

Impact of GST on Hotel Industry

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Abstract

Tax is a compulsory levy, which government imposed on us and we are bound to pay. Goods and Service tax is an indirect tax structure designed to bring taxation under one umbrella. The GST (Good and Service Tax) tax regime will help to reduce multiple taxation and it reduced the complexity in comparison to the old system. The hotel industry has a significant effect on the hospitality and tourism industry. The GST is replaced both service tax and luxury tax on hotels were suffering from a multiplicity of taxation. The Scholar is going to check, how is the new tax structure effect the hotel industry? It would be interesting to understand how this GST will hamper the owners of the hotel industry. Let us look at the effects of the new tax on the Hotel Industry.

INTRODUCTION

Taxes in India are levied by the Central Government and the state governments. Some minor taxes are also levied by the local authorities such as the Municipality etc... Tax is an amount of money that you have to pay to the government so that it can pay for public services and welfare activities. It is the amount of money payable by persons or companies, (a part of their income or profits) to the government. The fundamental purpose of taxation is to finance government expenditure. Beyond this primary purpose, modern tax systems are also guided by principles of efficiency, equity and simplicity. The tax system can be used for purposes other than revenue rising. The tax imposed of compulsory levies charged from individuals or entities by governments. Taxes are levied in almost every country of the world, primarily to raise revenue for government expenditures, although they serve other purposes as well.

Goods and Services Tax (GST) is an indirect tax, which was introduced in India on 1 July 2017 and was applicable throughout India, which replaced multiple cascading taxes levied by the central and state governments. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12%, 18% and 28%.The tax rates, rules and regulations are governed by the GST Council. Which include finance ministers of the central and all the states.

Similar to other industries in India there was a hotel industry also applicable by multiple charges. The entire sectors in the Indian economy were liable to pay multiple taxes (VAT, luxury tax, and service tax) under the previous VAT regime. Before GST a hotel where the room tariff exceeded INR 1,000 was liable for service tax. Under the GST regime also a hotel where the room tariff exceeded INR 1000 is liable to pay tax. Now GST rates for hotels are based on their room tariffs and turnover.

GST rates for hotels based on room tariff are given below

Room Tariff per night	GST applicable
,<INR 1000 exempted from GST	0% (no tax)

INR \geq 1000 but $<$ 2500-12%	12%
INR \geq 2500but $<$ 7500 – 18%	18%
\geq INR 7500	28%

.Objectives of the study

- 1) To find out the impact of GST on the hotel industry.
- 2) To find out the major factors that influence on GST implementation in the hotel industry.

Research Methodology

Primary data as well as secondary data were associated with this study. The plan was to collect primary data through interviews with the manager's of hotels in Kerala states. 3 districts were selected as the sample they are Thiruvananthapuram from south. Trissure from central and Malappuram from the north, also collected people's opinions from social media through a blog. Secondary data used from News paper reports, Journals, and statistics of State Goods and Service Tax.

Review of Literature

Sagar Shah's 7 (2012) article "Service Tax on Hotel Industry" discussed that tax in relation to the supply services of food in the hotel industry has always been a contentious issue whether under VAT or under Service tax. Further, even accommodation services provided have been a contentious issue under Luxury tax and now we have an overlapping tax in the nature of service tax. As far as service tax is concerned the same has been applied to the hotel industry for very long, in relation to the banqueting service and related catering services. Slowly and steadily the services of air conditioned restaurants serving liquor were brought to tax and so were accommodation services in a hotel where declared the room tariff exceeds Rs 1000 per day.

C A Vinod Chaurasia (2017)"GST on hotel industry "explained the various rates of GST applicable to hotels and availability of input tax. Found that under the GST regime The tourism and hospitality industry will find it easier to claim and avail input tax credit administrative ease is the (ITC).Also points out the pros and cons of GST on the hotel industry.

Mukesh Butani & Tarun Jain (2018) "the myth of an ideal single rate-GST" Suggested that Merging tax-slabs augurs well for Make-in-India. This is principally on account of overall reduction in tax incidence, simplification of the tax-regime, and obviating the state-bias with some goods attracting 5% or 12% or 18%, etc. This positive fallout can be reserved for domestic supplies by necessary changes in the customs duties.

Analysis

**Table 1-Opinion of hotel owners regarding the implementation of GST
On the hotel industry**

Sl. No	Opinion	No. of response	%
1	Satisfied	50	100
2	Not satisfied	0	0
Total		50	100

Interpretation

From the table 1 it is clear that 100% of the hotel owners are satisfied with the implementation of goods and service tax (GST).

Table 2-Dificulties faced in implementing GST

Sl. No	Response	No.of response	%
1	Technical issues related to IT system	35	70
2	Lack of clarity on new tax regime	5	10
3	Unavailability of GST software	10	20
Total		50	100

Interpretation

As shown in the table 2, 70% of respondents are faced the problems of technical issues related to the accounting software and IT system like GST invoice,preparation of extract reports, etc..10% of respondents faced the lack of clarity regarding the various provisions of GST.

Table 3-Major reason behind the satisfaction of implementation of GST

Sl. No	Reason for satisfaction	No. of response	%
1	Administrative easy	30	60
2	Consumer clarity	10	20
3	Availability of Input tax	8	16
4	Easy to provide package services	2	4
Total		50	100

Interpretation

It is clear from the table 3 is that (60%) of the hotel owners are satisfied due to the administrative easiness of the GST.20 % OF respondent are satisfied with the consumer clarity, 16% of respondent are satisfied with the availability of input tax. And 4% of the respondents are satisfied with easy to provide package services.

Table 4-Customers preference for hotel rooms based on room tariff

Sl. No	Room tariff	No. of respondent	%
1	< INR 1000	5	10
2	INR 1000-2500	15	30
3	INR 2500-7500	25	50
4	>INR 7500	5	10
Total		50	100

Interpretation

According to the data from table-4, it is clear that 50% of customers are selecting room tariff in between 2500-7500. Most of the customers are preferring room tariff in between INR 2500-7500.Because restaurant inside the hotel, if the room tariffs are Rs 7500 and above, hotel restaurants must charge restaurant customers a GST of 18% of their food bill and get the benefits of input tax credit. Then the food bill will be higher. Otherwise charge hotel restaurant customers a GST of 5% without the benefit of input tax credit or 12% GST with input tax credit, hence most of the customers prefer a room rent below rupees 7500.And a very less number of customers (10%) prefer room tariff above INR 7500.

Finding of the study

- Abolition of multiple taxes reduced the lengthy administrative process of tax calculation
- Easier and better utilization of input tax credit.
- Enhanced clarity for consumers, under the GST regime customers will see only a single charge on their bill.

- Improved quality of services, There is no need for waiting long time for the billing process.
- Initial stage of implementing GST, hotel owners faced the problem of lack of clarity on GST rules and regulation, as well as the unavailability of GST software etc...
- Low cost travel, accommodation attracted tourist. Hence there is a high demand for -tourism and hospitality industry.

CONCLUSION

The Tourism and Hospitality industry in India is expected to grow to US\$ 280.5 billion by 2026. The GST Council finalized different GST rates for hotels and restaurants based on their tariffs and turnover. Budget hotels will attract low or even nil taxes in the case of those charging less than Rs.1000 a day for rooms, while those charging Rs.7500 and above for a day will have to pay 28 percent tax. Under GST the final cost to end user decreases for budget and luxury hotels is too wide. The hotel industry had to deal with different taxes including VAT, luxury tax, and service tax. These high taxes brought many difficulties for hoteliers, including higher prices, lower profits, complicated paperwork for tax returns, difficult to understand hotel bill by consumers, etc. The most benefit received from the GST implementation in the hotel industry is the removal of the duality of taxes, as well as it decreased the customers obscurity of the hotel bill, reduced the delay for getting hotel bill and also reduced the cost of administrative overhead. The implementation of GST would help the hotel industry by reducing costs for customers, harmonizing taxes, and reducing business transaction costs, but will also have its own set of challenges. No doubts that the new tax system on hotel industry reduced the high cost of travel accommodation to tourists. These become a key driver for tourism and economic development

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