

## **FHRAI Urges GST Rationalisation to Strengthen Tourism Competitiveness**

The Federation of Hotel & Restaurant Associations of India (FHRAI) has appealed to Union Finance Minister and GST Council Chairperson Nirmala Sitharaman to rationalise the Goods & Services Tax in the hospitality sector, stressing that such a move is vital for positioning Indian tourism as a global growth engine and aligning with the Government's Vision 2047.

Welcoming the GST reforms announced by Prime Minister Narendra Modi on Independence Day, FHRAI described tourism as one of India's strongest economic multipliers. The sector currently contributes nearly five per cent to the country's GDP and is among the largest generators of employment, particularly for youth and women. Industry estimates suggest that every rupee invested in hospitality yields ₹3.5 in output, while one direct job creates an additional 3.2 indirect jobs.

Despite this potential, FHRAI pointed out that India's GST structure makes its tourism offerings less competitive compared to Asian peers such as Thailand, Vietnam, Sri Lanka, and Malaysia, where tax rates are significantly lower. This disparity, it said, undermines affordability and weakens India's appeal to international travellers.

The association has called for a uniform GST rate of five per cent with input tax credit across all hospitality and tourism services. It has also urged the government to delink GST on food and beverage services from hotel room tariffs, which it says creates operational inefficiencies and revenue losses, and to regularise past GST payments to resolve demand notices arising from earlier ambiguities in interpretation.

“Tourism is not just about travel—it is a national growth engine with one of the highest multiplier effects in the economy,” said K. Syama Raju, President, FHRAI. “Rationalising GST is essential to make India globally competitive, affordable for travellers, and attractive for investors. With supportive policy

measures, Indian tourism can double its GDP contribution, create millions of jobs, and play a pivotal role in achieving Vision 2047.”

FHRAI reaffirmed the industry’s commitment to partnering with the government in strengthening the economy, advancing cultural diplomacy, and positioning India as a global tourism powerhouse. It added that rationalising GST would not only ease compliance and reduce costs for travellers but also unlock the full potential of Indian tourism and hospitality, accelerating the country’s path to becoming a developed economy.