

A study on GST and its effect on hotel industry

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I. Introduction

GST

Goods and service tax is an indirect tax levied at national level and it abolishes all indirect tax. It is a comprehensive tax levy on sale, manufacturing and consumption of goods and services. Regime of GST was started by VishwanathRatap Singh in 1986 during Rajiv Gandhi government but it failed to get approval in Lok Sabha. Finally GST Act was passed on 29th march 2017 and it came into force on 1st July 2017. Rules regulation and rates governed by GST council comprises all state and central finance ministers. 'One tax for entire nation'. Benefit under GST is tax on tax is removed and the cost of goods decreased. The whole concept of GST for levying tax is based on 5 slabs 0%, 5%, 12%, 18% and 28%. GST removed cascading effect (tax on tax) on the sale of goods and services which helps to decrease the cost of goods and services. Activities like retunes, refund registration response need to be done on the GST portal. This helps to speed up GST process.

3 types of GST are,

- CGST: collected by central government on intra state sale.
- SGST: collected by state government on intra state sale.
- IGST: collected by central government on interstate sale. `

Hotel industry

The concept of shelter in India is not new. 20th century is turning point for hotel industry in India and many business owners entered into the field. Hotel industry is a service oriented sector which offers many facilities/ services. On the bases of facilities provided by hotels they are categorized into different tax slabs under GST. Hotel industry is one of the growing industry in service sector. Due to the growth in tourism and travel with rising domestic and foreign tourist, hotel sector is continuously growing. The Indian hotel market worth estimated around US\$ 17 billion. Hotel industry contributes greatly to tourism and around 7.5% of national GDP.

"GST shall be payable by taxable person on the supply of goods and services. Taxable person is defined in section 9 of model GST law which stipulates that a person who carries on any business at any place in Indian state and who is registered or required to be registered under schedule III of the Act".

Services provided by hotel industry,

- Serving of food and liquor
- Room accommodation services
- Rent a cab
- Catering
- Laundry services
- Renting space for events, conference etc.
- Business support service
- Beauty parlour
- Club and gymnasium services
- Telecommunication like Fax, WIFI, telephone

Before GST, hotel industry was under different kinds of taxes like services tax, VAT, luxury tax and it was creating complexity in accounting. Tax rate was not uniform as they were imposed by both state and central government. But after July 1st 2017 all hotels and restaurants came under single tax system. Now entire India is subjected to impose single tax rate irrespective of where they situated.

II. Objectives

To find out the impact of GST on hotel industry.

Impact of GST On hotel sector.

- Multiple taxes is replaced by single tax, therefore lower tax rate helps in attracting more tourists in India.
- Centralised registration is compulsory in each state where they providing hotel facility on own account or through agency.
- Provision for GST audit if the total turnover is more than prescribed limit.
- Hotel and restaurant has to make appropriate policy on discount offers and policies in advance, it shall be a part of documentation.
- Every receipts/ invoice inward and outward supplies have to be uploaded in the system.
- Alcohol and electricity are out of the preview of GST. Hotel industry would not be able to avail the input credit on the two items which will have a negative impact on this sector.
- All restaurant are not eligible to charge GST on food bills only those who not registered can't charge GST.

Tax rate under GST for hotels and restaurant.

- Room accommodation: room rent less than 1000 is exempted from GST, rent from 1000 to 2500 is at 12%, rent from 2500 to 7500 at 18% and room rent more than 7500 at 28%.
- Supply of food: For non-AC restaurant 12% is levied on food bill and for AC restaurant 18% is levied on food bill.
- Supply of alcohol: All restaurant who serve alcohol is chargeable at 18% on bill regardless they are AC or non-AC restaurant.
- Rent a cab: if fuel cost is borne by service provider at 5% and fuel cost is borne by recipient at 18% is charged.
- Rent premises for event and conference 18%
- Tele communication facility 18%
- Business support services, laundry service, beauty parlour, gymnasium service, club facility charged at 18%.

III. Conclusion

Companies which focuses on food and beverages could be the biggest beneficiaries of GST within the hospitality sector. This will help the consumers and also leads to savings. After implementation of GST, it was found that the budget hotels are the most benefitted. The hotels falling under 18-28% GST slab bears the adverse effects of GST. The solution for this is to reduce the "ARR-Average Room Rates". The travellers look for budget hotels as they provide cheaper accommodation. GST includes a uniform tax structure and through this all the states have their own taxes. Before the restaurant industry was burdened with multiple taxation. Now this duality of tax is removed. It also helps in improving the financial management. Hopefully, GST will remove the problems faced by the hotel sector leading to cost optimization and free flow of transactions.

IV. Reference

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