or liquor products.

However, liquor products will still work with VAT, as imposed by state. So, if alcoholic beverages and food is ordered, GST on food and VAT on alcoholic beverages will be charged.

GST is the biggest tax revolution in Indian history. In India have various taxes collected by government in that have state government and central government tax that will be applied by the indirectly, GST is the very simple way of taxation than previous taxation procedure. Aiming a unified domestic market, GST will be easiest way in all point to apply for the income in any sector. So, it is a value added tax and the income from the GST will be the distributed to that states from where it's come, GST will be distributed in 2 way 1st is central government (CGST) and 2nd is state government (SGST) and that both will be applied in every sector, hotel industry also.

Changes Occurred Due to Implementation of GST

- Multiple taxes is replaced by single tax, therefore lower tax rate helps in attracting more tourists in India.
- Centralized registration is compulsory in each state where they providing hotel facility on own account or through agency
- Provision for GST audit if the total turnover is more than prescribed limit.
- Hotel and restaurant has to make appropriate policy on discount offers and policies in advance, it shall be a part of documentation.
- Every investor of inner and outsider must be connecting with system.
- Lodging industry would not have the option to profit the information credit on the two things which will negatively affect this segment.
- All restaurant are not eligible to charge GST on food bills. Only those who are registered can charge GST.

Tax Rate Under GST For Hotels and Restaurant.

On July 1st 2017, when the GST was first introduced in the country, the rates prescribed for hotels were 12% on non a/c restaurants and 18% on a/c restaurants. Hotels and lodges having tariff less than 1000 INR will be taxed at 5%, while those between 1000 - 2500 will be charged at 12%. Hotels between 2500 - 5000 will be charged at 18%, and hotels having tariff above 5000 will be considered luxury hotels and charged at 28%.

These rates were met much criticism from all stakeholders connected with the hotel and restaurants sector. Riyaz Amlani, president of NRAI (National Restaurant Association of India) stated that heavy taxation and regulations would result in the „leakage“ in revenues and those restaurants and hotel should be given impetus as they provide a lot of jobs and are critical for tourism to grow. The clamor for revision of rates in the hotels was finally considered by the GST council amidst mounting criticism and protests from different strata of the society.

In the 23rd GST Council Meeting held on 10th November 2017; the GST rates applicable for restaurants were reduced. The new rates which came into effect from 15th November 2017 stated that Stand Alone Restaurants including mess, canteen which does not have an attached residential or lodging facility will have to charge 5% GST on all food and drinks. The 5% GST rate will be divided between 2.5% CGST and 2.5% SGST.

In case of a restaurant, mess, canteen or eating joint attached to a hotel, residential or lodging facility, the GST rate chargeable will be dependent upon the maximum room declared tariff charged by the lodging facility. Even if one of the rooms has a declared tariff of more than Rs.7500, the GST rate chargeable would be 18%. If the declared tariff for all the rooms in the lodging facility is less than Rs.7500 per night/day, the GST rate applicable for the restaurant would be 5%.

Later the GST Council approved the proposal to reduce tax rates on hotels, which had been a long-standing demand of the industry. The move to reduce the tax from 28% to 18% for hotels was particularly lauded. Earlier, the council had taxed hotels with tariffs of Rs 7500 and above at 28% which has now been brought down to 18%. Industry experts had said the 28% tax slab made Indian hotels among the most taxed in the world and that is why it was cancelled. The new rates were enacted from 1st Oct, 2019.

Big business unit can pay higher tax from their higher profits but small units cannot manage to lose such major portion of their income on the account of tax deduction. Hence there is an availability of a composition scheme to the small businesses. Tax rate is also lessor to such small-scale business. If the restaurant owner opts for composition scheme than he is required to pay GST @5% and file GSTR-4 return on a quarterly basis.

All standalone restaurants (whether AC restaurant or non-AC restaurant) – 5% without the benefit of ITC.

„Restaurant“ includes mess, canteen, whether for consumption on or away from the premises where such food or any other article for human consumption or drink is supplied. Further „Restaurants“ also includes all the restaurants other than those restaurants which are located in the premises of the hotels, inns, guest house, clubs, campsites or other commercial places meant for a residential or lodging purpose which is having declared tariff.

TAX RATES UNDER GST ON HOTEL INDUSTRY CAN BE STATED AS FOLLOWS.

- Initially room accommodation: room rent less than 1000 was exempted from GST, rent from 1000 to 2500 was at 12%, rent from 2500 to 7500 at 18% and room rent more than 7500 at 28%.
- Later the council moved to reduce the tax from 28% to 18% for hotels. Earlier, hotels with tariffs of Rs 7500 and above were taxed at 28% which has now been brought down to 18%.
- Restaurants which opted for composition schemes are taxed at 5% tax rate 2.5% to CGST and 2.5% to SGST.
- Supply of food: For non-AC restaurant 12% is levied on food bill and for AC restaurant 18% is levied on food bill.
- Supply of alcohol: All restaurant who serve alcohol is chargeable at 18% on bill regardless they are AC or non-AC restaurant.
- Rent a cab: if fuel cost is borne by service provider at 5% and fuel cost is borne by recipient at 18% is charged.
- Rent premises for event and conference 18%

- Tele communication facility 18%
- Business support services, laundry service, beauty parlour, gymnasium service, club facility charged at 18%.

GST in Positive ways,

The most obvious benefit gleaned from the GST compliance scheme is the removal of duality of taxes and the cascading effect of VAT, service tax and service charge done away with. For instance, the way complementary breakfasts will now be taxed (as a bundled service under GST and not separately under VAT) is a fine example of how the benefits are already pouring in. With no more multiple taxes snowballing into inflated consumer bills and such small nuggets of happiness for the average pocket-conscious consumer, this means guaranteed value for money, thereby encouraging consumers to spend on such experiences, which eventually helps the hospitality sector as well.

Abolition of multiple taxes will likely lead to a drop in the erstwhile lengthy administrative process of tax calculation, thereby leading to a more streamlined taxation process, and one, that is essentially time-saving as well.

Have you previously been in a position where you got confused about how VAT, service tax or entertainment tax ended up landing in your bill? If you have ever paid taxes for services without understanding why you were doing so, sometimes even in excess of what was due to you, then this is a time to rejoice for you can now get a clear picture of the tax you are paying. This naturally makes for an enjoyable consumer experience, with less room for cluelessness.

Despite the contentious GST slab of 18% for certain categories of hotels, the hospitality industry as a whole, will now find it easier to claim and avail input tax credit; something that was not possible pre-GST, as tax paid on inputs could not be adjusted against the output liability. Now hotels shall be able to take advantage of credit on almost all durables and raw materials purchased, and construction and renovation carried out in furtherance of the business, subject to certain conditions, those being: Possession of tax invoice/debit note, receipt of goods/services, payment of tax charged to the concerned government on such supply, furnishing of GST return by supplier.

The Goods and Service tax system was introduced in India to remove the defects in the indirect tax system and to have a common market across the country. The introduction of GST rates in hotels was initially met with resistance from the hoteliers. Majority of the hoteliers have expressed faith in the system. Even though the majority of hotels have incurred additional costs in transitioning towards the new system, it is expected that in the long run GST will prove beneficial.

GST, though complex on the surface and challenging to grapple with at the moment, will assuredly lead to improved financial management and increased transparency in tax planning of establishments in the hotel industry. With accounting taken seriously and accurate records maintained in profitability books of hotels, there will be less room for tax avoidance/evasion, thus paving the way for legal and corrupt free proliferation of the hotel industry.

GST in Negative ways,

The significance of robust hospitality software cannot be discounted, and while this sector takes the lead in adapting to technological advancements for maintaining its reach and reliability in the market, the response of the industry to the onslaught of GST has been at most, cautious and resentful. With the utter complexity inherent in the GST compliance/implementation process and filings mandated at multiple stages, this will mean added technological burdens, increased compliance costs and a lot of time and effort pumped in, making the journey seem longer and more exhausting.

With more money being invested in being GST compliant, hotel and restaurant businesses might end up recovering the same from their customers, leading to higher tariffs, which will, in a way defeat the purpose of GST as consumers come a full-circle and continue paying more than what they need to while availing cross-services as well. For example, the fact that electricity despite being a significant input cost for the hospitality industry has been kept exempt from the purview of GST, predictably means solar and wind power companies will not be able to avail input tax credit on fuel and machinery used against the output (electricity), leading to the surplus tax being rolled over to the end consumer, thereby making power consumption a costlier affair for the common man. Ironically, with electricity being an exempt subject under GST, even hotel businesses will not be able to avail input credit on taxes paid for electricity, thus, rolling it over to consumers.

Though Small and Medium Enterprises (SMEs) are set to gain immensely from the current GST tax regime, they may now be obligated to purchase commodities from registered dealers only, failing which, they would be liable to pay full tax on supplies as would have been due under the normal tax scheme. This is a glaring disparity since composition dealers were earlier (under the VAT scheme) not mandated to pay taxes on supplies delivered by unregistered persons. Not only this, since they are not allowed to avail input tax credit on supplies purchased, this will ultimately have them pay taxes twice – first, to the registered dealer, and second, to the government. It also does not help that many SMEs may not even be able to avail of this feature unless they strictly deal in inter-state supplies.

As observed quite rightly by industry players, the surge of GST might lead to the emergence of a parallel economy, where some people do not opt for bills, leading to thousands of unaccounted transactions, and ultimately defeating the objective of GST. This is not an entirely impossible reality, given that people in India already try and sneak in transactions without billing the same, leaving this sector vulnerable to corruption and exploitation.

This is an opportune time when tourism and hospitality industries have exploded around the world throwing the spotlight harder on these revenue-generating pillars, and neighbouring countries in the Asian subcontinent (such as Japan, Singapore, Myanmar, Thailand, Indonesia, Dubai and the like) have indeed stepped up to this nation-building mission by keeping taxes low (5-10%), thus ensuring more footfalls in these tourism hotspots. In contrast, India's steep 12-18% tax slab levied on stakeholders in the hospitality sector will only serve to drive tourists away and have them flock to more lucrative options, despite our country getting ranked high on tourist wish lists.

Result

Comparison between the pros and cons of GST on basic, mundane level points is a mixed bag of gifts and unexpected, unwelcome twists thrown in together. At best, GST impact on the hotel industry may be perceived as a double-edged sword, where as a hotel or restaurant business you simply cannot take advantage of the leniency, without feeling the pinch of the mandates.

The Tourism and Hospitality industry in India is expected to grow to US\$

280.5 billion by 2026, and the initial hiccups after GST implementation are highly unlikely to impede this growth. However, it remains to be seen whether the cons outweigh the pros for this sector in future.

The Goods and Service tax system was introduced in India to remove the defects in the indirect tax system and to have a common market across the country. The introduction of GST rates in hotels was initially met with resistance from the hoteliers. However after the revised rates was implemented w.e.f. Oct 1, 2019, majority of the hoteliers have expressed faith in the system. Even though the majority of hotels have incurred additional costs in transitioning towards the new system, it is expected that in the long run GST will prove beneficial and make the dream of “One Nation One Tax” come true.



CHAPTER : 2
RESEARCH METHODOLOGY

Research is an art of scientific investigation. In other words research is a scientific and systematic search for pertinent information on a specific topic. The logic behind taking research methodology into consideration is that one can have knowledge regarding the method and procedure adopted for achievements of objective of the project. With the adoption of this others can also evaluate the results too. The methodology adopted for studying the objective of the project was collecting Secondary data through the various magazines and newspaper and by surfing on internet and also by visiting the various websites.

DEFINITION:

A detailed outline of how an investigation will take place. A research design will typically include how data is to be collected, what instruments will be employed, how the instruments will be used and the intended means for analyzing data collected.

The research methodology defines what the activity of research is, how to proceed, how to measure progress, and what constitutes success. It provides us an advancement of wealth of human knowledge, tools of the trade to carry out research, tools to look at things in life objectively; develops a critical and scientific attitude, disciplined thinking to observe objectively (scientific deduction and inductive thinking); skills of research particularly in the „age of information“. The research methodology is a science that studying how research is done scientifically. It is the way to systematically solve the research problem by logically adopting various steps.

Also, it defines the way in which the data are collected in a research project.

OBJECTIVES OF THE STUDY

A project objective describes the desired results of a project, which often includes a tangible item. An objective is specific and measurable, and must meet time, budget, and quality constraints.

Objectives can be used in project planning for business, government, non-profit organizations, and even for personal use (for example, in resumes to describe the exact position a job-seeker wants). A project may have one objective, many parallel objectives, or several objectives that must be achieved sequentially. To produce the most benefit, objectives must be defined early in the project life cycle, in phase two, the planning phase.

OBJECTIVES SET BEFORE STUDYING THE “IMPACT OF GST ON HOTEL INDUSTRY” ARE AS FOLLOWS,

- To find out the impact of GST on hotel industry.
- To Research the good and bad changes due to application of GST on Hotel Industry.
- To understand the benefits gained by the hotels on the GST implementation.
- To analysis the problem faced by the hotels on the GST implementation.
- To study the revenue change in hotel industry after GST.
- To evaluate the effect in pre and post GST impacts on hotel and industries in India.
- To discuss overall positive and negative impact of GST on Hotel sector.
- To assess whether there is any increase in the compliance cost on the implementation of GST.
- To study the impact of GST on input tax credit available to hotel industry.

STATEMENT OF THE PROBLEM

The tourism and hospitality industry in India is one of the most booming, revenue generating sectors of the economy. It is expected to grow to US\$ 280.5 billion by 2026. The hotels and restaurants play a major role in this industry. The introduction of GST was however with some hiccups. A month after the introduction of GST; Ganesh Shetty, President of Restaurants and Hoteliers Association, Pune, said that the businesses in hotels across India had come down by 20%. He further stated that the hotels were incurring high costs in terms of the upgradation of IT infrastructure, training of personnel and hiring of experts for compliance with the new system of GST. The consumers also raised complaints regarding the high bills charged by restaurants. In this context, a study is proposed to be conducted to identify the impact of GST reform implementation on hotels across India.

SCOPE OF THE STUDY

The study basically tries to identify the impact of GST on Hotel Industry by using the previous reports and details available. The study is restricted to one particular sector in the entire economy. Information is gathered through secondary data collection only. The study also examines the pre-GST and post GST situations of the Hotel Industry. Hence scope of the study is limited.

HYPOTHESIS OF THE STUDY

H₀: The GST have positive impact on hotel industry.

H₁: The GST have negative impact on hotel industry.

LIMITATION OF THE STUDY

To study this topic, sincere efforts have been put to collect relevant, updated and accurate data from various respondents. But, during the study certain problems were faced and those are very important to be highlighted. It is felt that presentation of these limitations will provide insight to all concerned readers into the conditions relating to the work. It is the tendency to commit mistakes. During the study of the topic special care has been taken to collect best information. But certain things were beyond control. Following are the limitations of the study

- The study is confined only to one particular sector
- The study is confined with secondary data.
- The study assumes no other tax rates in the country except GST.
- The study is done for a short period of time, which might not hold true over a long term basis.
- The study also undergoes budgetary limitations.
- As the scope is defined by the researcher it restricts the number of variables which influence the industry.

SIGNIFICANCE OF THE STUDY

Significance of the study is written so that the reader knows the importance of study. It is the proof that the study is really beneficial and worth it for the effort and time. It can be based on the statement of the problem wherein you can get ideas on how to write a significance of the study section on your thesis or research. It illustrates the contribution of the study on the society. It provides information on how the project or research contributed to the present generation and how to expand its related literature.

- **GOVERNMENTS:**

Hotel industry play vital role in improving countries national income. GST will affect hotel industry positively and negatively. Accurate GST rate should be charged by government on services and food provided by hotels; otherwise, it may have negative impact on national income, Gross Domestic Product, Employment and Per Capita Income of the country.

- **ECONOMY:**

GST will simplify India's tax structure, broaden the tax base, and create a common market across states. This will lead to increased compliance and increase India's tax to gross domestic product ratio. According to a report by the National Council of Applied Economic Research, GST is expected to increase economic growth by between 0.9 per cent and 1.7 per cent. Exports are expected to increase by between 3.2 per cent and 6.3 per cent, while imports will likely raise 2.4-4.7 per cent. Hence, it is necessary to study how it will impact on Hotel Industry.

- **HOTELS:**

GST is a single indirect tax on bills of food and accommodation of customers in hotels. It will affect income, sale of food, services and accommodation rates of hotels. Therefore, study of impact of Hotel Industry is inevitable.

- **CUSTOMERS:**

GST helps in improving customer base of Hotel Industry as it is a single indirect tax charged on bills of customers. Hence, study is significant.

DATA COLLECTION TECHNIQUES AND TOOLS

The research has been based on secondary data analysis. The study has been exploratory as it aims at examining the secondary data for analyzing the previous researches that have been done in the area of technical and fundamental analysis of stocks. The knowledge thus gained from this preliminary study forms the basis for the further detailed Descriptive research. In the exploratory study, the various technical indicators that are important for analysing stock were actually identified and important ones short listed.

PRIMARY DATA

Primary data refers to the information freshly obtained to understand and study the current research topic. For the purpose of this study a questionnaire was prepared and sent to the people. Out of them 60 people responded to the questions asked. Detailed study of those responses has been showed in data interpretations and presentation.

SECONDARY DATA

The secondary data is available already. This has been collected and analyzed by someone else. The secondary data has helpful in understanding about the script over the past years. This data is helpful in understanding about the impact of GST over the past years on Hotel Industry. The secondary information is mostly taken from Newspapers, Reuters, Previous study reports, different manuals report and internet.

SOURCES OF SECONDARY DATA INCLUDES

- Previous Study Reports
- International Journals for Research Study
- Government Reports
- Business Magazines

A literature review provides an overview and a critical evaluation of a body of literature relating to a research topic or a research problem. It analyses a body of literature in order to classify it by themes or categories, rather than simply discussing individual works one after the other. A literature review is a comprehensive summary of previous research on a topic. The literature review surveys scholarly articles, books, and other sources relevant to a particular area of research. The review should enumerate, describe, summarize, objectively evaluate and clarify this previous research. It should give a theoretical base for the research and help you (the author) determine the nature of your research. The literature review acknowledges the work of previous researchers, and in so doing, assures the reader that your work has been well conceived. It is assumed that by mentioning a previous work in the field of study, that the author has read, evaluated, and assimilated that work into the work at hand.

A literature review creates a "landscape" for the reader, giving her or him a full understanding of the developments in the field. This landscape informs the reader that the author has indeed assimilated all (or the vast majority of) previous, significant works in the field into her or his research. A literature review often forms part of a larger research project such as within a thesis, or it may be an independent written work, such as a synthesis written paper.

PURPOSE OF A LITERATURE REVIEW -

A literature review situates our topic in relation to previous researches and illuminates a spot for our research. It accomplishes several goals –

- Provide a context for the research □
- Identify seminal works and scholars in the field □
- Acknowledge existing theories, points of view, hypotheses, etc. in the field of research
- Justify the research
- Clear up misconceptions about previous research

- Ensure the research has not been done before (or if it is repeated, that it is marked as a "replication study")
- Show where the research fits into the existing body of knowledge
- Enable the researcher to learn from previous theory on the subject
- Illustrate how the subject has been previously studied
- Highlight flaws in previous research
- Outline gaps in previous research
- Show that the work is adding to the understanding and knowledge of the field
- Help refine the topic, refocus the topic, or even contribute to the topic's evolution

Since the reform is of recent origin, the number of studies done on this area is sparse. However, an attempt has been made to consolidate the available studies and present the relevant opinions and findings.

ANN ABRAHAM (2019)

The Goods and Service tax system was introduced in India to remove the defects the indirect tax system and to have a one market in the nation. The introduction of GST rates in hotels was initially met with resistance from the hoteliers. However, after the revised rates was implemented Nov 15, 2017, majority of the hoteliers have expressed faith in the system. Even though the majority of hotels have incurred additional costs in transitioning towards the new system, it is expected that in the long run GST will prove beneficial and make the fantasy of "One Nation One Tax" materialize.

RENUKA R (2018)

The tour package both Indian domestic and international is rise in some amount because of GST, it will be increased by 4.5% to 5%, but the impact of the increment will be not seen after implementation, this is the best reply to the consumer by showing the extremely advantages against the service tax which saw a doubling of the rate from 4.5% to 9%. The visitors and hospitality sector in India rapidly increasing, it will be US\$ 280.5 billion by 2026, and in the starting phase of GST establishment is very tension creating time because of that is very harmful to the growth. In any case, it stays to be seen whether the cons exceed the masters for this segment.

ASWATHY KRISHNA (2018)

Studied GST includes a uniform tax structure and through this all the states have their own taxes before the eatery business was loaded with various tax collections. Now this duality of tax is removed. It also helps in improving the financial management. Hopefully, GST will help to solve the problem about money transaction and help the hotel industry for continuous work.

DHANUKA (2018)

Stated that this decision will benefit consumers and improve the ease of doing business as hotels will be able to offer upgrades to customers without the fear of charging 28 percent GST.

SHARMA (2017)

Supported this and added that GST will be a powerful tool in plugging the loopholes in the current system of taxation and provide benefits like increased GDP, employment, better markets, more exports etc.

FEDERATION OF HOTELS AND RESTAURANTS ASSOCIATION OF INDIA (2015)

On the contrary to the above statement stated that an industry that has been facing challenges for the past two years is due to the continued global uncertainties and a domestic decline. The long-term potential of the industry is growing rapidly and the introduction of GST will help this fast-growing industry. Conversely, the setting of high tax rates will be burdensome to the consumers. The introduction of the bill is fully supported by Federation of Hotels and Restaurants Association of India (FHRAI) only with a request of capping the composite rate burden at 8%. According to the president of the association this will help the growth of the industry.

THE HOTEL AND RESTAURANT ASSOCIATION OF WESTERN INDIA

It had been lobbying for a GST rate of five per cent as it believed that a lower rate will bring in more tourists and allow Indian businesses to compete with global chains. However, GST Council first deemed it fit to set the rate at 18%. But the pressure from the hoteliers and the general public made them to reduce the rate to five percent.

PANDEY (2017)

Said that as far the GST rates applicable to hotels in India are concerned, it was very high when compared to its Asian counterparts. This could lead to having adverse effects in the hospitality sector in the long run. While Japan levies a tax rate at 8 percent in the hospitality sector, Singapore levies at 7 percent, India definitely stands at a weak spot.

NITIN KUMAR (2014)

Opined that the implementation of GST would remove the economic distortions caused by the present indirect tax system. It would also encourage an unbiased tax structure which now nonexistent in the country. There were also doubts and apprehensions about the implementation of GST.

PINKY (2014)

Stated that if a reform of this large scale is to be successful, it should be backed by a strong IT infrastructure. A web article entitled “Impact of GST on Hospitality Industry” concluded that, “GST is a mixed bag of better and easier rules and regulations, and increased costs and compliances. Another article stated that luxury hotels may see a drop in occupancy in the coming months since there would be a significant increase in their pricing, but for the other hotels, it would remain the same.

THE HOTEL & RESTAURANT ASSOCIATION OF EASTERN INDIA (HRAEI)

RAEI is unhappy with the fact that if the GST rates are going to be the speculated rates of 16%-20% and it will be too costly for the Hospitality sector, and will be a bad

drive to hotels and restaurants which will suffer badly. The members of the association feel that the rates should be capped at 10% for the hospitality sector, else the turnover will start showing negative results. The Hospitality industry will not gain much advantage from GST as their input credit will be much lower than the tax paid, as majority of the input expense of any hotel is their labour (Poddar, 2015).

CHAURSIA (2016)

Stated that the implementation of GST would boost the Indian economy by more than two per cent.

MEHTA (2015)

After the execution of GST there will be increase in the GDP from 1.5% to 2% due to cost reduction and other changes made in tax system, it will also make impossible transactions of the black money as it can only be routed through legal ways.

ZHONG (2015)

The idea of replacing patch work of taxes with one nationwide sales levy, lowering of economic barriers, the government study estimates that broad GST would deliver an instantaneous boost output of 1% to 2% and lasting gains in productivity. It could be a good way to reduce the black money and good effort by the Government of India after the Demonetization of the money in 2016

KUMAR (MAY 2014)

As per research worker government of India should study the GST regime started by numerous countries and additionally their fallouts before implementing GST. It's the requirement of hour that, the government should create an effort to insulate the large poor population of India, against the inflation because of implementation of GST. GST are levied on all the products and services except those exempted, dual model of GST are there, which will embody Central GST collected by Centre and State GST collected by State. 00[

GARG (2014)

The challenges faced for the implementation of GST bill are with respect to tax threshold, nature of taxes, variety of enactments of statutes, rates of taxation and tax management and infrastructure whereas the opportunities are – end to cascading impact, growth of revenue in States and Union, reduces transaction costs and unnecessary wastages, one-point single tax, avoids the multiplicity of taxes, reduces average tax burden and reduces corruption. All sectors of economy ought to bear

impact of GST. All sections of economy viz., big, medium, small-scale units, intermediaries, importers, exporters, traders, professionals and customers shall be directly affected by GST.

DR. R. VASANTHAGOPAL (2011)

Stated on the impact of GST on agriculture, producing business, MSME, employment, factors of production, price level, housing, Exim trade, impoverishment reduction, GDP, government revenue and concluded that switch to seamless GST from current difficult indirect tax system in India will be a positive step in booming Indian economy. Success of GST can cause its acceptance by over 130 countries in world and a new most well-liked type of indirect tax system in Asia also.

POONAM, (2017)

The new government in India is encouraging towards execution of GST and it will be advantageous to both the central government, state government and as well to the consumers. Consumers tax burden can approximately reduce to 25 to 30 once GST is introduced. After introduction of GST concept, Indian manufactured product would become more and more competitive within the domestic and international markets. This taxation system would instantly encourage economic process.

THE FINANCE MINISTER MR. ARUN JAITLEY while slashing the GST rate on hotels commented that since the hotels did not pass on the ITC benefit to customers, they will not be eligible to avail ITC themselves. This decision of not providing input tax credit to hoteliers was met with much discontent from hoteliers and they stated that the very concept of Input Tax Credit is central to GST which is to prevent cascading of taxes. The latest GST council's decision to levy tax on the transaction value of hotel rooms instead of the declared tariff was received well by the hoteliers.

PACIFIC BUSINESS REVIEW INTERNATIONAL

Volume 9 Issue 8, Feb. 2017 On the topic "Measuring Awareness about

Implementation of GST: A Survey of Small Business Owners of Rajasthan" by Vineet Chouhan, - As per the objectives of paper the level of awareness towards GST among the small business owners in Rajasthan state, it was found that the main areas to be focused include Training and Computer software availability. Most of the respondents have predicted that issues like Client/customer refuse to pay GST and having problem to submit report to Authority will be increased. The Small business owners are also

more interested in making and joining Training rather redressing for the grievances by using consumer protection law.

IOSR JOURNAL OF BUSINESS AND MANAGEMENT (IOSR-JBM) E-ISSN:

2278-487X, p- ISSN: 2319-7668 PP [49-52www.iosrjournals.org](http://www.iosrjournals.org) Taxation in

India – Recent Trends & Developments 49 |Page Organized by Amrita Vishwa

Vidyapeetham, Mysore Campus on the topic “A Study on the Problems of Goods and Services Tax on Hotel Industry in Mysore District” by Shana and Rohit Bhat Department of management and commerce Amrita vishwa vidyapeetham, Mysuru- As per the analysis interpreted, it has been found that the impact of GST on the customers have an effect mainly to their income , gender and age . As we come to the age factor, it has been understood that both male and female respondents have same notion of thinking in regard with the GST rates and its impact on various hotels. Coming to the income level, it can be inferred that the customers have an opposed mindset towards the GST rates in various hotels. It is also shown that the lower income people are facing financial burden in paying higher GST in much localised hotels.

PRE AND POST GST: HOW THE SITUATION HA CHANGED

The hospitality industry, like every other sector in the Indian economy, was liable to pay multiple taxes (VAT, luxury tax, and service tax) under the previous VAT regime. A hotel where the room tariff exceeded INR 1,000, was liable for service tax at 15 percent. An abatement of 40% was allowed on the tariff value, thus bringing the effective rate of service tax down to 9%. The Value Added Tax (ranging between 12 percent to 14.5 percent) and luxury tax, would apply on top of this. However, for restaurants, there was 60% abatement which meant that the service tax was charged at an effective rate of 6% on the F&B bills, apart from VAT (12 percent to 14.5%). Bills for bundled services like social functions (seminars, marriage etc.), were taxed with an abatement of 30%. The cascading effect of the VAT regime where the end consumer paid a tax on tax, increases the end cost. Hoteliers and hospitality businesses did not get any input tax credit on the taxes they paid, as central taxes like service tax, could not be set off against state taxes (VAT) and vice-ve

UNDER THE GST REGIME

Under the Goods and Service Tax, the hospitality sector stands to reap the benefits of standardized and uniform tax rates, and easy and better utilization of input tax credit. As the final cost to end user decreases, we can expect the industry to attract more overseas tourists than before. This would ideally result in improved revenues for the government, and there are many pros to this new tax regime which could help the industry's growth in the long run. For instance, complementary food (like breakfast) was taxed separately under VAT, but now it will be taxed under GST as a bundled service. Let's have a look at the rates for this industry in detail.

GST RATES APPLICABLE FOR HOTEL INDUSTRY

On July 1st 2017, when the GST was first introduced in the country, the rates prescribed for hotels were 12% on non a/c restaurants and 18% on a/c restaurants. Hotels and lodges having tariff less than 1000 INR will be taxed at 5%, while those between 1000 - 2500 will be charged at 12%. Hotels between 2500 - 5000 will be charged at 18%, and hotels having tariff above 5000 will be considered luxury hotels and charged at 28%. From this date VAT, Service tax and Luxury tax etc. were abolished.

GST RATES FOR HOTELS BASED ON ROOM TARIFF (UP TO 30.09.2019)

Tariff per Night	GST Rate
Less than INR 1,000	No Tax
INR 1,000 -2,499.99	12%
INR 2,500 -7,499.99	18%
Equals to or greater than INR 7,500	28%

The GST Council approved the proposal to reduce tax rates on hotels, which had been a long-standing demand of the industry. The move to reduce the tax from 28% to 18% for hotels was particularly lauded. Earlier, the council had taxed hotels with tariffs of Rs 7500 and above at 28% which has now been brought down to 18%. Industry ` experts had said the 28% tax slab of GST made Indian hotels among the most taxed in the world. These rates were made applicable from 1st Oct, 2019.

**GST RATES FOR HOTELS BASED ON ROOM TARIFF WITH EFFECT
FROM (01.10.2019)**

Tariff per Night	GST Rate
Less than INR 1,000	No Tax
INR 1,001 -7,500	12%
Equals to or greater than INR 7,501	18%

COMPOSITION SCHEME UNDER HOTEL AND RESTAURANT SERVICE

Benefits of composition scheme are available to the restaurant service provider. Following are the list of basic conditions which one needs to fill in order to opt for composition scheme –

CONDITIONS FOR OPTING FOR COMPOSITION SCHEME

1. Total turnover should not exceed INR 1.5 Crore (INR 1 Crore in case of special category States).

2. The person engaged in the supply of food and drinks is not running a temporary / seasonal restaurant.
3. The restaurant cannot undertake any inter-state supplies of goods.
4. Restaurant service provider opting for composition scheme is not allowed to supply goods through e-commerce operator.
5. Cannot supply any items exempt under GST.
6. They cannot supply goods through an e-commerce operator
7. Restaurants cannot avail any input tax credit
8. They cannot collect taxes from the customer

If the restaurant or hotel owner opts for composition scheme than he is required to pay GST @5% and file GSTR-4 return on a quarterly basis.

STRUCTURE OF GST PAYMENT UNDER COMPOSITION SCHEME

How the tax amount is paid to the government has been explained in the below diagram. At the time of sales, no tax is collected from the customers and no tax invoice is issued. A composite taxpayer cannot claim input tax credit on the amount of tax paid at the time of purchase of raw material for the production. Taxpayer under this scheme files GST in GSTR4.

BENEFITS TO RESTAURANT UNDER GST COMPOSITION SCHEME

- Compliance requirement under one law instead of multiple laws

Excise on the manufacture of pastries, service tax on accommodation and restaurant, VAT on restaurant, luxury tax on renting of rooms and entertainment tax on ticket events.

- Credit of GST paid on procurements□

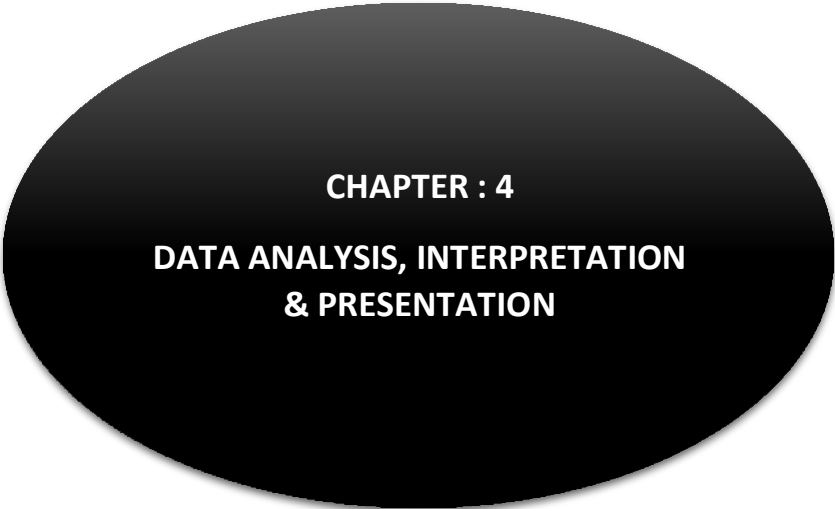
Entry Tax paid on machinery, CST on interstate purchases and excise paid on procurement of furniture and packaged foods were not allowed as credit to restaurant owners. With GST, all the taxes paid on such procurements are allowed as credit unless they are required to pay taxes at a concessional rate.

- Option to pay taxes under the composition scheme at 5% if the turnover does not exceed Rs 1.5 Crores
- Concessional Rate of 5% (without input tax credit)
- Credit on food or outdoor catering if used in a similar line of business

REGULAR TAX PAYER V/S COMPOSITION DEALER

A regular taxpayer differs with a composition scheme taxpayer in the following manners. From the registration, tax rates to filing the reports category are different for each. Registration limit for composition scheme dealer is lessor than a regular person owning a hotel or restaurant business.

Particulars	Regular Tax Payer	Composite Tax Payer
Registration	Threshold limit – Rs. 20L	Threshold limit – Rs. 1.5 Cr
Territory of Business	No restriction on supply	Limited to Intra-State Supply
Switch from Regular to Composition or Vice versa	Compliance procedure is high	Once crosses the limit, compulsory registration under regular provisions
Input tax credit	Depends on the category	Not entitled to avail the credit
Business through e-commerce	Can supply goods through e-commerce	Cannot supply goods through e-commerce
Tax collection	Allowed to collect tax from the buyer	Cannot collect tax from the buyer
Tax invoice	Can raise a tax invoice for outward supply	Can raise Bill of Supply instead of Tax invoice for outward supply
GST returns	Monthly – GSTR 1 & GSTR 3B	Quarterly – Only GSTR 4



CHAPTER : 4
DATA ANALYSIS, INTERPRETATION
& PRESENTATION

(A) COMPARISON OF BEFORE AND AFTER GST SCENARIOS OF ROOM PRICING.

Different room tariffs have been compared at the tax rates before GST that is VAT and tax rates of GST to understand the changes arose post GST period.

. According to the tax slabs under GST regime, all the rates of different slabs have been considered for the calculation Since up to RS. 1000 no taxes is required to be paid by the taxpayer no room tariff below RS.1000 have been taken

.. From this comparison clear picture about the situation after GST can be easily understood to draw a conclusion on impact of GST on Hotel Industry. Basic room at the room tariff above RS. 1000.

DATA ANALYSIS AND INTERPRETATION (PART-A)

Room with complimentary breakfast at the room tariff below RS.7500.

Room with complimentary breakfast at the room tariff above RS. 7500.

If there a rise in the total amount payable after applying GST rates then the price of rooms gets higher. In such case consumer needs to pay extra amount as room tariff and hotels have to suffer extra tax liability. On the other hand, if the total amount payable falls down after applying GST rates, then that would decrease the expenses of customer and also benefit the hotel owners by reduction in the tax liability.

The GST on room tariffs proves to be a double-edged sword; before GST a hotel room with a tariff of Rs. 5000 would attract about taxes amounting to about 20%, therefore, the same room would be priced at Rs. 6000 before GST and Rs. 5900 after GST. The differences in the prices of the rooms arise due to the different rates charged as tax. On the flip side a room with a tariff of Rs. 7500 with taxes would be priced at Rs. 9000 before GST and Rs. 9600 after GST. It will only be logical if the hotelier fixes the price at Rs. 7499 so that the final amount to the customer will be around Rs. 8850 as it falls under the 18% tax slab. Above-mentioned three-room tariffs have been studied in detail below.

ANALYSIS: - 1

BASIC ROOM AT THE ROOM TARIFF ABOVE RS. 1000.

Since there is no tax charged on the room tariff below RS. 1000, tax portion on the bill will not arise. Above RS. 1000 tax rate is at 12% on the room tariff. For understanding the implication of this rate on the prices of Hotel Industry Before and After GST scenarios have been studied. Here the room tariff is RS. 2700, which comes under the tax rate of 12% of GST. On this tariff both the tax rates have been charged to see the net impact.

CALCULATION

Particulars	Amount	Amount
	Before GST	After GST
BASIC ROOM		
Room tariff	2700	2700
Luxury charge on Stay(10% as per Maharashtra)	270	
Service Tax @ 9%	243	
GST @ 12%		324
TOTAL BILL	3213	3024

OBSERVATIONS

- In the before GST period luxury tax @10% and service tax @9% comes to total of RS. 513.
- In the after GST period tax amounts @12% comes to RS. 324.
- After implementation of GST tax amount has been decreased by RS. 189 in total.
- After implementation of GST price of the room and the total bill amount has been decreased.
- In a post GST period there is only one tax charged instead of two different taxes.

INTERPRETATION

From the above analysis it is interpret that the bill amount after implementation of GST is more preferable.

ANALYSIS:- 2

ROOM WITH COMPLIMENTARY BREAKFAST AT THE ROOM TARIFF BELOW RS. 7500.

In the first analysis tax rate of 12% was examined on the room without complementary breakfast. For understanding the implication of this rate on the prices of rooms with complementary breakfast, Before and After GST scenarios have been studied. Here the room tariff is RS. 2200, which comes under the tax rate of 12% of GST. On this tariff both the tax rates have charged to see the net impact.

CALCULATION

	Amount	Amount

Particular s	Before GST	After GST
ROOM WITH COMPLIMENTARY BREAKFAST		
Room tariff	2200	2200
Complimentary breakfast	500	500
Luxury charge on Stay(10% as per Maharashtra)	220	
Service Tax @ 9%	198	
VAT @ 14.5% on food	73	
GST @ 12%		324
TOTAL BILL	3191	3024

OBSERVATIONS

- In the before GST period luxury tax @10%, service tax @9% and VAT @14.5% comes to total of RS. 491.
- In the after GST period tax amounts on room tariff and complementary breakfast @12% comes to RS. 324.
- After implementation of GST tax amount has been decreased by RS. 167 in total.
- After implementation of GST price of the room and the total bill amount has been decreased.
- In a post GST period there is only one tax charged instead of threedifferent taxes.

INTERPRETATION

From the above analysis it is interpret that the bill amount after implementation of GST is more preferable.

ANALYSIS:- 3

ROOM WITH COMPLIMENTARY BREAKFAST AT THE ROOM TARIFF ABOVE RS. 7500.

In the first analysis tax rate of 12% was examined on the room without complimentary breakfast. In the second analysis implication of this rate on the prices of rooms with complementary breakfast was examined. Now for understanding the implication of rates on room tariff above RS. 7500 on the rooms with complementary breakfast, Before and After GST scenarios have been studied. On such room tariffs highest rate of GST is charged which is @18%. Here the room tariff is RS. 8000, which comes under the tax rate of 18% of GST. On this tariff both the tax rates have charged to see the net impact.

CALCULATION

Particulars	Amount	Amount
	Before GST	After GST
III) ROOM WITH COMPLIMENTARY BREAKFAST		
Room tariff	8000	8000
Complimentary breakfast	2500	2500
Luxury charge on Stay (10% as per Maharashtra)	800	
Service Tax @ 9%	720	
VAT @ 14.5% on food	363	
GST @ 18%		1890
TOTAL BILL	12383	12390

OBSERVATIONS

- In the before GST period luxury tax @10%, service tax @9% and VAT

- In the after GST period tax amounts on room tariff and complementary breakfast @12% comes to RS. 1890.
- After implementation of GST tax amount has been increased by RS. 7 in total.
- After implementation of GST price of the room and the total bill amount has been increased.
- In a post GST period there is only one tax charged instead of three different taxes.

INTERPRETATION

From the above analysis it is interpreted that the bill amount in case of Pre GST is lower than post GST.

DATA ANALYSIS AND INTERPRETATION (PART- B)

(B) Opinion of Hoteliers as Regards GST

The introduction of GST is believed to have an impact on hoteliers in relation to the prices of goods, the simplicity of tax structure, benefits and harassment of hoteliers and the tax revenue of the government. Thus the first objective has been framed as, "to study the opinion of hoteliers about GST".

Opinion of hoteliers on the price of goods:

Table: 1. Shows the opinion of hoteliers on whether GST has resulted in the increase in the prices of goods.

Opinion of hoteliers on whether GST results in an increase in price of goods

Types of Hotels	Agree		No Opinion		Disagree		TOTAL
	NO	%	NO	%	NO	%	
Small Budget Hotels	14	70	3	10	3	20	20
Medium Range Hotels	9	60	4	25	7	15	20
Luxury Hotels	11	40	4	20	5	40	20
Total	34	56.67	11	18.33	15	25	60

Source : Primary data

Interpretation

From the table, it is seen that out of the total of 60 respondents who responded to the questionnaire, 56.67% agree that there is an increase in the price of goods, 25% disagree that there is an increase in the price of goods and 11% do not have any opinion as regards the price of goods.

Opinion of hoteliers about the transition to GST

Table 2: Opinion of hoteliers on transition to GST

Type of Hotels	Smooth		No Opinion		Difficult		TOTAL
	NO	%	NO	%	NO	%	
Small Budget Hotels	1	5	2	10	17	85	20
Medium range Hotels	3	15	5	25	12	60	20
Luxury Hotels	8	40	4	20	8	40	20
Total	12	20	11	18.33	37	61.67	60

Source: Primary data

Interpretation

From the table, it is seen that out of the total of 60 respondents, 61.67% opine that the transition to GST was difficult, 20% said it was smooth while 18.33% had no opinion.

Opinion of hoteliers on whether GST is beneficial to hoteliers:

Table 3: Opinion of hoteliers on whether GST is beneficial

Type of Hotels	Agree		No Opinion		Disagree		TOTAL
	NO	%	NO	%	NO	%	
Small Budget Hotels	8	40	7	35	5	25	20
Medium range Hotels	9	45	6	30	5	25	20
Luxury Hotels	7	35	3	15	10	50	20
Total	24	40	16	26.67	20	33.33	60

Source: Primary data

Interpretation

From the table, it is seen that 40% of hoteliers agree that GST is beneficial, 33.33% disagree and 26.67% have no opinion. In order to examine the significance of the difference in the opinion of the various categories of hoteliers on whether GST is beneficial to hoteliers, a test is conducted by taking the null hypothesis as, „the various categories of hoteliers do not significantly differ in their opinion on whether GST is beneficial to hoteliers“. Since the calculated value (3.046) is less than the table value (9.488) at 4 degrees of freedom and at 5% level of significance, the null hypothesis is accepted and it is concluded that the various categories of hoteliers dealing in different businesses do not significantly differ in their opinion on whether GST is beneficial to hoteliers.

Opinion of hoteliers on whether GST system enhances the tax revenue of the government:

Table 4: Opinion of hoteliers on whether GST enhances tax revenue

Type of Hotels	Agree		No Opinion		Disagree		TOTAL
	NO	%	NO	%	NO	%	
Small Budget Hotels	18	90	2	10	0	0	20
Medium range Hotels	19	95	1	5	0	0	20
Luxury Hotels	17	85	3	15	0	0	20
Total	54	90	6	10	0	0	60

Source: Primary data

Interpretation

From the table, it is seen that 90% of hoteliers agree that GST enhances the tax revenue of the government.

IDENTIFICATION OF PROBLEMS FACED BY THE HOTELIERS:

GST has impact on the Hotel Industry in both the ways. At many places it has been proved to benefit this sector on the other side it has created different problems for the hotel and restaurant owners. Out of the all respondents how many agree to this has been studied below. The hoteliers faced many issues while adopting the new system of GST. Hence the second objective has been framed to identify the problems faced by the hoteliers in GST implementation.

Table 5: Registration Procedure of GST

Type of Hotels	Complex		No Opinion		Smooth		TOTAL
	NO	%	NO	%	NO	%	
Small Budget Hotels	6	30	2	10	12	60	20
Medium range Hotels	3	15	3	15	14	70	20
Luxury Hotels	2	10	0	0	18	90	20
Total	11	18.34	5	8.33	44	73.33	60

Source: Primary data

Interpretation

From table it is seen that 73.33 % of the hoteliers said that the registration procedure of GST was complex, 18.34% said it was smooth while 8.33% had no opinion.

Difficulty in maintaining different books of accounts:

With the introduction of the GST system, hoteliers had to get acquainted with new GST procedures, regarding the entries for purchases and sales, filing of GST returns and recording more information on all sale documents-cash memos, bills, invoices, etc. So the hoteliers were asked whether they faced any difficulty in maintaining different books of accounts under the new regime.

Table 6 Difficulty in maintaining different books of accounts

Type of Hotels	Yes		No		TOTAL
	No	%	No	%	
Small budget Hotels	15	80	5	20	20
Medium range Hotels	14	70	6	30	20
Luxury Hotels	6	55	14	45	20
Total	35	58.33	25	41.67	60

Source: Primary Data

Interpretation

From the table, it is interpreted that 58.33% of hoteliers faced difficulty in maintaining various books of accounts under GST while 41.67% do not have any issues.

In order to examine the significance of the difference in the opinion of various categories of hoteliers on whether there has been difficulty in maintain books of accounts after the implementation of GST, a test is conducted by taking the null hypothesis as, „the various categories of hoteliers do not significantly differ in their opinion on whether there is difficulty in maintaining different books of accounts under GST.

Since the calculated value (29.99) is greater than the table value (3.841) at 1 degree of freedom and at 5% level of significance, the null hypothesis is rejected and it is concluded that the various categories of hoteliers dealing in different businesses significantly differ in their opinion on difficulty in maintaining different books of accounts under GST.

Delay in getting refund of input tax credit:

Table 7: Delay in getting refund of input tax credit in GST

Type of Hotels	Yes		No Opinion		No		TOTAL
	NO	%	NO	%	NO	%	
Small Budget Hotels	3	15	16	80	1	5	20
Medium range Hotels	1	5	19	95	0	0	20
Luxury Hotels	2	10	16	80	2		20
Total	6	10	51	85	3	5	60

Source: Primary Data

Interpretation

From the table it is interpreted that majority of the hoteliers have no opinion as to the delay in getting refund of input tax credit as they hadn't yet applied for the same at the time of data collection.

Problems in filing multiple returns:

The hoteliers are required to file various returns viz. GSTR-1, GSTR-2, GSTR-3 and GSTR-3B monthly while GSTR-9 needs to be filed annually. The hoteliers were asked whether they faced any issues in filing multiple returns.

Table 8: Problems in filing multiple returns in GST

Type of Hotels	Yes		No		TOTAL
	NO	%	NO	%	
Small Budget Hotels	19	95	1	5	20
Medium range Hotels	17	85	3	15	20
Luxury Hotels	15	75	5	25	20
Total	51	85	9	15	60

Source: Primary data

Interpretation

From the table it is interpreted that majority of the hoteliers faced difficulty in filing multiple returns under GST.

Compliance Issues in GST:

The introduction of GST required hoteliers to upgrade their software's in computers, hire experts and train their personnel in facilitating the transition to the new system. This would have resulted in an increase in compliance cost for the hoteliers. Hence the third objective was framed as to assess whether there is any increase in the compliance cost on the implementation of GST.

Additional Cost in upgrading software:

Table 9: Additional Cost in upgrading software

Type of Hotels	Yes		No		TOTAL
	NO	%	NO	%	
Small Budget Hotels	11	55	9	45	20
Medium range Hotels	16	80	4	20	20
Luxury Hotels	19	95	1	5	20
Total	46	76.67	14	23.33	60

Source: Primary data

Interpretation

From the table it is interpreted that majority of the hoteliers faced additional cost in upgrading their software in compliance with GST requirements.

Hiring of experts for facilitating GST transition:

Table 10: Hiring of experts

Type of Hotels	Yes		No		TOTAL
	NO	%	NO	%	

Small Budget Hotels	6	30	14	70	20
Medium range Hotels	13	65	7	35	20
Luxury Hotels	17	85	3	15	20
Total	36	60	24	40	60

Source: Primary data

Interpretation

From the table it is interpreted that majority of the hoteliers hired experts for facilitating the transition to GST.

Training of personnel for facilitating GST transition:

Table 11: Training of personnel for GST transition

Type of Hotels	Yes		No		TOTAL
	NO	%	NO	%	
Small Budget Hotels	7	35	13	65	20
Medium range Hotels	14	70	6	30	20
Luxury Hotels	19	95	1	5	20
Total	40	66.67	20	33.33	60

Source: Primary data

Interpretation

From the table it is interpreted that majority of the hoteliers provided training to their personnel in order to facilitate the transition to GST.

PROS AND CONS OF GST ON HOTEL INDUSTRY.

THE PROS OF GST

1. Administrative Ease

GST will abolish several other taxes, leading to a reduction in procedural steps and more chances to streamline the taxation process.

2. Clarity for Consumers

It was sometimes difficult to differentiate between a Value Added Tax and an entertainment tax for the common man. However, under the GST regime customers will see only a single charge on their bill and it would give them a clear picture of the tax they are paying.

3. Improved Quality of Service

How 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? With just one tax to compute, the checking-out process at hotels and restaurants will now become easier – another perk that the hospitality industry can brag about.

4. Availability of Input Tax

The tourism and hospitality industry will find it easier to claim and avail input tax credit (ITC) and will get full ITC on their inputs. Before GST, the tax paid on inputs (raw edibles for food, cleaning supplies etc.) could not be adjusted against the output without any complications. However, this will become easier in the GST regime.

5. Government Revenue

The new GST scheme can facilitate in generating government revenue, cut back corruption and cut back business prices for restaurants.

6. Time saving

The purging of a lot of entries from the accounts book under name of various taxes leadsto faster processing of a transaction. This will also help the consumer in availing fasterand fresher orders with room reservations made on every breezy process.

7. Removal of cascading effect

The most obvious benefit gleaned from the GST compliance scheme is the removal of duality of taxes and the cascading effect of VAT.

THE CONS OF GST

1. Increased Technological Burden

When the service tax was first introduced, there were a lot of mix ups. GST, thankfully, has very clear guidelines on how each industry needs to manage their accounts and file returns but it will require businesses to become technologically adept, increasing the technological burden and cost for compliance.

2. Increased Costs

In Maharashtra, for instance, hotel rooms were earlier taxed at 19% and food and beverage at 18.5%. Even with GST charged at 18%, there is only a minimal cost reduction in both cases. Businesses will also look to recover the additional cost of technology and new systems from their customers, which might – in some instances – lead to higher tariffs.

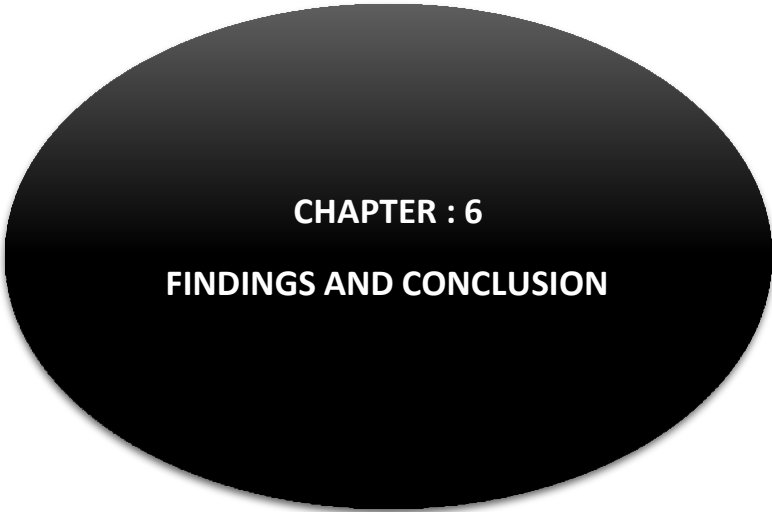
3. Lack of Parity with Asian Counterparts

As India becomes an even bigger player in the global hospitality and tourism industry, we need services to be at par with global rates. Our Asian neighbors such as Japan and Singapore have very low tax rates for their hospitality sector (8% and 7% respectively) which is an important reason for them ranking high on tourist wishlists. India is a global tourism hotspot, but it still loses out on the backpacker crowd due to these high rates.



CHAPTER : 5
SUGGESTION

This Study has enhanced our knowledge database about the Taxation system & working of the hotel industry. It has provided us with an insight into some of the best hotel companies as we were able to analyse the sum total of the data representation of their performance & survival techniques pertaining to the current world recession scenario. We could find that it had little impact hotel industry after GST implementation, there is a cut-throat competition existing in the hotel industry & only survival of the fittest is possible. In the hotel industry, a customer- centric approach is followed wherein the customer is of prime importance & other factors are based on the decision made by customer.



CHAPTER : 6
FINDINGS AND CONCLUSION

FINDINGS OF THE STUDY

A research project on the topic of “Impact of GST on Hotel Industry” was designed to understand the various change occurred in the hotel sector after implementation of GST. For the betterment of country’s economy GST has served many benefits in different sectors. Since Hospitality Industry is one of the most important sectors for bringing revenue to the government, it is of very much importance to understand the impact of GST on the hotel business. In the process of research various findings have been compiled and studied. Some of the main findings have been listed down below.

FINDINGS OF THIS PROJECT INCLUDES,

- Implementation of GST has been proved as strength to the country’s economy by benefiting various sectors.
- Hotel sector is one of the major sectors of Indian economy. The Tourism and Hospitality industry in India is expected to grow to US\$ 280.5 billion by 2026.
- The hotel and restaurant business was previously burdened with a number of taxes at each and every point- right from the acquisition of the raw materials to the sales of finished items.
- Multiple taxes, in turn, charged from the customers at the final bill were a vast turnoff for the customers.
- Multiple levels of indirect taxes at the Central Level, State Level, and additional Excise and Customs Duties gave major barriers in the smooth functioning of the business.
 - On July 1st 2017, when the GST was first introduced in the country, the rates prescribed for hotels were 12% on non a/c restaurants and 18% on a/c restaurants. Hotels and lodges having tariff less than 1000 INR will be taxed at 5%, while those between 1000 - 2500 will be charged at 12%. Hotels between 2500 - 5000 will be charged at 18%, and hotels having tariff above 5000 will be considered luxury hotels and charged at 28%.
 - After implementation of GST, it was found that the budget hotels are the most benefitted. The hotels falling under 18-28% GST slab bears the adverse effects of GST.
 - In the 23rd GST Council Meeting held on 10th November 2017, the GST rates applicable for restaurants were reduced. The new rates which came into effect from 15th November 2017 stated that Stand Alone Restaurants including

mess, canteen which does not have an attached residential or lodging facility will have to charge 5% GST on all food and drinks. The 5% GST rate will be divided between 2.5% CGST and 2.5% SGST.

- The GST Council approved the proposal to reduce tax rates on hotels, which had been a long standing demand of the industry. The move to reduce the tax from 28% to 18% for hotels was particularly lauded. Earlier, the council had taxed hotels with tariffs of Rs 7500 and above at 28% which has now been brought down to 18%. Industry experts had said the 28% tax slab made Indian hotels among the most taxed in the world. These rates were applied from 1st Oct, 2019. Hotels and restaurants opting for GST composition scheme were taxed at the rate of 5% of tax rate. GST has removed duality of taxes by removing cascading effect. Many hotels, nowadays, have some sort of dynamic pricing (done manually), which fluctuates depending on demand and supply. Now since the GST also varies depending on the tariff, hotels need to ensure that their billing system or PMS is able to alter the tax as per the pricing of the room across all their distribution channels.
- GST provides a clear view of the taxation system from the start to the final payment to the government. Therefore GST brings transparency in the procedure.
- Under GST regime there is one Centralized registration compulsory in each state where they are providing hotel facility on own account or through agency
- GST model of indirect taxation also introduces the Input Tax Credit facility to Hotel sector as well as to the other sectors. It will make the tax paid at the time of purchase of raw materials to set off against the tax liability arose at the time of sales/ provision of service. There has been a rise in the revenue earnings of the Hotel Sector after implementation of GST.
- Introduction of GST has simplified many procedures in registration, computation, collection, assessment and payment of tax. It is expected to see future growth in the Hotel Industry with the new tax rates and other facilities provided in GST.
- The above mentioned findings may not hold true fully because of the
- limitations of the study research explained before.

CONCLUSION OF THE STUDY

After the completion of this study of “Impact of GST on Hotel Industry” and evaluating different reports, the following conclusions have been drafted. This topic has been studied by many other researchers. Ideas and opinions of such researchers have also been included in the conclusion.

Since there were many indirect taxes before implementation of GST, Customers as well as hotel sector had to suffer many problems. Frequent changes in the law and multiple registrations needed to open a new restaurant business were often impressive, particularly to first –time restaurant owners. The lack of clarity in the law usually resulted in classification and rate disputes, therefore resulting in confusion. With the emerging changes in tax layout, the GST will impact primarily the promotional strategy of restaurants and food service businesses and will give consumers clear picture of taxes they pay in restaurants.

A subsuming single tax slab will create a standardized price and will benefit consumers directly by providing law and easy to read bill whenever they dine out. Reduction in tax will increase consumption which will create more employment opportunities boosting the make in India initiative.

Drawback of GST was on medium scale restaurants as they were forced into the tax slab of 28th and tax bracket for budget and luxury hotels is simply too wide. Implementation of GST is going to have a ratified impact on the Government’s revenues. Under the post GST regime, the output service tax liability of restaurant business owners got to modify with credit of input VAT on product consumed. However, underneath the new regime GST subsumes both these taxes into itself and therefore no matter product and services, adjustment of credit of input is available against output liability. This may optimize further the working capital of those restaurants and customers need not settle for inferior quality of food and services. Therefore restaurants and food service businesses must draw outline of future in view of evaluation of GST and its impact on their businesses and functions mandatorily.

GST is a mixed bag of better and easier rules and regulations, and increased costs and compliances. The Hotel and Restaurant Association of Western India had been lobbying for a GST rate of 5% as it believed that a lower rate will bring in more tourists and allow Indian businesses to compete with global chains. However, the GST Council deemed it fit to set the rate at 18%.

The GST on room tariffs proves to be a double-edged sword; before GST a hotel room with a tariff of Rs. 5000 would attract about taxes amounting to about 20%, therefore, the same room would be priced at Rs. 6000 before GST and Rs. 5900 after GST. On the flip side a room with a tariff of Rs. 7500 with taxes would be priced at Rs. 9000 before GST and Rs. 9600 after GST. It will only be logical if the hotelier fixes the price at Rs. 7499 so that the final amount to the customer will be around Rs. 8850 as it falls under the 18% tax slab.

Many hotels, nowadays, have some sort of dynamic pricing (done manually), which fluctuates depending on demand and supply. Now since the GST also varies depending on the tariff, hotels need to ensure that their billing system or PMS is able to alter the tax as per the pricing of the room across all their distribution channels. The first few months may require some double checking, but PMS software, such as Hotelogix is already GST ready to make the transition trouble free for hotels.

A slight relief to the luxury hotel segment is that the GST on their restaurants has been revised. Initially, the council planned to impose a GST of 28% on the restaurants at luxury and five-star hotels, but after a lot of opposition from the Indian hospitality sector they brought it down to 18%. Thus there wouldn't be much of a difference to what customers would be paying, if anything it works in the guest's favor.

Luxury hotels may see a drop in occupancy in the coming months since there would be a significant increase in their pricing, but for the other hotels, it would pretty much be work as usual, apart from just double checking that the GST norms are being followed accurately.

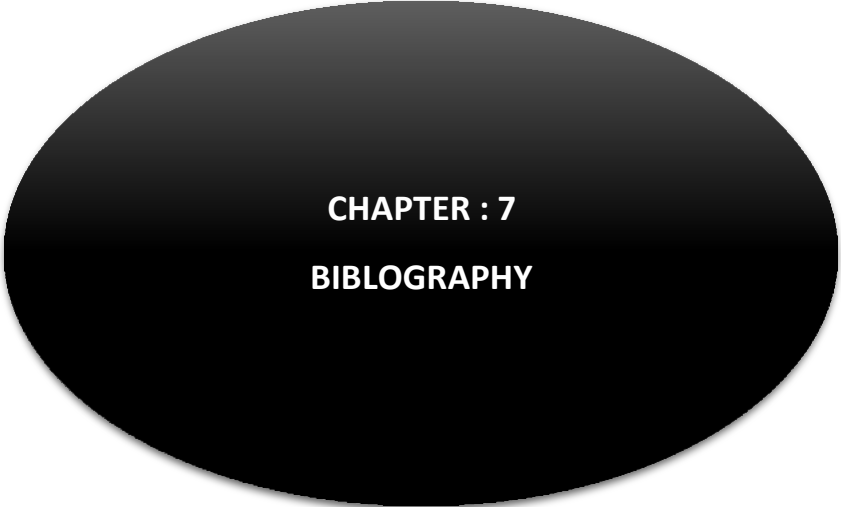
The Tourism and Hospitality industry in India is expected to grow to US\$ 280.5 billion by 2026, and the initial hiccups after GST implementation are highly unlikely to impede this growth. However, it remains to be seen whether the cons outweigh the pros for this sector.

Companies which focus on food and beverages could be the biggest beneficiaries of GST within the hospitality sector. This will help the consumers and also leads to savings. After implementation of GST, it was found that the budget hotels are the most benefitted. The hotels falling under 12-18% GST slab bears the adverse effects of GST. The solution for this is to reduce the "ARR-Average Room Rates". The travellers look for budget hotels as they provide

cheaper accommodation. GST includes a uniform tax structure and through this all the states have their own taxes.

Before the Hotel and restaurant industry was burdened with multiple taxations. Now this duality of tax is removed. It also helps in improving the financial management. Hopefully, GST will remove the problems faced by the hotel sector leading to cost optimization and free flow of transactions.

Overall Impact of GST on hotel sector will be positive in long run.



CHAPTER : 7
BIBLIOGRAPHY

AERTICLES AND RESEARCH REPORTS:

- **Poonam M.** Goods and services tax in India: AN. 6th International Conference on Recent Trends in Engineering, Science and Management. 2017.
- **Shakir, Shaik et al.**, Does Goods and Services Tax (GST) Leads to Indian Economic Development? IOSR Journal of Business and Management (IOSR-JBM). 2015; 17(12):01-05. e-ISSN: 2278-487X, p-ISSN: 2319-7668.
- **Sehrawat et al.**, GST in India: A key tax reform, international Journal of Research Granthaalayah. 2015, 3(12).
- **Mahender.** GST Effecton Manufacturing Industry – India, International Journal of Managerial Studies and Research (IJMSR). 2017; 5(1):28-30
- **Renuka R(2018)** “Impact of GST on tourism and hospitality sector”
- **Aswathy Krishna(2018)** “A study on GST and its effect on hotel industry”
- All About GST in India (2016, October 6). Retrieved from http://www.ey.com/in/en/services/ey_goods_and_services_tax_gst
- **Chaurasia. Pradeep (2016)**. Role of Good And Service Tax In The Growth Of Indian Economy. International Journal of Science Technology and Management,5(2).152 157.
- **Dhanuka, Saloni. (2018, July 23)**. GST: Hotel Industry Lauds GST Relief But Divided On Impact. Bloomberg Quint. Retrieved from https://www.bloombergquint.com/gst/gst_hotel_industry_lauds_gst_relief_but_divided_on_impact#gs.EuIO2UE
- GST from April 1, 2017, says Nirmala Sitharaman. (2016, October 3). Retrieved from http://www.gstindia.com/gst_from_april_1_2017_says_nirmala_sitharaman/
- Impact of GST on Hospitality Industry. (2018, June 12). Retrieved from [DERhttps://cleartax.in/s/impact_of_gsthospitality_industry](https://cleartax.in/s/impact_of_gsthospitality_industry).

- Impact of GST on Indian Hospitality Sector (2017, July 03). Retrieved from <https://www.hotelogix.com/blog/2017/07/03/impact-gst-indian-hospitality-sector/>
- **Nithin, Kumar. (2014).** Goods and Services Tax in India A Way Forward. Global Journal of Multidisciplinary Studies, 3(6).
- **Pandey, Sony. (2017, October 10).** Impact of GST on Hospitality Industry. Retrieved from <https://www.hrblock.in/blog/impact-gst-hospitality-industry/>
- **Patrick, M. (2016, August 9).** The Kochi Post. Retrieved from <http://www.kochipost.com/2016/08/09/all-eyes-on-gst-how-will-kerala-benefit/>.
- **Pinky, Supriya. Kamna. (2014).** Goods and Services Tax Panacea for Indirect tax System in India. Tactful Management Research Journal, 2(10).
- **Sharma, Anitha. (2017, September).** GST Finally Implemented. International Journal of Engineering Technology Science and Research, 4(9). 989-994.
- **Verma, S. (2016, August 4).** GST Bill: Low rate of 18% to reduce taxes on goods, but services may turn costly. The Indian Express, Retrieved from <http://indianexpress.com/article/business/economy/low-gst-rate-of-18-to-reduce-taxes-on-goods-but-services-may-turn-costly-2952660/>

WEB SITES:

- <https://cleartax.in/s/gst-law-goods-and-services-tax>
- [https://en.wikipedia.org/wiki/Goods_and_Services_Tax_\(India\)](https://en.wikipedia.org/wiki/Goods_and_Services_Tax_(India))
- <https://gstcouncil.gov.in/sites/default/files/CGST>
- <https://www.taxmann.com/blogpost/2000000031/what-is-gst-goods-and-service-tax-in-india.aspx>
- <https://www.legalraasta.com/gst/composition-scheme/>
- <https://www.gsthelplineindia.com/blog/2018/01/04/gst-impact-on-tourism-industry>.
- <https://cleartax.in/s/gst-impact-on-gold/>.
- www.profitbooks.net/gst-impact-on-service-sector.
- <https://taxguru.in/goods-and-service-tax/gst-impact-service-sector.html>,
- <https://economictimes.indiatimes.com>.

ANNEXURE

QUESTIONNAIRE:

1. Name
2. Contact no.
3. Gender Male Female
4. Age group 20-30 30-40 40-50
5. Is this your first business related to Restaurant sector?
 Yes No
6. Do you enjoy what you do at your work?
 Yes No May be
7. Are you satisfied with GST applying in your hotel?
 Yes No May be
8. How would you rate your overall experience about GST application in your Restaurant?
 Highly satisfactory Satisfactory Neutral Unsatisfactory
9. Has your hotel received benefit after GST application?
 Yes No May be
10. Are you have stress because of applying GST?
 Yes No May be
11. Is your organisation can provide awareness to your customers about GST application on hotel industry?
 Yes No Can't say
12. How is the relationship between you and your co-worker?
 Good Bad Can't say
13. Have your customers replied positively about GST application?
 Yes No May be
14. Is application of GST positively influence on your restaurant performance in the market?
 Yes No May be Can't say
15. How would GST impact the restaurant selling alcoholic beverages?
 Good Bad Can't sa