

Union Budget 2025- Indian Hospitality and Travel

Industry expectations

As the Union Budget 2025 draws closer, anticipation is building across various sectors. Growth, innovation and resilience are the key themes expected from this year's budget. The Indian hospitality sector is focussing upon policies that simplify taxes, promote sustainability and recognise hospitality as a full-fledged industry whereas the F&B sector hopes for easier tax policies to better support small businesses and sustainability. With its potential to boost jobs and economic growth, industry leaders and experts have shared their insights, highlighting the sector's evolving needs and priorities ahead of the budget announcement.

The Indian hospitality industry

A longstanding demand from the hospitality sector is to be granted “industry status” at a national level. Currently, this recognition is limited to select states, creating inconsistencies and inefficiencies. Industry leaders like K Syama Raju, President of FHRAI, believe that granting industry status to all hotels and projects across India will unlock access to lower financing rates and encourage private investment. “By granting infrastructure status to smaller projects, streamlining the licensing process, and addressing GST issues, we can help unlock the full potential of this sector. These reforms will create a more competitive and sustainable environment for businesses, which will, in turn, help India position itself as a global leader in tourism. This is an opportunity for the government to align policies with the growing demands of the tourism industry and ensure that India remains a top destination for both domestic and international visitors,” he emphasises.

Additionally, “All hotels and hotel projects located anywhere in India should be accorded the status of infrastructure and RBI's harmonised master list of Infra sectors and subsectors updated accordingly. This would facilitate the flow of investment in creating hotel rooms—an essential tourism infrastructure,” states KB Kachru, President, Hotel Association of India and Chairman, South Asia, Radisson Hotel Group.

Infrastructure development is fundamental to the hospitality sector's expansion. Vishal Kamat, Executive Director and Chairman of CII Maharashtra Chapter, underscores the transformative impact of hosting events like the G20, "The ripple effects of improved infrastructure extend beyond the sector, benefitting local economies and creating demand across allied industries." Investments in better connectivity, from airports and railways to roads, can unlock the potential of untapped destinations, encouraging both domestic and international tourism.

Meanwhile, Tejus Jose, Director of Operations at ibis & ibis Styles India, says, "We propose a dual GST policy of a 5 per cent GST rate and a 12 per cent GST rate with input tax credit. This approach would enable us to offset current expenses, increase capital expenditure, open more restaurants, and ultimately generate more employment and revenue for the Government." Moreover, FHRAI has suggested delinking restaurant GST from room tariffs to make services more affordable and competitive. Simplifying taxation is not only expected to lower costs but also to improve compliance rates and operational efficiency.

Lastly Sustainability being the highlight, "Emphasis on sustainable practices, along with incentives for eco-friendly investments, will further boost growth. Additionally, targeted funding for skill development and aggressive promotion of India as a premier global destination will significantly enhance job creation and drive long-term economic growth, reinforcing tourism's pivotal role in the nation's economic landscape, " noted Suhail Kannampilly, Managing Director, The Fern Hotels & Resorts.