

Hospitality Sector in India Stressed by High Tax Burden: IHCL MD

India's hospitality sector faces significant hurdles in achieving global competitiveness due to high taxation, according to Puneet Chhatwal, MD and CEO of Indian Hotels Company Limited (IHCL). Speaking at the CII Annual Business Summit, Chhatwal emphasised the dual impact of high taxes on both hoteliers and customers, stressing that the burden stifles margins and increases costs for consumers.

Chhatwal described the hospitality sector as one of the most heavily taxed industries, with high GST rates, excise duties, and various operational charges, even during periods of shutdown, such as the COVID-19 pandemic. This financial strain leaves limited resources for reinvestment in marketing, promotions, and creating global hospitality brands. "Without competitive tax structures, it is difficult for hoteliers to scale globally or enhance their offerings," he noted.

Despite recent advancements, such as granting infrastructure status to 50 key tourist destinations in this year's budget, Chhatwal believes more systemic changes are needed. The long-standing demand for industry status across states also remains unmet, hindering the ability of hotels to access lower utility tariffs, reduced interest rates, and streamlined regulatory approvals.

For travelers, the high tax structure translates into inflated room tariffs and service charges, making India less appealing compared to other global destinations offering competitive pricing. This dynamic affects both international tourists considering India and domestic travellers seeking affordable luxury.

Chhatwal pointed out that India has immense potential to capitalize on its burgeoning middle class, projected to add 500 million new middle-income travelers in the coming years. However, without a robust framework for tax relief and infrastructure investment, the sector may fail to tap into this aspirational market.

He also urged for greater government investment in destination promotion and marketing, as India allocates one of the lowest budgets for tourism promotion globally.

While the inclusion of infrastructure status for 50 tourist destinations in the 2025 Budget is a step forward, Chhatwal called for further action to ensure these sites receive the required push. The challenge mode partnership between the central and state governments aims to improve infrastructure at these locations, but sustained policy efforts are necessary to amplify their impact.

“India is a market of scale and aspiration,” Chhatwal remarked, urging for collaborative efforts between the government and private sector to unlock the country’s true potential in global hospitality.