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**INCEPTION AND IMPACT OF GST ON INDIAN HOSPITALITY
INDUSTRY****Introduction:**

GST is a national indirect tax that is levied on the production, selling, and use of goods and services. It is an indirect tax that applies to the entire country of India in order to create a single common market. GST is intended to provide India with a world-class tax system while also increasing tax collections. It would put an end to the long-standing distortions caused by unequal treatment of the manufacturing and service industries. Under a single tax base, GST would allow for seamless credit across the entire supply chain and across all states.

It is India's most aggressive and significant indirect tax reform since independence. Its aim is to introduce a single national uniform tax across India on all goods and services. GST has replaced a number of federal and state taxes, taking in more producers and making India a more nationalised economy. It can contribute significantly to both growth and government finances by increasing production. Implementing a new tax by the Centre and the States in a vast and complicated federal structure, encompassing all goods and services, is perhaps unprecedented in modern global tax history.¹ There are four categories of indirect taxes under GST:

1. Central Goods and Services Tax (CGST).
2. State Goods and Services Tax (SGST).
3. Union Territory Goods and Services Tax (UTGST).
4. Integrated Goods and Services Tax (IGST).

The Goods and Services Tax (GST), which went into effect in July 2017, is a non-discriminatory tax whose impact can be seen across all relevant sectors. Given the abundance

¹ <https://www.thehindubusinessline.com/opinion/a-mandate-to-revive-the-economy/article22995378.ece>

of knowledge available on GST in general, we believe that focusing on the effect on particular industries would help people in those industries better understand the effects of GST in their line of work. As a result, we'll be publishing a series of blogs, each of which will focus on a different industry.

Abstract:

In the pre-GST period, the industry scenario was as follows:

Under the previous VAT law, the hospitality industry, like any other segment of the Indian economy, was subject to multiple taxes such as Value Added Tax (VAT), Luxury Tax, and Service Tax.² Complying with these was, understandably, a time-consuming and, in most cases, costly operation.

For better understanding here is an example:

A hotel that charged more than INR 1,000 per room was subject to a 15% service tax.

The tariff benefit was permitted to be abated by 40%, lowering the effective rate of Service tax to 9%. Over and above this, the Value Added Tax (ranging from 12 to 14.5 percent) and the Luxury Tax were imposed.

Restaurants, on the other hand, received a 60 percent abatement, implying that service tax was paid at an average rate of 6% on food and beverage (F&B) bills, in addition to a VAT of 12 to 14.5 percent. On the other hand, bills for packaged services such as social activities (seminars, weddings, etc.) were excluded from taxation by 30%. As a result, the VAT regime's cascading impact, in which the end user paid a tax on a tax, increased the final cost.

Hoteliers and hospitality companies did not earn any Input Tax Credit on the taxes they paid because central taxes like service tax could not be offset against state taxes (VAT) and vice versa.

The effect of GST on the hospitality industry is generally positive, as lower end-user prices would likely draw more consumers and visitors. The regime is also expected to boost the government's revenue. It will have a long-term positive effect, and the tax structure for end-customers and hotels will be further simplified.

² <https://www.coinmen.com/gst-impact-on-the-hospitality-industry/>

GST prices for hospitality services are as follows:

Tariff for a single night

GST Rates Under INR 1,000

Not applicable

From INR 1,000 to INR 2,500, there is a 12 percent increase.

From INR 2,500 to INR 7,500, an increase of 18% is possible.

More than INR 7,500 at a 28 percent discount.

GST Benefits for the Hospitality Industry:

Complication free for customers:

In the previous regime, customers were unable to grasp the correct tax order. Additionally, common people had difficulty distinguishing between VAT and an entertainment fee. Customers will have a better understanding of the tax structure and the tax they are paying if GST were to be implemented as a single tax system. They won't be confused by the various charges on the bill because they'll just see one.

Upgrade in service standards:

Have you ever had to wait at the hotel's reception desk or wander about aimlessly because the billing process was taking too long? Yes, you may have encountered this problem, but after the implementation of GST, things have become much simpler, as there is now only one tax to pay, making the check-out process much easier. It's another perk that comes with working in the hospitality industry. The removal of multiple taxes for a single bill, as well as the VAT cascading effect, would make the taxation process much easier.

Streamlined Process:

As a result of the elimination of various other taxes, there will be a decrease in the number of procedures that must be pursued, and hence the taxation process will be simplified.

Avail the benefits of Input Tax Credit:

For the hospitality industry, claiming and receiving input tax credits would be a breeze. Hotels would be able to benefit from reducing the tax charged on input when it is time to pay the

output. Prior to the introduction of GST, tax paid on cleaning supplies as well as tax paid on raw edibles could not be easily adjusted against outputs. The new GST regime, on the other hand, would be free of all of the complexities that plagued the previous taxation process.

GST's Drawbacks in the Hospitality Industry:

Lack of parity with Global Players:

Despite its entry into the global hospitality industry's records, India needs to improve its service quality to keep up with its neighbours. Tourists choose neighbouring countries like Singapore and Japan because of their low tax rates. India is a major player in the travel and hospitality industries. However, it is losing a significant number of visitors due to its high tax rates.

Increase in Technological Burden:

GST has explained in its guidelines how each industry can file their returns on time and keep track of their finances. Businesses, on the other hand, should make an effort to develop their technical skills.

Conclusion:

As GST is still in its initial stages, it puts forth various challenges. Many hospitality businesses are unable to efficiently maintain compliance and understand how to correctly pass down the input credit tax.³ The growth of India's hospitality industry has piqued the interest of people all over the world. However, there is still a lot of room for this industry to develop on a national and international scale. The hotel business is at the forefront of the hospitality industry. The Indian government is improvising things from the ground up in order to bring positive results to the hospitality sector, while also keeping in mind that every businessperson involved in this industry must thoroughly familiarise themselves with the new GST regimes and obey them in order for government plans to be carried out properly. Because of the low rate of 5%, the implementation of GST has resulted in savings for all foodies in the country; at the same time, charging a rate of 28 percent on luxury goods has benefited the government's coffers.

³ http://gstinindia.in/Impact_of_GST_on_Hospitality_Sector.aspx

Through an efficient and harmonised destination-based tax scheme, GST aims to provide a single window for all compliances. GST, which was created to help companies and customers in the hospitality industry deal with the difficulties and higher costs they face, will eventually lead to cost savings and a free flow of transactions.



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