

FHRAI reaches out to finance minister, wants online travel aggregators to pay GST as well

The Federation of Hotel & Restaurant Associations of India (FHRAI) has submitted a representation to Nirmala Sitharam, the minister of finance, requesting to bring Online Travel Aggregators (OTAs) under the GST coverage. The association has welcomed the decision of the GST Council to treat food delivery apps such as Zomato and Swiggy as restaurants and thus levy 5 percent GST on their services. FHRAI has stated that this move will plug tax evasion by unregistered restaurants benefiting the national exchequer. Similarly, bringing OTAs under the GST provision will end tax evasion by thousands of illegal accommodation units listed on the OTAs and benefit the exchequer.

“More than 40 percent of the room inventory listed on OTA platforms is operating illegally without valid licenses from local and State authorities. These accommodation units operate unlawfully under the veil of B&Bs and home stays and are being helped by OTAs who list their inventory without any approvals or checks. This not only harms law abiding players but such indiscriminate hosting encourages illegal activities, noncompliance of statutory rules and regulations and compromises guest safety, not to mention posing a grave security threat as there are no checks or verifications for the guest,” says Mr. Gurbaxish Singh Kohli, vice president, FHRAI.

Mr. Kohli further added that a majority of them don't hold any valid statutory licenses such as GSTN. The finance ministry's recent decision to treat food delivery apps as restaurants and levy a 5 percent GST on supplies provided by them are commendable. If the OTAs too were to be brought under the GST umbrella, it will curb illegal practices and of course, will help the Government plug tax evasion from these entities.

The FHRAI estimates that the recent move to bring FSAs under GST will prevent tax loss of around INR 2,000 crore caused due to underreporting by the

aggregators. It further estimates that tax loss through GST evasion by illegally listed entities on OTAs is more than double that of the FSAs.

“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. Such establishments operate without any compliance and if and when something goes wrong, there is no accountability. Hence, to ensure a level playing field in the hospitality sector as well as to stop the massive revenue loss to the economy, replicating the initiative of making GST applicable to FSAs for OTAs will make a huge difference. We request the finance minister to consider our recommendation and ensure that OTAs too pay GST for the accommodation units registered with them to avoid revenue leakage,” said Mr. Kohli.