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GST and Tourism Sector in India

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Abstract:
India is one of the hot tourist destinations in the world. It is so due to variety of tourist attractions and delicious food. Due to this, domestic as well as international inbound tourists' movement is worth mentioning. However, it also can be mentioned that, India is not trying hard to attract and excel the tourists, to its potential. Indian tourism sector is one of the industries, where, multiple taxes are livid. The sector was expecting some relief in the new tax regime of Goods and Services Tax (GST). But, apparently, it can be perceived that, instead of providing relief, it has made worst. However academicians do believe that, inflation in the price of tourism, would be a temporary phenomena, in the longer run, the prices would go down, and GST would be beneficial to the sector. Present article, is a attempt to put forth, both the perceptions with facts and figures.
Keywords: GST, Tourism Sector, Tourist, Hospitality Industry.

Introduction:
Indian Tourism sector is one of the great contributors to the economy. Tourism in India is very much useful due to various reasons such as employment creation, great contributor to national income, bringing in the foreign exchange etc. Moreover, its multiplier impact gives impetus to overall economy. Hence, ideally, Indian policy makers should make all sorts of efforts to boost this sector, by providing conducive environment in terms of infrastructure such as good roads, friendly taxation policy, safety and security of tourists in general and foreign female tourists in particular. However, in reality, it can be seen that, various taxes are imposed on this sector at various stages. It creates hurdles in growth of this sector. In order to get relief, especially in taxation, the entire industry was expecting lower slabs of Goods and Services Tax (GST). But in reality GST has been levied in the bracket of 5% to 28%. Majority stake holders of the industry are unhappy about it and fear that, such rate may halt the growth of the sector. An academician echoes in other way and positively say that, negative impact of such rate would be in the shorter run, but the scenario may change in the longer run.

Objectives:

- To study, an overview of Indian Tourist Sector.
- To study the GST provisions in relation to tourism sector.
- To study the positive and negative impact of GST on tourism sector.

Research Methodology:
Since, the present paper is a descriptive one, secondary data has been used. Various national English news papers such as – The Hindu, The Times of India, and various websites providing details about GST and Tourism, has been used for this purpose.

An Overview of Tourism Sector in India:

Indian is one of the fastest tourism growing industry in the world, 6.4% contributing to the Gross National Product (GNP). In 2011, 26 million peoples got employment in tourism sector, and In 2018, 42.7 million peoples got employment in tourism sector and 8.1% employment contribution of tourism sector in India, Considering such importance, the central as well as state governments are aiming at positioning tourism as a major engine of economic growth. In order to accelerate the growth of tourism, the Ministry of Tourism grants recognition to travel agents, tour operators, tour agents etc. As a result of efforts at governmental and private level, both domestic and foreign tourists are ever increasing. About 10 million foreign tourists arrived in India in the year 2017. The tourists' turnover counted to 80.27 lakh in 2015, recording a growth of 10.70%. Due to such growth, foreign exchange earnings from tourism during January - December – 2016 were Rs. 1,55,650/- core, with a growth of 15.1% as compared Rs. 1,35,193/- . According to the report of "The travel and tourism competativance report 2019" India has got 34th rank out of 140 countries in the world. In the period 2016 to 2019. The travel and tourism industry in India contributed around 247 billion U.S. dollars to the India's GDp is as follows:

Year	Total Contribution in Billion US Dollars
2016	219.72
2017	232.01
2018	247.37
2019	268.29

Taxation and Tourism in India:

Tourism is not a single product which can be displayed in a crystal way, in isolation. It's a combination of various segments, such as – transport, tourists' attractions, accommodation and food etc. A tourist enjoys all of these or any one or any combination, as per his willingness and affordability. Various governmental agencies such as pollution board, local self government, state government and central government etc. levy taxes on various tourism products at multiple level, resulting – tax on tax.

Various types of taxes such Value Added Tax (VAT), Custom and Excise and other such taxes are levied on room rentals, restaurant services, banquet services etc. Considering the multiple incidences of taxation, the overall taxation for this sector use reach in the range of 20% to 27%, it is considered to be very high. More than tax rates, the pattern and method of charging taxes differ from state to state, leading to lot of confusion and complexity in handling it.

GST and Tourism Sector in India:

As per Central Goods and Services Taxes Law (CGST Law), tourism sector is considered under 'supply' category. Due to it, certain terms such as Location of the Supplier, Location of Recipient, place of Supply etc., becomes important to understand. Following key terms play a Vital Role in Applicability of GST to Tourism Sector:

1. **Location of Supplier of Services:**

   As per Section 2(71) of CGST Law, 'location of the supplier of services' means, -

   (a) where a supply is made from a place of business for which the registration has been obtained, the location of such place of business;

   (b) where a supply is made from a place other than the place of business for which registration has been obtained (a fixed establishment elsewhere), the location of such fixed establishment;

(c) where a supply is made from more than one establishment, whether the place of business or fixed establishment, the location of the establishment most directly concerned with the provisions of the supply; and

(d) in absence of such places, the location of the usual place of residence of the supplier.

2. **Location of Recipient of Services:**
As per Section 2(70) of CGST Law, 'location of the recipient of services' means, -
(a) where a supply is received at a place of business for which the registration has been obtained, the location of such place of business;
(b) where a supply is received at a place other than the place of business for which registration has been obtained (a fixed establishment elsewhere), the location of such fixed establishment;
(c) where a supply is received at more than one establishment, whether the place of business or fixed establishment, the location of the establishment most directly concerned with the receipt of the supply; and
(d) in absence of such places, the location of the usual place of residence of the recipient.

3. **Place of Supply:**
As per Section 2(86) of CGST Law, 'place of supply' means, - Place of supply as referred to in Chapter V of the Integrated Goods and Services Tax Act.

4. **Mixed Supply:**
As per Section 2(74) of CGST Law, 'mixed supply' means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply.

5. **Composite Supply:**
As per Section 2(30) of CGST Law, 'composite supply; means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply.
Also the key factors in GST is ease of availing input tax credit and therefore it is necessary to understand definition of Input Tax, input, Input Service and Capital Goods to understand allow ability of various taxes paid on inward supplies.

6. **Input Tax**
As per Section 2(62) of CGST Law, 'input tax' in relation to a registered person, means the central tax, State tax, integrated tax or Union territory tax charged on any supply of goods or services or both made to him and includes-
(a) the integrated goods and services tax charged on import of goods;
(b) the tax payable under the provisions of sub-sections (3) and (4) of section 9;
(c) the tax payable under the provisions of sub-sections (3) and (4) of section 5 of the Integrated Goods and Services Tax Act;
(d) the tax payable under the provisions of sub-sections (3) and (4) of section 9 of the respective State Goods and Services Tax Act; or
(e) the tax payable under the provisions of sub-sections (3) and (4) of section 7 of the Union Territory Goods and Services Tax Act
But it does not include the tax paid under the composition levy;

Input As per Section 2(59) of CGST Law, 'input' means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business.

7. **Input Service:**

As per Section 2(60) of CGST Law, 'input service' means any service used or intended to be used by a supplier in the course or furtherance of business.

8. **Capital Goods:**

As per Section 2(19) of CGST Law, 'capital goods' means goods, the value of which is capitalized in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business.

The rates are expected to be in the range of rates prescribed for the purpose i.e. 0%, 5%, 12%, 18% and 28%. Apart from tax, maximum Chess up to 12% can be imposed on certain specified luxuries and Sin Goods. So, on removal of exemption and present abatements, GST will increase the tax amount but at the same time because availability of all input credit seamlessly and on existence of Anti Profiteering Measure, taxable value of service may be reduced and benefit of the same shall have be passed on to the consumers. In case of Business to Business (B2B) transactions, credit of the said tax paid shall be available to business units if these services are used in the course or for furtherance of business. Since the definitions of Input, Capital Goods and Input Services under GST are simplified, it enhances scope of Input tax Credit and will result into substantial saving of tax credit in terms of Capital investment and Inputs which was not available earlier regime. Accordingly, many registered persons shall be able to claim credit of their tax payments on infrastructure development except those in respect of which input tax credit is specifically not allowable. Since existing assesses will also be eligible to take credit of their capital goods on hand as shown in their books of accounts for which documents like invoices are available as per Rule 5 of Input Tax Credit Rules, it will also create substantial credit on hand as on appointed date of GST and results into elimination of cascading effect on transition to GST regime.

Positive impact- Based on the above provisions, following impact can be seen on the Indian Tourism Industry

1. The multiple taxes would be replaced by one single tax, the rate of which is likely to be between 16%-18%. The sector may benefit in the form of lower tax rates which should help in attracting more tourists in India.
2. There are likely to be concerns in valuation of restaurant services in view of the industry practice of discounts/offers/policies in the form of incentives. The proposed valuation rules are different from the existing ones and as such this sector need to frame an appropriate policy for such discounts in advance making it a part of documentation. Any discount which is not known at the time of entering transaction with customer shall not get the benefit of reduction in corresponding taxes under the GST regime.
3. Service providers having centralized registration will have to get registered in each state from where they provide services. Although Government has been claiming "One Nation One Tax", practically it is not going to be so. Anyone providing services from multiple states is already enjoying "One Nation One Tax". However now that the states also have been constitutionally granted right to collect GST on services, each state would start behaving like a separate country. And if that is so a service provider catering to

customers from different states, will have to opt for registration in each such State or Union Territory.

4. The procedure for all the invoices/receipts towards inward and outward supplies will become cumbersome as each one of them will have to be uploaded in the system. The concept of credit matching under GST would be very difficult to handle and would lead to increase in working capital requirements.
5. The frequency and number of returns to be filed will go up. In place of a half yearly service tax return, under GST law, one will be required to file state wise monthly GST returns that too three in numbers - One for Outward Supply, One for Inward Supply and One final consolidated return. In addition, an annual return will also be required to be filed.
6. The e-commerce companies may have to revamp the current models, as the VAT rate arbitrage available in the current law may not be available in GST. Tax Collection at Source (TCS) provisions have been introduced on ecommerce operators in the Model GST Law though there are no provisions relating to collection of tax at source under the old regime.

Negative Impact- is as follows

1. Alcohol and electricity are out of the purview of GST net. The taxation on alcohol would be different than the single GST rate. The hotel industry consumes a lot of electricity as a prime consumable and the levy of electricity duty would also not be covered in GST. Thus, the hotel industry would not be able to avail the input credit on the two items which will have a negative impact on this sector.
2. The hotel industry spends a lot of money on construction and renovation. They have to move with the times in order to remain competitive and attract customers. The money paid as taxes Page 12 of 14 on the works contract services when supplied for construction of an immovable property is not allowed for this sector when such services are not used for further supply of works contract service. This would have a negative cascading effect despite strong promises being made by the government in this regard.
3. Immediately after the demonetization the industry had received set back but some of the operators feel that GST will have adverse impact on the tourism industry. They feel that because of the GST hotel tariffs will be increased substantially and will affect the hospitality sector. This may turn uncompetitive.

Conclusion:

GST is the biggest reform in India originated on the idea of "one nation, one marketplace, one tax" is implemented. Tourism Industry was suffering severely from multiple taxes. Almost all the industry players were eying on the GST for some relief. However, the outcome was other way round for the industry. The optimist from the industry still feels that it would be too early to react negatively. They believe that such negativity will prevail only in the short run and may change positively in the longer run, once GST gets settled in every sector in the economy. Hence it could be concluded by expecting that it really give positive impact to the industry to cheer. In short GST is the good and simple tax to boost the Indian Economy.

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