

Effect of GST in Hotel Industry (Nagpur)

Akshay R. Rakhunde,^[1] Dr. Priti Rai^[2]

MBA student Department of Management Studies, G.H. Raisoni College of Engineering,

Assistant Professor, Department of Management Studies, G.H. Raisoni College of Engineering,

Abstract

India is world most attractive tourism spot. India have many states. India have different cultures of every states and have various variety in the food. Due to this domestic and international tourist are going to the India's various states for enjoyment. However, Indian government cannot be do much effort to attract the tourist and grow the tourism. Due to that burden of taxes can remove, government of India established new taxation condition, that is good and service tax (GST). In 1 July 2017 government of India can pass the bill in parliament of India to establish the GST. In India every states have their own law for tax conditions. But because of GST, various taxes of the states government will be finished. That taxes is burden for the people, however, because of GST the inflation in the price of tourism will be studied. In that study we can observed truism will be increase or decrees after GST in reality and numbers.

Introduction

India is independent in 1947, after that GST is the biggest tax revolution in Indian history. In India have various taxes collected by government in that have state government and central government tax that will be applied by the indirectly, GST is the very simple way of taxation than previous taxation procedure.

Aiming a unified domestic market, GST will be easiest way in all point to apply for the income in any sector. So, it is a value added tax and the income from the GST will be the distributed to that states from where it's come, GST will be distributed in 2 way 1st is central government (CGST) and 2nd is state government (SGST) and that both will be applied in every sector, hotel industry also. The Indian GST have various slabs that is 0%, 5%, 12%, 18%, and 28%. There are special slab for special product like gold have 3% GST and 0.25% GST for very rare stones like diamond. Opposite that various big tax also available for unhealthy products like tobacco, that is 28%, luxurious and carbonated drink also include that. Replacing the entire indirect tax system comprising or remove tax like custom duty, VAT, service Tax, surcharges, etc. and cases, State level VAT and other local levies, the GST will make "One India" having competitiveness and an investment environment.(GST India, 2017). GST will be very good for the people and very effective system with a wider tax base, lowertax rates, rationalized tax structure and simplified compliance procedures.

GST Rates applicable to Hotels

On July 1st 2017, when the GST was first introduced in the country, the rates prescribed for hotels were 12% on non a/c restaurants and

18% on a/c restaurants. Lodgings and hotels having tax under 1000 INR will be burdened at 5%, while those between 1000-2500 will be charged at 12%. Lodgings between 2500-5000 will be charged at 18%, and inns having levy over 5000 will be viewed as lavish inns and charged at 28%. These rates were met much criticism from all stakeholders connected with the hotel and restaurants sector. Riyaz Amlani, president of NRAI (National Restaurant Association of India) stated that heavy taxation and regulations would result in the leakage in revenues and that restaurants and hotels should be given force as they give a great deal of employments and are basic for the travel industry to develop. The clamor for revision of rates in the hotels was finally considered by the GST council amidst mounting criticism and protests from different strata of the society. In 10th November 2017 have GST council meeting, in that meeting decide to reduce the tax slab to beneficial of tourist. The new rates which came into effect from 15th November 2017 stated that hotel have mess, canteen or etc, that hotels pay the 5% GST to the government. In that must not have an attached residents 5% GST will be divided in central and state government same amount that is 2.5% and 2.5%. If there should arise an occurrence of an eatery, wreckage, container or eating joint connected to an inn, private or cabin office, the GST rate will be applied according to the loading facility, Just like if the rate of one rooms is more than 7500RS then it will be pay 18% GST. In the event that the proclaimed duty for every one of the rooms in the cabin office's under Rs.7500 for 24hrs, the GST slab relevant for the eating place is 5%.

Hotel industry

To the business purpose it's give the quarters, office, and rooms for the arrange individual for social, business or enjoyment purpose. It gives separately impermanent cabin, settlement within and without plans for greater, other arranged nourishment and freshness in mind. (Directorate of Economics and Statistics). Increase the business in any place to hotel industry is the base of increase the monetary advancement of that area, particularly the mechanical improvement and improvement in terms of vacationer action. Tourism creates the more job in the India and major factor of foreign exchange for the hotel and trip industry. To hotel tour industry to develop on solid lines and to make very good progress. The only of settlement accessible and the main facility should be provide to the costumer. In that facility have various ranges that will be provided as per amount decided. Hotels are very much important in tourism, it play very important role.

The idea of sanctuary in India isn't new. 20th century is turning point for hotel industry in India and many business owners entered into the field. Lodging industry is an administration situated segment which offers numerous offices/administrations. On the bases of facilities provided by hotels they are categorized into different tax slabs under GST. Hotel industry is play very important in service sector. Because of rising in tourism and travel with improving the level of domestic and foreign tourist, hotel sector is continuously growing. The Indian lodging market worth evaluated around US\$ 17 billion. Lodging industry contributes significantly to the travel industry and around 7.5% of national GDP. "GST must be pay that person who

involve in goods and service supply. Assessable individual is characterized in segment 9 of model GST law which stipulates that an individual who continues any business at wherever in Indian state and who is enrolled or required to be enlisted under calendar 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 parlor
- 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. In any case, after July 1st 2017 all lodgings and eateries went under single expense framework. Presently whole India is exposed to force single assessment rate regardless of where they arranged.

Impact of GST On hotel sector.

- Multiple taxes is replaced by single tax, therefore lower tax rate helps in attracting more tourists in India.

- Centralized 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 investor of inner and outsider must be connect with system.
- Lodging industry would not have the option to profit the information credit on the two things which will negatively affect this segment.
- 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.
- 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 parlor, gymnasium service, club facility charged at 18%.

Objective

- Research on good and bad effect on hotels after GST.
- Analysing the problem faced by the hotels sector on the GST implementation in Nagpur city.

- To study the behavioral change in hotel industry after GST.
- Evaluate the effect in pre and post GST impacts on Hotel and Hospitality industries in India.
- To discuss positive and negative impact of GST on Hotel sector.

Research Methodology

Source of Data	Primary and Secondary
Sample size	100
Study Area	Nagpur
Sample Techniques	Convenience
Respondents	People related to hotel industry
Statistical tools	Percentage Analysis

3 Star Hotel Topics	Favour in GST	Against GST	Neutral
GST is effective	60%	30%	10%
Easy to understand	50%	30%	20%
Customer increase after GST	40%	20%	40%
Taxation condition	60%	40%	0%
Rate of hotel rooms	80%	10%	10%
Profit margin	60%	40%	0%
Rate of food in hotel	40%	50%	10%
Customer reaction	70%	20%	10%
4 Star Hotel Topics	Favour in GST	Against GST	Neutral
GST is effective	60%	40%	0%
Easy to understand	50%	40%	10%
Customer increase after GST	40%	40%	20%
Taxation condition	60%	30%	10%
Rate of hotel rooms	80%	10%	10%
Profit margin	50%	30%	20%
Rate of food in hotel	70%	20%	10%
Customer reaction	80%	20%	0%
5 Star Hotel Topics	Favour in GST	Against GST	Neutral
GST is effective	60%	40%	0%
Easy to understand	50%	40%	10%
Customer increase after GST	60%	20%	20%
Taxation condition	70%	20%	10%

Rate of hotel rooms	30%	60%	10%
Profit margin	70%	20%	10%
Rate of food in hotel	30%	60%	10%
Customer reaction	60%	30%	10%

Research base on Nagpur hotels

LITERATURE REVIEW

Renuka R (2018) the tour package both Indian domestic and international is rise in some amount because of GST, it will be increased by 4.5% to 5%, but the impact of the increment will be not seen after implementation, this is the best reply to the consumer by showing the extremely advantages against the service tax which saw a doubling of the rate from 4.5% to 9%.The visitors and hospitality sector in India rapidly increasing, it will be US\$ 280.5 billion by 2026, and in the starting phase of GST establishment is very tension creating time because of that is very harmful to the growth.In any case, it stays to be seen whether the cons exceed the masters for this segment.

Aswathy Krishna (2018) Studied GST includes a uniform tax structure and through this all the states have their own taxes before the eatery business was loaded with various tax collection. Now this duality of tax is removed. It also helps in improving the financial management. Hopefully, GST will help to solve the problem about money transaction and help the hotel industry for continuous work.

Ann Abraham (2019) The Goods and Service tax system was introduced in India to remove the defects the indirect tax system and to have a one market in the nation. The introduction of GST rates in hotels was initially met with resistance from the hoteliers. However after the revised rates was implemented Nov 15, 2017, majority of the hoteliers have expressed faith in the system. Even though the majority of hotels have incurred additional costs in transitioning towards the new system, it is expected that in the long

run GST will prove beneficial and make the fantasy of "One Nation One Tax" materialize.

Conclusion

In India good and service tax is establish to remove the defects in the indirect tax system and to have a one market across the nation. The introduction of GST rates in hotels was initially met with resistance from the hoteliers. However after the revised rates was implemented in Nov 15, 2017, majority of the hoteliers have expressed faith in the system. We can research in 3 star, 4 star, 5 star hotel in Nagpur and understand the effect of GST in hotel industry, 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 is help to minimize the problem for hotel community leading to cost optimization and free flow of transactions. The maximum hoteliers in Nagpur is supporting GST.

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