

Hospitality Body Asks FM To Bring OTAs Under GST Coverage

The Federation of Hotel & Restaurant Associations of India (FHRAI) has recommended Finance Minister Nirmala Sitharaman to bring Online Travel Aggregators (OTAs) such as EaseMyTrip, MakeMyTrip and ixigo, under the coverage of Goods and Services Tax (GST). The suggestion comes days after the GST Council decided that food aggregator apps such as Zomato and Swiggy will collect the tax at the final point of delivery and will pay GST on restaurant services.

Alleging that over 40% of the room inventory listed on OTA platforms are operating illegally without valid licenses from local and state authorities, Mr. Gurbaxish Singh Kohli, Vice President of FHRAI, added that if the segment is brought under the ambit of GST such illegal activities can be restricted along with plugging tax evasion. “We have informed the Government on several occasions that OTAs harbour and encourage unregistered hotels and accommodations that operate without any licenses. This not only enables such entities to escape tax but also, these illegal accommodations pose huge security risks,” Mr. Kohli said.

As per FHRAI’s estimates, the tax losses due to GST evasion by illegally listed entities on OTAs would be more than INR 4,000 Cr. He was of the view that in order to ensure a level playing field in the hospitality sector as well as to stop the massive revenue loss to the economy, online players should be brought under the GST umbrella. On the GST Council’s latest decision to impose tax on food service aggregators, FHRAI said that the move will prevent tax loss of INR 2,000 Cr caused due to underreporting by the aggregators. Post the decision, Zomato, Swiggy and other food aggregators will be liable to pay the 5% GST rate, collected from the customers.

The suggestion, if implemented, may hit the online travel aggregators which were severely impacted by the pandemic, and have now started to see some uptick amid easing of restrictions and start of domestic and global travel.