

28% GST on luxury hotels likely to stay

The 28% GST on luxury hotels with tariffs of INR 7,500 and above is likely to stay despite the hotel industry lobbying to reduce the tax rate as the government is unlikely to amend the tax slab now. The 28% tax on luxury hotels with tariffs of INR 7,500 and above makes India one of the most taxed countries in the world for hotels but the government is of the view that the slab applies to very few hotels in the country.

It is affecting less than 10% of the hotel supply. In other hotel categories, the tax rates have been reduced by about 2-3% across states. So, hoteliers in other categories are not complaining. Unless revenue stabilises from GST (Goods and Services Tax), they are not going to make a case to reduce it. Before the general elections, it is unlikely that they will look at something contentious like reduction in the tax rates for luxury hotels.

The GST council had revised GST tax slabs in the hospitality sector in June last year. The 28% tax slab threshold, which was earlier applicable to hotels with tariffs of INR 5,000 and above, was revised to apply to hotels with tariffs of INR 7,500 and above. Hotels with tariffs between INR 2,500-7,500 are charged 18%.

According to research by consulting firm HVS, the primary GST rate of 28% on hotels would have made the star category hotels in Indian cities the most taxed in the world, surpassing those in New York, London and Paris excluding add-on levies such as municipal tax and service charge.