

FHRAI Appeals for GST Rationalization for the Hospitality Sector

Citing the unprecedented rise in inflation, India's apex Hospitality Association and the voice of the hospitality industry – The federation of Hotel & Restaurant Associations of India (FHRAI) has requested the GST Council to evaluate the present GST structure for the hospitality sector and appealed for it to be rationalized. With prices of edible oils, cooking gas, fuel, transport and other essentials going through the roof, FHRAI has asked the Government to consider simplification of GST rules to enable the establishments to avail of Input Tax Credit (ITC). FHRAI has suggested that all F & B revenue of hotels be delinked from their hotel room tariff slabs and allowed to charge GST at 5 per cent without ITC under the composite scheme and 12 per cent GST with ITC. Similarly, also for standalone restaurants, FHRAI has asked that two slabs of GST rates be maintained as stated above as was being done in the earlier Service Tax regime.

FHRAI has suggested a reduction in GST on LPG used in hotels and restaurants from 18 per cent to 5 per cent to bring down the operational costs which will benefit customers. It has also asked for either the removal of GST on rent payments or be allowed input credit on rent payments to cushion the blow of the rising inflation.

FHRAI has also stated that post the easing of restrictions worldwide, GST in most countries that depend on FTAs has been reduced. However, GST rates in India continue to remain one of the highest in the world, making both domestic and inbound tourism extremely expensive.

“At present, the threshold limit of hotel room tariff with GST at 18 per cent is Rs.7500/-. This needs to be increased to Rs.9500/-. At the time, when the threshold was fixed at Rs.7500/-, the exchange rate of Dollar per Rupee stood at Rs.64, but the same has breached Rs.76 per dollar today. Raising the threshold limit will bring parity of rates between the Rupee and the Dollar. Also, the threshold limit for zero GST on hotel rooms should be increased from Rs.1000/-

to Rs.2000/- per room per day. This will help give boost to the budget segment hotels, encourage more domestic tourists to travel and promote tourism in the country. IGST billing also should be allowed to hotels for corporate bookings and MICE. This will enable the companies to avail GST input credit which will incentivize them to spend their annual budgets in Indian cities other than holiday destinations of South East Asia,” concludes Mr Kohli.