

Restaurant sector to suffer due to hiked custom duty on imported ingredients

Finance Minister Arun Jaitley hiked the customs duty on imported foodstuff and important ingredients to promote the Narendra Modi government's Make in India pitch.

The disgruntled restaurateurs are saying that the hike will increase costs on the menu by up to 5% as they won't be able to absorb the double whammy of customs hike and GST.

The restaurant sector has been dealing with various uncertainties since the last one year. This measure comes after the GST on restaurants was slashed to 5% from 18% earlier and scrapping of input tax credit under the new regime. As reported earlier, the industry was also hit hard by a ban on alcohol sale near highways last year that might have amounted to losses of INR 500 billion.

However, the Centre has nixed the restaurants' argument about input tax credit, saying the impact of input tax credit would not be more than 6% of the base price for large eateries which have franchises, and much lower at 2% for smaller ones.