

**AN ANALYTICAL STUDY OF IMPACT OF GOODS AND SERVICE TAX (GST) ON HOTEL INDUSTRY IN INDIA WITH REFERENCE TO MAHARASHTRA STATE****Mr. Subhasis S. Pal<sup>1</sup>**

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**ABSTRACT**

*Athithi devo bhavha" (Guest is God) has been one of the central tenets of Indian culture since times immemorial. Ameliorate the moment, hospitality sector (which includes tourism also) is one of the fastest growing sectors in India and grew at the rate of 8 per cent between 2007 and 2016. The smash in trip and tourism has led to the farther development of hospitality assiduity. Accordingly the hospitality assiduity is expanding encyclopedically and promoting its growth in a changing multilateral terrain. Hospices contribute to the affair of goods and related services which make the well-being of their nations and communities. India is world's most seductive tourism spot. India has different societies among which have kinds of food. Attracted by these kinds of foods domestic and transnational excursionists aspire to visit.*



*In order to make use of this magnet of the public and transnational excursionists, and also streamline the duty system, Government of India initiated the Goods and Services Tax bill in the Parliament on 1st July 2017. This preface of GST affected the different levies levied by the State governments of the respecters' sightseer places. To study whether the GST system has increased or dropped the burden on hostel superintendence's as well as the excursionists, the present study has been taken up.*

**KEYWORDS:** Goods and Service Tax, Impact, Hotels, Contribute, Tourist, Development.**INTRODUCTION**

Goods and Services Tax (GST) is an indirect tax levied at national level and it nullifies all indirect taxes. It is a comprehensive tax levied on sale, manufacturing and consumption of goods and services. Regime of GST was started by Vishwanath Prathap Singh in 1986 during Rajiv Gandhi government but it failed to get approval in the Lok Sabha. Finally GST Act was passed on 29<sup>th</sup> March 2017 and it came into force on 1<sup>st</sup> July 2017. Rules, regulation and rates governed by GST council comprise all state and central finance ministries.

**"One tax for entire nation"**: A good advantage of GST is that duty on duty is removed and the cost of goods dropped. The whole conception of GST for levying duty is grounded on 5 crossbeams 0, 5, 12, 18

and 28. GST removed the slinging effect (duty on duty) on the trade of goods and services which helps to drop the cost of goods and services. Conditioning like returns, refund enrollment response need to be done on the GST gate. This helps to speed up GST process. The 3 types of GST are, CGST collected by central government on intra-state trade. SGST collected by state government on intra state trade and IGST.

The hostel assiduity spends a lot of plutocrat on construction and addition workshop. They've to move with the times in order to remain competitive and to attract further and further guests. The plutocrat paid as levies on the construction conditioning cannot be used as input credit to set off the levies paid on the services offered by the hospices and cuffs.

The R&D cess which is applicable on specialized know- style freights and ballot agreements in the assiduity is likely to come a part and parcel of GST. The eatery assiduity has been burdened with high and multiple taxations. Still, it's felt that liquor should be included in GST. Exempting it defeats the veritably purpose of bringing in a invariant single duty structure. This allows the countries to have their own levies without a cap with separate account conditions and results in double compliance for the eatery/ hostel assiduity. This is neither salutary for 'Ease of doing business' nor for the guests.

"Everybody likes connection of levies as it leads to lesser translucency and will help guests and buyers understand the overall costs. We drink the development," said Raj Rana, CEO, South Asia, for hostel group Carlson Rezidor." Some countries have luxury duty and that impacts room rates. However, also the duty structures too need to be competitive, If India aspires to be competitive." Editorialized Rashi.

## REVIEW OF LITERATURE

A few main reviews of literature on the impact of goods and service tax in India on hotel industry are follows:

**Faizanbhai (2019)**, in his paper entitled " Impact of GST on colorful aspects of eatery and hostel business in Ananad and Nadiad District at Gujarat state ", concluded that hostel and eatery profit remains constant indeed after the perpetration of GST. There's a neutral impact on compliance cost, and negative impact on budget and fiscal position and demand of working capital for hostel business he felt.

**Nitin Kumar (2020)**, made a study on the "guests Perception towards Goods and service duty (GST) in Jind region of Haryana". He set up that good understanding among guests is important as it can induce a positive perception towards the taxation policy. So the experimenter suggested that the Government has to put in further sweats to insure that consumers have a clear understanding and can develop a positive perception towards GST, leading to its acceptance.

## OBJECTIVES OF THE STUDY

The main objectives set for the present study on the impact on goods and services tax on hotel industry in India are follows:

1. To analyze the impact of GST on the pricing of Hotel room tariffs.
2. To examine the impact of GST on restaurant food bills.
3. To examine the impact of GST on Hotel and restaurant owner's purchase bills and
4. To analyze the pre and post GST Mechanism of restaurants and Food service businesses in India.

## Data Source

The data is based on secondary data collected from various reference books, National & International Journals, government reports and websites which focused on the various aspects of Goods and Services tax on hotel industry in India.

## Impact of GST on the Pricing of Hotel Room Tariffs in India

Regarding the impact of Goods and Service Tax on the Pricing of Hotel Room Tariffs in India, the prevailing GST Rates on Hotels Room Tariffs are presented in the following table 1.

**Table 1: GST Rates on Hotels Room Tariffs**

S. No	Tariff Per Night	GST Rates
1	Less Than Rs.1000	No Tax (0%)
2	Between Rs.1000- Rs.2499	12%
3	Between Rs. 2500-Rs.7499	18%
4	More Than Rs.7500	28%

Source: [www.gstcouncil.gov.in](http://www.gstcouncil.gov.in)

The above table 1 shows that the Under the GST regime, hotels and the restaurants are charged separately. Hotels will be charged with different rates depending on the value of tariff they are going to charge per night. Hotels with tariff less than Rs.1000 will not charge any GST. But hotels with more than Rs.1000 tariff and less than Rs.2500 per night are subject to charge GST at 12%. Hotels having tariffs between Rs.2500 and Rs. 7500 per night are subject to charge GST at 18%. Whereas five-star category hotels with tariffs more than Rs. 7500 per night are liable to charge GST at 28%.

### Impact of GST on Food Services & Restaurant Business in India

GST will subsume the service tax and VAT into one single rate, but catering bills are expected to include service charges along with GST. Detailed GST rates applicable to different types of Restaurants are shown in Table 2.

**Table 2: GST Rates on Eating Out**

Restaurant Type	Service Tax	VAT	Serving/ Not Serving Alcohol	GST Rate
Non -Air Conditioned	6% (60% Abatement, pay only 40%)	14.50%	Not Serving Alcohol	5%
Air Conditioned			Not Serving Alcohol	5%
Partly AC & Partly Non-AC			Serving Alcohol	5%
5 Star Restaurant			Not Servicing Alcohol	5%
			Serving Alcohol	5%
			Not Servicing Alcohol	5%
			Serving Alcohol	5%
			All	5%

Source: [www.gstcouncil.gov.in](http://www.gstcouncil.gov.in)

The GST council has introduced rates applicable for various types of restaurants. Eating at a Non-AC restaurant not serving alcohol will be charged at 5% GST. Apart from it all restaurants, whether it be partly Air conditioned and partly non-Air conditioned, serving alcohol or not, completely Air conditioned, serving alcohol or not, including eating at luxury and five-star hotels will be charged GST at 5%. Food Truck businesses will not be affected by the implementation of the GST. Therefore, it is expected that such caterers will grow drastically in the near future.

### Impact of GST on Restaurant owner's Purchase Bills in India

Details of the impact of Goods and Service Tax on restaurant owner's purchase bills in India are presented in table 3.

**Table 3: Impact of GST on Restaurant Owner's Purchase bill**

S. No	Particulars	Billing under VAT Regime	Billing under GST Regime
1	Wheat	1200	1200
2	Spices	400	400
3	Oil	200	200
4	Total	1800	1800
5	Vat @ 5%	90	-
6	GST @ 5%	-	90

Source: [www.gstcouncil.gov.in](http://www.gstcouncil.gov.in)

From the above table 3 it is clear that under the VAT regime the Restaurant Owners were paying more tax to the authorities as compared to the GST regime. Thus, GST has helped enhancing their working capital.

#### **Tax liability on Restaurants under GST regime**

- Schedule II u/s 7 of CGST Act incorporates activities to be treated as supply of goods or supply of services.
- As per clause 6(b) of Schedule II, Restaurant services are specified as composite supply and have been defined as follows: - "Supply by way of or as part of any service or in any other manner whatsoever, of goods, be it food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption), where such supply or service is for cash, deferred payment or other valuable consideration".
- As per clause 6(b) of Schedule II, tax under GST regime will be leviable as supply of services, not as supply of goods at 18% on transaction value i.e., the consideration paid or payable.
- No tax will be payable on the goods supplied by the Restaurants to the customers as Restaurant services have been specified as composite service.
- The supplier of Restaurant services will be entitled to input tax rebate on the inputs, capital goods and input services used by them in the course or furtherance of business.
- As such Restaurant service supplier shall pay tax at 18% on supply of services in place of 5% which was being paid under VAT regime.

#### **Taxability on Mandap keeper services etc under GST in India**

- Mandap keeper, Hotels and convention Services, etc., as mentioned above are proposed to be taxable at 18% under GST.
- There is abatement on these services under Services Tax Law which may not be available under GST as these services will not be taxable separately under any state law.
- There will not be overlapping of taxation as present state taxation laws have been subsumed in GST.
- There will be availability of Input Tax Credit of taxes paid on supply of Inputs and Input Services.

#### **Pre-GST Mechanism of Restaurants and Food Service businesses**

Before the implementation of GST, Value Added Tax (VAT) system was applied in all the sectors of the economy. Value Added Tax (VAT) is levied on things that are sold-out in an improved form, where value is added to an item before it is sold-out. One has to pay VAT on product and services at varied stages of their production, distribution and sale. In restaurants, VAT isn't indictable on pre-packaged things like drinkable, bottled alcohol and food. However, it is applicable on food and drinks prepared within the restaurant kitchens. VAT varies from state to state, and even inside the states. It differs based on the sort of product. It could be anywhere between 5 and 20.

- VAT is leviable at 5% on cooked foods and snacks provided by a restaurant.
- VAT is leviable at 20% on Cold drinks and at 14% on alternative non-food items.
- Entry Tax is additionally payable at 1% on staple and incidental products utilized in the manufacture of cooked food.
- Luxury Tax is additionally payable by out of doors caterers' at 10% under LEAT Act with the sale price being deducted on that tax which is vulnerable to be duly submitted under MPVAT Act. In this context hospitals and academic institutions are exempted.
- Under MP VAT Act tax on sale of alcoholic liquor to customers is levied at 5%.

### Post-GST Mechanism of Restaurants and Food Service businesses

This new tax regime divides the product into 5 categories, those that are excluded from tax, 0%, 5%, 12%, 18% and 28%. Dining at a restaurant was much simpler prior to GST enrolment. There one could get his food pay the bill and leave. Earlier one had to pay 3 further charges: the service charge, Service tax and value added tax (VAT). However, lack of data regarding GST has given a chance for restaurant owners to dupe any customers by making them pay extra. To lead on smarter front here's what customers ought to understand.

Firstly, the charge collected as service charge isn't a tax. The restaurants do not levy service charge by government order, they conduct it on their own. However, if customer don't wish to pay, they don't need to. It's utterly customer's decision whether or not they wish to pay the charge or not. If restaurants force a customer to pay service charge it is susceptible for being sued in a consumer court. On the tax front, one has got to pay two taxes: service tax and value added tax. GST has subsumed both of these taxes and replaced them. For eating in Non-AC restaurant, a tax of 12% is to be paid. This 12% comprises 6% as Central GST and 6% State GST. Local delivery restaurants have to collect the same rates. However, if one in an AC restaurant, irrespective of the fact that alcohol is served or not, a total of 18% of the tax is to be paid.<sup>4</sup>

### CONCLUSION

Under the GST governance, both guests as well as eatery possessors have reason to express joy. Guests may be pleased about the reduction in the quantum of payments they will be paying now in order to please their taste buds. On the other hand, hostel and eatery possessors can celebrate because they can now claim input duty credits fluently. But hospices with room tariff per night exceeding Rs. 7500 will surely feel the pain of GST as they may see fall in the number of excursionists standing into their property, since they will have to pay the GST at 28 which they suppose is veritably high.

The eatery assiduity has been burdened with high and multiple taxations. Still, liquor should be included in GST. Exempting it defeats the veritably purpose of bringing in an invariant single duty structure. This allows the countries to have their own levies without a cap with separate account conditions and may affect in double compliance for the eatery/ hostel assiduity. This is neither salutary for 'Ease of doing business' nor for the guests." Everybody likes connection of levies as it leads to lesser translucency and will help guests and buyers understand the overall costs. Overall, GST should be positive for the sector assuming that the multifariousness of levies will go down in food and potables.

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