



THE GST EFFECT

The GST Council's sudden move to decrease taxes for mid-scale and upscale hotels offers a glimmer of hope and may lead to a spike in RevPAR.

The Indian government has acted on a two-year-old demand from the industry to rationalise GST with a sharp decrease in rates — from 28 per cent to 18 per cent for upscale hotels, and from 18 per cent to 12 per cent for mid-scale. Guests will now pay much lesser for their hotel stay, offering a much-needed reprieve to the tourism and hospitality industry; lower rates will encourage people to travel more. Hotels are predictably ecstatic and share prices of major hotel chains have soared after the GST cut. Here is how the industry reacted.

Nakul Anand, Chairman – FAITH and Executive Director, ITC

The news on GST rationalization comes as a big shot in the arm for the tourism industry. All 10 member bodies of FAITH have worked tirelessly to achieve this result and on behalf of FAITH, we would like to thank the government for making this happen. This move adds great spurt and momentum to the hospitality industry and creates a positive sentiment that ensures more vigour and strength to Destination India.



• Nakul Anand



• Jean-Michel Cassé

Jean-Michel Cassé, Chief Operating Officer (COO) – India & South Asia, AccorHotels

The rationalisation of the GST structure on hotel room tariffs promises to offer a major fillip to India's hospitality and tourism industries. This is a significant development and we commend India's finance minister for supporting the industry and the government's commitment to bolstering the economy and encouraging business activity. Travelling, whether for business or leisure, is essential in a growing economy and we are glad to see a more favourable taxation environment.



GST rationalisation will help the industry to compete for a greater share of foreign arrivals with our neighbouring destinations, who were outbidding India on travel deals with friendlier tax regimes." - Prashanth Rao Aroor

Prashanth Rao Aroor, Founder, MD and CEO of IntelliStay

The GST cut will not just have a positive financial implication for the industry, it will also help change the perception about it. We have been plagued by a 'legacy view' that believes 5-star hotels to be the playgrounds for the rich and the famous. This is no longer the case. HVS-Anarock's Hotel Development report in 2018 revealed that domestic brands had signed and opened more hotels than international brands. These are not sin hotels. They cater to the 100 million Indian domestic travellers market, which is a far larger market than the 2 million foreign arrivals. By enforcing 'sin level' taxes on hotels, the government was choking the consumption just when the demand had begun outpacing the new supply.

With the rationalisation of the tax, and the subsequent exhortation by the Prime Minister to Indians to explore their own country, made from the ramparts of the Red Fort this Independence Day, the government has made the necessary shift in their attitude to this core industry, which hires 10 per cent of Indians and delivers a similar 10 per cent of the GDP. GST rationalisation will also help the hospitality industry to compete for a greater share of foreign arrivals with our neighbouring destinations such as Bali, Sri Lanka and Thailand, who were outbidding Indian destinations on travel deals with friendlier tax regimes.

Minor irritations still exist, such as the one that links the hotel restaurant tax slab with room rates. However, we are positive that a united industry will be able to convince the government of smoothening out these bottlenecks. The mood is buoyant and consumption will expand; that the government is listening, is the moot point.

Sonica Malhotra, Managing Director, MBD Steigenberger Hotel

The reduction in GST rates on hotel room tariffs will stimulate the growth in the hospitality sector and make India competitive against

other internationally renowned hospitality chains. The move is also in line with the government's stated objective of turning India into a tourist hub and making it a more attractive and competitive tourist destination. We are positive this step will further enhance the ease of doing business and lower cost for the consumers since hotels will be able to pass on the benefits of the rate cut by way of lower room rates.



Prashanth Rao Aroor



Sonica Malhotra



Vivek Bhalla



Vineet Verma



Sarbendra Sarkar

Vivek Bhalla, Regional Vice President, IHG, SWA

The GST Council's decision to reduce the GST rates across segments for the hospitality industry will help improve the market's sentiment. It has come at a very good time with the advent of the festive and holiday season.

Vineet Verma, CEO and Executive Director, Brigade Hospitality Services Limited has

The reduction in GST rates, applicable to hotels is bound to provide the much-needed impetus to the hospitality and tourism sectors. Companies that work on contracted or RFP rates and individual travellers, including tourists who pay from their own pockets, are bound to welcome the move. The proposal to reduce GST on outdoor catering by hotels, from the present 18 per cent to 5 per cent is commendable, though I do wish the benefit of ITC had been retained.

Sarbendra Sarkar, Founder & MD, Cynnett Hotels & Resorts

Any move that helps travellers to gain more out of their dispensable budget is welcome; it will lure them to travel more. Moreover, it will also help the industry receive the traction that was not evident over the past few months. It help boost the average occupancy of hotels and rationalize the annual numbers. Additionally, it will help us propel our value proposition at a competitive price point that we are operating in. ■