Hospitality industry appeals to finance ministry to grant infra status

Ahead of the Union Budget 2019-20, the Federation of Hotel and Restaurant Associations of India (FHRAI) has appealed to the Finance Ministry for bringing in some major reforms with regards to direct and indirect taxes, including grant of infrastructure status, treating all Foreign Exchange as exports or deemed exports, permitting weighted deduction of 150 per cent on capital expenditure incurred under Section 35AD.

The other reforms it suggested for the growth of tourism and hospitality in the country, included two GST (Goods and Services Tax) rate options for restaurants – implementing uniform GST rate of 12 per cent with Input Tax Credit (ITC), and a composite GST with a flat five per cent rate under which restaurants will not avail ITC, and a uniform GST rate of 12 per cent for hotels across all room tariffs, among others.

A most unique recommendation by FHRAI for incentivising the domestic traveller is that of introducing a special deduction under Chapter VI-A for resident Indian citizens up to Rs 50,000 for travelling within the country. At present, the Indian tourist prefers travelling abroad owing to the erratic tax structure, leading to high room rates in the country.

“The hotel industry has regained growth over the last couple of years and is now hopeful from the Modi 2.0 government to fast track several crucial reforms and make the most of the bullish phase in hospitality sector. We request the finance ministry, under the able leadership of Nirmala Sitharaman, to introduce a special deduction under Chapter VI-A for resident Indian citizen up to Rs 50,000/- for travelling within the country,” said Gurbaxish Singh Kohli, vice-president, FHRAI, and president, Hotel and Restaurant Association of Western India (HRAWI).

Among other recommendations, FHRAI has requested the government to grant soft loans to hotels with a minimum project cost of Rs 25 crore as against the present Rs 250 crore. It has also asked that the GST on property rent be abolished for establishments to be able to remain viable.

The Federation has also pointed out that the 28 per cent GST rate applicable for room tariffs of Rs 7,500 and above is inappropriate. The tariff is tantamount to hardly $110–120 and a luxury room accommodation in this basic cost is not possible, not just in India, but anywhere in the world.

“Ever since the GST came into effect, we have been requesting for the rate categorisation of hotel tariffs to be on the basis of the transaction value instead of on the declared tariff. Hotels presently are required to levy either zero or 12 or 18 or 28 per cent GST rates based on the declared room tariffs,” said Kamlesh Barot, past president, FHRAI.“We recommend that the rate categorisation be on the basis of transaction value instead and also that a uniform rate of 12 per cent be levied with Input Tax Credit being allowed for this infrastructure industry,” he added.“We have also requested for GST exemption or a GST refund for their purchases made in India, when foreign tourists return home. Tourists will be able to claim tax refund at the airport at the departure and this will help increase the foreign exchange earnings for the country,” stated Barot.

FHRAI, along with HRAWI, have recommended a few policy reforms for the sector, which would facilitate a favourable and sustained growth for the industry.