

## **FHRAI Pushes for GST Reforms: Proposes Separate F&B Rates, 18% GST Slab with ITC Benefits for Restaurant**

Federation of Hotel & Restaurant Associations of India (FHRAI), the third largest hospitality association in the world, has raised serious concerns over industry's long pending request of delinking of GST charged on Food & Beverage Services for restaurants operating within hotel premises from the room tariffs of that particular hotel during the meeting at the DG GST Samvad on 14th November 2024. The FHRAI delegation included prominent leaders such as Mr. Pradeep Shetty, Vice President, FHRAI, Mr. Surendra Jaiswal, President, HRANI; Mr. Hari Arumugam, EC Member, FHRAI; Ms. Renu Thapliyal, Secretary General, HRANI; and Mr. Utpal Kant, Head – Centre of Excellence, FHRAI. During the meeting, Mr. Shetty presented a case on the challenges posed by the current GST policy and emphasised the need to delink Food & Beverage (F&B) rates from accommodation charges.

The aim of the suggestion is to address the operational inefficiencies and policy inconsistencies stemming from the linkage of F&B rates with hotel room tariffs. Currently, F&B services in hotels with room tariffs exceeding ₹7,500 are taxed at 18% (with ITC), while those below ₹7,500 are taxed at 5% (without ITC). This structure complicates compliance and operational processes, leading to inefficiencies. FHRAI highlighted that delinking F&B rates would ensure simplicity, fairness, and neutrality in the GST regime, fostering growth in the hospitality sector while maintaining or even enhancing GST revenue.

Mr. Pradeep Shetty, Vice President of FHRAI, said, “The hospitality industry has long struggled with the operational complexities imposed by linking F&B rates to room tariffs. This policy not only deviates from GST's core principles of neutrality and simplicity but also disproportionately impacts high-tariff and midscale hotels. Delinking F&B rates from accommodation tariffs will empower the industry to adjust pricing based on market dynamics and customer demand, fostering growth across all segments. It will also streamline tax compliance, ensuring a win-win for both the industry and government revenues. FHRAI's proposal offers a balanced approach that ensures revenue neutrality

while addressing the unique challenges faced by various stakeholders in the hospitality sector.”

Linking F&B rates to room tariffs has added an unnecessary layer of operational complexity, complicating billing and compliance for hoteliers across the board. This has been burdensome for midscale hotels, which are unable to adjust room tariffs dynamically due to imposed by the tax structure. The deviation from GST’s principles of simplicity and neutrality has made it difficult for the industry to operate efficiently while maintaining competitive pricing strategies.

FHRAI proposes a balanced solution that maintains revenue neutrality for the government while providing much-needed flexibility for the hospitality sector. By delinking F&B rates, hotels will be better positioned to adjust room pricing based on market demand and seasonal trends, potentially boosting overall GST collections through increased room tariffs. FHRAI also supported the demand of on introduction of 18% GST slab with ITC benefits for restaurants too, which will likely reduce their operational cost and enhance tax revenue from this segment.

These suggestions, if implemented, are expected to foster a more equitable and growth-friendly tax environment for the hospitality sector. By allowing greater operational freedom, it provides a level playing field for midscale and high-tariff hotels while promoting tax compliance and efficiency across the board. FHRAI strongly urges the GST Council to consider this progressive measure, which promises to benefit the industry and the economy alike.