FHRAI submits Industry’s recommendations to the Finance Ministry for the upcoming Union Budget 2022-23

Federation of Hotel & Restaurant Associations of India (FHRAI) has submitted a comprehensive list of recommendations on the upcoming Union Budget 2022-23 to the Finance Ministry outlining some of the much-needed expectations of the Hospitality industry.

The Association has requested that the industry to be allowed to carry forward business losses up from the existing 8 years to 12 years and avail the SEIS/ EPCG (Service Exports from India Scheme/ Export Promotion Capital Goods) benefits without any capping and rate reductions. It also expects the Budget to provide extension on the timeline for export obligation under EPCG scheme and grant Export Status to the industry; inclusion of hotels and tourism related sectors in the National Infrastructure Pipeline (NIP), offer special emphasis for promoting meetings and conferences at hotels in view of the massive setback that hotels suffered due to the pandemic; grant Infrastructure Status to the hospitality industry, and provision of special tax incentives for domestic travel.

“We are requesting that hotels and tourism related sectors be included in infrastructure projects listed in the National Infrastructure Pipeline (NIP) set up under the Development Financial Institution (DFI) by the Ministry of Finance for promoting infrastructure funding. This will enable the COVID hit hospitality sector to avail funds with extended repayment periods at a low rate of interest. The hotel industry is a long gestation industry which incurs losses in the initial years of operations and profitability improves only after few years. Because of this, most hotels carry forward business losses with the expectation to set them off over the coming years. However, the industry’s profitability took a massive hit due to the unprecedented pandemic conditions and expects businesses to post losses for the next few years. This may result in hotels being unable to set off past business losses within a period of eight years, adversely impacting cash-flow and RoI. Hence, we request that business losses be allowed to be carried forward from the existing 8 years to 12 years," says Mr. Gurbaxish Singh Kohli, Vice President, FHRAI.

The hospitality industry is facing an existential crisis due to the lockdowns and restrictions imposed on it due to the on-going pandemic. FHRAI has stated that the sector is relying heavily on the support and favourable policies of the Government for its recovery.The Association has stated that hotels under Service Sectors witnessed a high decline in business scenarios post 2007. Occupancy dropped by 20 per cent to 40 per cent and the decline of foreign exchange earnings during this period had been in excess of 5% on a year-on-year basis.

"Increasing SEIS entitlement from existing 3 per cent to 10 per cent of the net Foreign Exchange Earnings for the next three to five financial years will help the industry mitigate some of the damage inflicted on it due to the pandemic. Also, to accelerate and incentivize all-round development of Tourism infrastructure catering to foreign tourists, fiscal incentives in the form of SEIS certificates and import against EPCG should be continued for the near future. In view of the volatile economic environment, the timeline for meeting Export Obligations (EO) should also be extended by at least four years for all the EPCG licenses which has EO period falling from February 2020 onwards. The granting of Export Status to hospitality Industry with tax incentives and benefits would enable the sector to be more competitive and help the sector to jumpstart its growth," says Mr. Pradeep Shetty, Jt. Hon. Sec, FHRAI.

Among other recommendations, the FHRAI has asked that special emphasis be given for promoting meetings and conferences at hotels in India in view of the massive losses suffered through the pandemic.

"Incentives should be offered to corporates for organizing meetings and conferences at hotels in India. This may include giving partial or full tax exemptions to the corporates on the expenses incurred. This will encourage corporates to hold meetings and conferences within the country which will be a win-win situation for both. Expenses incurred by corporates for meetings and conferences abroad should not be considered as business expenditure. This will discourage MICE events abroad and help in conserving the foreign exchange while boosting the sales of domestic hospitality businesses. This will also help in generating employment at home," adds Mr. Shetty, FHRAI.In its recommendations to the FinMin, the FHRAI has once again pleaded for one of the industry's long standing demands of receiving Infrastructure status and Industry status.

"We request the Government to classify hospitality under the RBI Infrastructure lending norm criteria for access to long term funds to enhance quality accommodation supply. This will stimulate higher global and domestic travel demand. Currently hotels built with an investment of Rs.200 crores or more have been accorded infrastructure status. This threshold has to be brought down to Rs.10.00 crores per hotel to give fillip to hotels in the budget segment. This will enable hotels to avail term loans at lower rates of interest and also have a longer repayment period," adds Mr. Kohli.

"Under the prevailing conditions, the post-pandemic business environment strongly demands facilitative measures from the Government to provide enough incentives to encourage the 28 million plus people who travel out of India to stay back and holiday in India. Since opening up of foreign travel remains a matter of contention, we had requested that the Government induces domestic travel by promoting local destinations. Incentivising domestic travel through tax cuts or by way of tax deductions for a pre-agreed duration, say 2 to 3 years will fill the void and help local tourism survive until international travel resumes. Of the 28 million who travel out of the country, if the domestic market can tap into even a part of this segment, it'll help promote domestic travel and also retain the outgoing foreign exchange from India. We need to encourage people to spend within the country to aid the hospitality industry's revival. For this, we request the Hon'ble Finance Minister to allow tax deductions in the IT returns of individuals and corporates for expenses made for travel within the country. Also, we request that the decision to introduce LTC cash vouchers in lieu of LTC fare to the Central Government employees be reviewed for boosting domestic travel and helping the hospitality industry in its path to recovery," concludes Mr. Kohli.