GST still a big worry for hotel & restaurant industry in Maharashtra

A year has passed since the government launched the Goods and Services Tax but the restaurant and hotel industry in the state continues to cite some major concerns due to the tax structure.

Hotel and Restaurant Association of Western India (HRAWI) president Dilip Datwani said, “GST initially came as a shock for the industry due to the variable tax bracket based on the hotel room tariffs. The tax rate for eating out at restaurants was declared at 18%. It was later brought down to 5%, but without Input Tax Credit. This is still a concern.” He added that non-availability of Input Tax Credit was a big issue for enterprises since they can no longer set off expenditures on capital investments and rentals that are huge, especially in big cities.

There were many grey areas that caused uncertainties. However, some of those were clarified and resolved over time by the GST Council. The high rate (28%) continues to remain a concern, as stays are expensive for both domestic and international tourists. Tourists prefer travelling to our neighbouring countries such as Sri Lanka, or even Thailand over India because these nations have lower taxes compared to what we have. For group travellers, India is not viable on account of the high GST; Tourists can stay for a longer duration in a country like Sri Lanka as against the same expenditure in India because of the high GST. One of the major issues for meetings, incentives, conferences and exhibitions (MICE) in the hotel industry has been the unavailability of Input Tax Credit benefit for the corporate sector.

The HRAWI has been requesting the government to allow enterprises to provide set off against taxes spent for business activities in different states. There was a nominal slump on account of compliances issues initially, which created confusion but that has been sorted out now. The biggest worry is losing out on tourism because of high taxes. The hospitality industry has also expressed concerns over the significant number of cancellations in the MICE segment across the country. The unavailability of IGST is discouraging many organizations from holding their events away from their home states where they are registered under GST. Many others are considering conducting their MICE activities in the neighbouring South and East Asian countries on account of both lower taxes and tax credit before exit.

Barring some companies in the business of FMCG or services, not all corporates are registered across all States in India and are reconsidering conducting their MICE related activities. A consequence of this is evident in the pattern of cancellations and the sharp drop in booking for MICE across the country.