

Tourism as Growth Engine and Cooperation – G20 Countries

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Travel and Tourism industry has recently seen a few beams of light through our authorities' tunnel, for our hospitality sector.

To start with, is the announcement of industry status by the States of Maharashtra, Odisha, MP, Rajasthan, with the latest one being from Assam. FHRAI had to struggle with the Government of Maharashtra, to convince them to revive the defunct 1999 Gazette, which was reissued in 2021.

Such industry announcements are simply political, not until the effect of it is actually seen by us, the end user - hospitality establishments. For example, we should be charged industrial rates instead of the existing commercial rates for electricity tariff, which factors from seven to ten percent of our input costs.

Another decision favouring tourism, was the removal of the mandatory filling of 'Air Suvidha' forms for inbound passengers to India, though because of the recent spike in the BF7 Covid variant in China, Government has reintroduced the RT-PCR as well as these forms, for select four Far Eastern countries. Let's hope the Omicron variant XBB.1.5 also behaves!

The restoration of e-visa facility for UK nationals travelling to India was another tourism boost for India's second largest tourist feeder market, viz., England. This has eased the vagaries of travellers, physically waiting at the Indian Embassy in London, for their visa applications

to go through, day after day. Besides the Pound fees paid by NRIs and foreigners, they still have to face overworked and process-fatigued Embassy staff, a tourism dampener, going unnoticed. They say, Indians take one step forward and two backwards!

Having said that, there are many challenges faced by the tourism and hospitality industry, just to name a few from our wishlist:

One strategic action required by the Central Government is, to place tourism and hospitality on the Concurrent List of the Indian Constitution, to effectively legislate tourism to come on the national agenda. This will allow better coordination between the Centre and state, for fund allocation and implementation for projects and programs.

Along with that is the granting of Infrastructure Status to the hospitality industry. 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 crores per hotel, to give fillip to the budget segment of the hotel industry. Our challenge is to classify hospitality under the RBI Infrastructure lending norm criteria, for access to long term funds to enhance quality accommodation supply and therefore stimulate higher global and domestic travel demand.

An encouraging ECLGS scheme, got a loan term repayment of six

years, when it was introduced during the first lockdown, but that posed a challenge for the hospitality sector, because most of the us had already mortgaged our properties for the original loan, causing us to default on payments and become NPAs.

The next challenge for the industry is for the Government to waive on average our Foreign Exchange Earnings under the EPCG scheme, retrospectively from FY 2007-08 onwards, to lower our cost of operations.

A long pending demand is to grant export status to our hospitality sector to accelerate growth of the hospitality sector.

If the Centre accepts our suggestion of having a uniform GST@12% on all hotels in India, it will help promote tourist inflow into States, both domestic as well as inbound. Today's GST makes both domestic and inbound tourism in India very expensive. India is facing tough competition from neighbouring destinations, especially due to the higher rates of GST in India.

We need relaxations in Section 115JB - minimum Alternate Tax waiver for 2 years to reduce the tax burden. Investment linked benefits under Section 35AD for brownfield hospitality projects' ongoing capex of hotels and resorts, which is applicable to new hotels of 2 stars and above category only, but should be extended across all categories.

The Leave Travel Allowance (LTA) rules need to be modified to allow



claim of LTA, not only for travel fare or tickets within India, but extension should be granted also for expenses incurred on accommodation and hotel stays.

Payments made by foreigners in rupees in hotels should be treated as foreign exchange earned for the purpose of EPCG scheme. In fact, tourism is the third largest foreign exchange earner for India.

Set-off of business losses up to 12 years under Section 72 should be allowed. COVID has impacted the profitability of our hotels which will be forced to declare business losses for the next few years.

Above are the facilitations that the government at the Centre can do to help the States to promote tourism.

For the development of our tourism industry, to achieve its true potential in terms of its contribution to GDP growth, our suggestion is to set up a

corpus fund to incentivize all States to align their tourism policies and set off any losses that may occur due to its implementation.

At the State levels the industry needs a unified system of compliance by incorporating innumerable rules prevailing in various States, by bringing in the Ease of Doing Business (EoDB) and Single Window Clearance (SWC), as suggested by us at HRAWI, to our Government through Accenture and KPMG reports.

A vertical that is drawing a lot of attention today is medical tourism, which according to Global Wellness Institute, a leading market research institute, wellness tourism has grown at an average annual rate of 7.5 per cent in 2022. With its long, rich tradition of Ayurveda, Yoga, and meditation, India is widely regarded as one of the genuine spiritual homes of the current wellness

movement, with a powerful and distinct “wellness halo.”

A new agency, National Medical and Wellness Tourism Board is under creation. The initiative of accreditation of a wellness centre by NABH and AYUSH, is being carried out by the Ministry of Tourism, in consultation with wellness tourism service providers, State Governments, and other stakeholders.

Today, 73 percent of millennials believe that ‘Well’ is the new ‘Wealth’. Inbound travel from Europe, UK, Russia, France, Germany, and USA, amongst others, saw a big source of business for India’s wellness centres. Length of stay for wellness retreats range anywhere from 3 to 21 nights.

Facilities that are important in choosing a wellness resort are vegan cuisine, beach access, gym, size of the resort, a beautiful view, shared dorms, place to be secluded, location on a mountain, countryside, beach, city and the time it takes to travel to that location.

Our hopes are pitched with India’s G20 leadership. All member countries should cooperate with each other to create a cross-marketing platform, to promote global tourism. Our Prime Minister’s agenda for Tourism has been clear from day one, as he’d termed it as one of the four pillars of strength, for India’s growth. We are sure with his leadership at G20, his outlook will be translated into a roadmap, where India will stand to benefit the most, culminating at the Pragati Maidan with the final G20 meetings, where leaders of 20 countries will meet in Sept 2023.

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