FHRAI seeks GST reforms to support hospitality sector growth

The Federation of Hotel & Restaurant Associations of India (FHRAI) has submitted a detailed representation to Finance Minister Nirmala Sitharaman, urging reforms in the GST framework to support the hospitality sector. The submission focusses on three key areas: regularisation of past GST disputes, restoration of Input Tax Credit (ITC) for hotels, and delinking Food & Beverage (F&B) GST rates from room tariffs.

FHRAI highlighted that pending GST demands often arise from interpretational ambiguities rather than evasion, including discrepancies between “declared tariff” and actual transaction values. The association requested that these cases be regularised under Section 11A of the CGST Act, 2017.

Surendra Kumar Jaiswal, President, FHRAI, said, “The hospitality sector has always been a reliable partner in India’s economic growth, yet GST anomalies continue to create unnecessary strain. Regularising past dues, restoring ITC benefits, and delinking F&B GST from room tariffs are essential steps to establish a fair and transparent tax system. These reforms will not only simplify compliance but also generate higher revenues for the government and strengthen the foundations of our industry.”

The Federation also raised concerns over the reduction of GST on rooms below ₹7,500 from 12 per cent to 5 per cent, which removed ITC benefits. FHRAI argued that this disproportionately affects mid-scale hotels by increasing operational costs, and recommended restoring ITC, revising the threshold to ₹12,500, and introducing clear transitional guidelines.

Additionally, FHRAI proposed allowing all hotel-based restaurants to choose between 18 percent GST with ITC or 5 percent without ITC, independent of room tariffs. Research suggests this flexibility could boost annual GST collections by over ₹4,074 crore. The reforms aim to reduce litigation, strengthen business confidence, and promote sustainable growth in India’s hospitality sector.