

Impact on Tourism and Hospitality Industry Growth and Development: Post Implementation of GST in India

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Abstract – The tourism and hospitality industries are growing and developing sectors in India. In the previous regime, these industries are plagued by three taxes as service tax, luxury tax and VAT. VAT and Luxury tax was levied by States and Service tax by the Center government. To overcome this taxation burden, the Central Government has decided to make one tax policy i.e. Goods and Services Tax (GST). It is a biggest tax reform since 1947 in Indian Tax System on the supply of goods and services. The main purpose of GST is to compile all different taxes and levied a uniform and standardized tax rates which helps in growth and better utilization of inputs. This paper is through light on the growth and development by implementation of GST on tourism and hospitality industries in India. It has analyzed the positive impact on economy and overseas tourists who are more attracted than before. There is a boom in tourism and hospitality industries which contributes to growth and development in Indian economy.

Keywords: GST, VAT, Service Tax, Luxury Tax, Tourism and Hospitality Industry

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INTRODUCTION

The GST came in force from 1st July 2017 in India. It is implemented on goods and services based upon “destination principle” where actual consumption takes place. On the basis of current tax structure, there is a lot of scope for business person to overlapping or doubling the taxation at every step of sale or purchase of goods and services. This one unified tax rate GST helps to eliminate this fraud instead of charging different taxes at different steps. This industry was involved in three taxes as Service Tax, Luxury Tax and VAT which combined into one unified tax.

Now, Indian Govt. is opting unified system of GST as Central Goods and Service Tax (CGST) and State Goods and Service Tax (SGST). Previously the VAT rate varied from state to state between 12 to 14.5 percent. When the VAT, service tax and luxury tax are compiled together then the total impact goes up and lies between 20 to 27 percent.

This tourism and hospitality industry has highly influenced the economy, environment as well as society at national and international level. It has major contribution towards GDP and now after the implementation of GST, this industry has highly affected in its growth and development. By growth of this industry, their standards are gone high to meet the customers' expectations.

NEED OF THE STUDY

Due to the application of new tax structure GST in Indian economy on 1 July 2017 and makes many changes in tax slabs for purchase and sale of goods and services. The three tier tax rate structure has combined and makes a one unified tax for economic growth and development. This study will help to understand the gap between before and after implementation of GST in tourism and hospitality industry.

REVIEW OF LITERATURE

Kaur and Sharma (2012) described the importance of tourism in balance of payments, GDP and employment. This study presented the foreign tourists arrival in India grown rapidly which affected the growth and development of the nation. And found that 5 million annual foreign tourists and more than 740 million domestic tourists visited in previous years. Dayananda K. C. (2014) described that nation contributes large proportion of national income and employment opportunities for tourism growth and development due to expansion and diversification of this sector. Kour et al. (2016) described various tax rates as 0%, 5%, 12%, 18% and 28% applied under GST. But only 0.25% rate is levied on rough precious and semi-precious stones items and 3% on gold.

Leemput and Wienczek (2017) discussed in paper that fourteen indirect central and state taxes finally emerge as a multi-tiered tax structure and the rates are 5%, 12%, 18% and 28% but on food grains, cereals and vegetables has levied zero tax rate under GST. Wahab (2017) explained in study that IT brought changes in travel and tourism scenario. It made travel easier and bridging gap between customer and seller by providing correct information on time at anyplace which boosted GDP and development of this sector.

RESEARCH METHODOLOGY

Objective of the study

- To study the growth and development by application of GST on Tourism and Hospitality industry.

ANALYSIS AND RESULTS

With the assigning of GST rates on tourism, hotels and hospitality industry one major advantage is that it mitigates the multiple taxation system by subsuming all taxes into one single tax structure. It helps in growth and development of the nation by ease of doing business with new provisions of tax structure and flexible criteria.

Table: 1

GST Rates for Hospitality Industry

Classification	GST Rate (%)
Non Air- Conditioned Eatery	12
Air- Conditioned Eatery	18
Eatery with Liquor License	18
Hotels with Room Rental less than Rs. 1000 per day	0
Hotels with Room Rental between Rs. 1000 and Rs. 2500	12
Hotels with Room Rental between Rs. 2500 and Rs. 5000	18
Hotels with Room Rental above Rs. 5000	28

Source: EY, GST Council, Secondary Data

As the table has shown the GST rates imposed on Hospitality industry. The GST rates on non-air-conditioned eatery has levied by 12 percent, air-conditioned eatery has imposed by 18 percent and eatery with liquor license has applied by 18 percent in any hotel at national level.

As per the previous regime, a hotel with room tariffs more than Rs. 1000 was liable to pay 15 percent service tax but now by uniform GST people with room less than Rs.1000 then not liable to pay any service tax but at room tariffs Rs.1000 to Rs. 2500 liable to pay 12 percent, at room tariffs Rs. 2500 to Rs. 5000 liable to pay 18 percent and at room tariffs above Rs 5000 liable to pay 28 percent tax in anywhere in India. This new tax policy helps to the customers and businessman of this industry in making budgets.

CONCLUSION

At the end concluded that there is a change in prices of goods and services are moved downward in tourism and hospitality domain. Now there is no VAT, Luxury and service tax imposed on the avail of services in this industry. Only one standardized tax GST has applicable with different rates 12 percent, 18 percent and 28 percent in India.

Now the India is, "One nation, one tax and one market".

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