

Hotels Demand 5% GST For Restaurants Operating From Within The Premium Hotel Premises

Hoteliers from the western region, represented by the Hotel And Restaurant Association (Western India) – HRAWI, are urging the government to separate the GST imposed on restaurants within hotel premises from that applied to the rooms. Currently, the GST on food and beverage services is 18%, which the association proposes should be reduced to 5%, aligning with the standard rate for standalone restaurants nationwide.

Expressing concerns about the existing GST structure for dining facilities in hotels, HRAWI, in a letter to Finance Minister Nirmala Sitharaman, highlighted the link between restaurant taxation and room charges. Presently, the higher GST of 18% is applied to hotels when the room rate exceeds Rs.7500. The association emphasized the drawbacks of this taxation format for the hospitality industry and urged the government to reform the GST framework. They suggested that restaurants within hotels should have uniform GST rates, irrespective of room charges, similar to standalone restaurants.

HRAWI pointed out the challenges faced by hotels attracting walk-in customers to their restaurants and the unfairness, unpredictability, and disadvantage created by the current system. The abrupt increase in GST from 5% to 18% when room rates exceed Rs.7500 introduces uncertainty for guests and puts hotels at a disadvantage. This inconsistency unfairly affects hotel restaurants compared to standalone counterparts offering similar high-end experiences and cuisine.

Mr. Pradeep Shetty, President of HRAWI, stressed the importance of standardized GST rates for all food and beverage services, regardless of their operation within or outside hotels. The focus is on promoting fair competition and ensuring industry sustainability, aiming to establish equal opportunities for all restaurant categories. HRAWI emphasized the adverse impact on larger hotel chains catering to walk-in customers and the confusion and inconvenience faced by guests attending banquets due to the disparity in GST rates.

Mr. Shetty emphasized the need for a competitive environment where hotels can compete on equal footing with standalone restaurants, advocating for uniformity in GST rates across all food and beverage services for fair competition and the sustainability of the hospitality industry.