

STUDY ON IMPACT OF GST ON HOTEL INDUSTRY

Prity Kumari*

ABSTRACT

After three decades, reforms in indirect tax system reflected on 01st July, 2017 in India. Goods and Service tax is a single indirect tax, with the aim of One Nation - One Tax and is applicable in whole country. The present research work attempts to highlight the impact of goods and service tax on Indian Hospitality industry. The hotel industry was in burden with multiple taxes on amount charged for different services. Additional charges on various activities of hotels were charged previously. But now in GST, single tax is levied with clearly stated slab rates for various services. Slab rate increases with increase in amount of services charged. For basic services rates are lesser and luxury services are under high GST slab rate. Here we try to explain the impact of GST system on hoteliers of Begusarai district. The present study is based on both Primary and secondary data. For this purpose, researcher collected samples from 50 hotels of the city by using structured scheduled interview method. Secondary data was collected from books, magazines and from websites. This study aims to evaluate the customer stimuli and cost implication after the implementation of GST. The study concluded that GST in hotel industry will attract more customers to consume hotel service and also enhances revenues to the government.

Keywords: Indirect Tax, Hospitality Industry, GST, Hotel Service, Luxury Services.

Introduction

Goods and Service Tax is an indirect tax which replaced all other indirect taxes in India. GST officially introduced as the constitution (One hundred and First amendment) Act 2016. The amendment introduced a national tax system in India from July 01, 2017. GST is a comprehensive multistage, destination-based tax that will be levied on every value additional and at the time of supply of goods and service. GST offsets the side effects of previous indirect taxes such as cascading effect, high cost, inefficient tax structure, tax evasion etc. GST is levied by both central and state govt. and charged similarly as per their respective shares that reflects the transparency in tax structure.

Review of Literature

GST was first introduced by France in 1954 and now it is followed by 140 countries. Most of the countries followed unified GST while some like Brazil and Canada follow a dual GST system where tax is imposed by both central and state governments. India, too, has adopted a dual GST system including CGST and SGST.

Vineet Chauhan (2017) conducted a study on "Measuring Awareness about Implementation of GST", a study survey of small business unit of Rajasthan state in India. The study seeks to evaluate the awareness of the business owners about GST difficulties they face to encase of the current awareness about it. 148 small business owners were analysed in order to identify the awareness about the GST from Rajasthan state and the kind and extent of relief provided and the implementation of the provisions under GST law.

The Times of India (July 26, 2017) : Page no. 1 & 17, it is stated that sweet markets are confused with fixing the tax on their products as the ingredients used in the sweets are taxed separately as raw material and as finished goods ex. Plain burfi is taxed 5% but chocolate burfi is taxed 28% and burfi mixed with dry fruits is taxed at 12%. This system makes it difficult for sweets makers to fix the rate of GST on their products.

* Assistant Professor (Guest Faculty), Research Scholar, Lalit Narayan Mithila University (LNMU), Darbhanga, Bihar, India.

Alka Shah (2017) conducted a study on "Integrated Goods and Service Tax on Indian Innovation". The objective of the study is to cross utilisation of credit to be done and adjustment to be made between centre and states.

Research Methodology

The aim of the topic is to discuss the method used in the research. It is also vital component in order to achieve the objective of the decision clear, accurate and reliable. The purpose of this topic is to describe the research methodology of the study, explain the sample selection, describe the procedure used in designing the instrument and collecting the data.

In the research paper Primary and Secondary data collection is used.

Primary Data

Primary data is the original data that has been collected specially for the purpose. This type of data is generally fresh and collected first time. The collection data tool that has been used in this study is questionnaire.

Secondary Data

Secondary data is the data that has already been collected and compiled and readily available from other sources. It has been collected through various sources like online articles, research, newspaper and books etc.

Sampling Unit

The sampling unit included the hoteliers, staff and customers.

Sample Size

No. of people surveyed for the sample consists of employees and customers from 30 restaurants.

Limitation of the Study

Due to time constraint, the study period is limited to a month.

Data Analysis, Interpretation and Presentation

Organization: 30 Hotels in Begusarai district

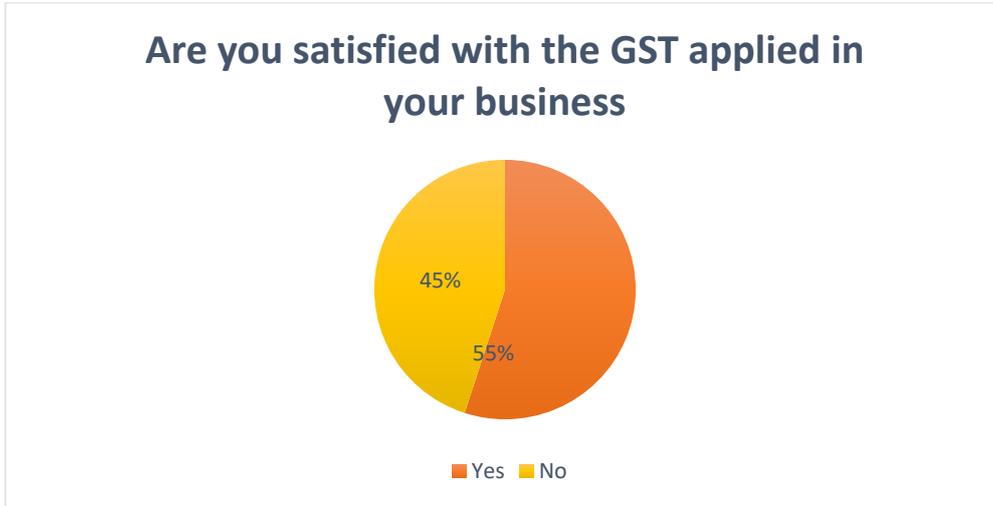
- Is this your first business related to restaurant/hotel sector
 - a) Yes
 - b) No

37% of the Owners had their first Business Venture and rest 63% are the Older Players



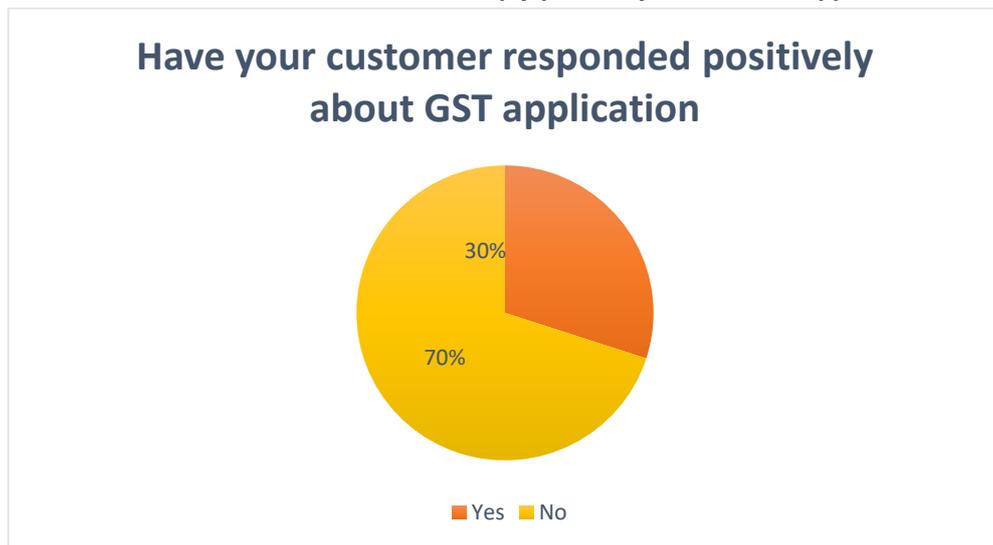
- Are you satisfied with the GST applied in your business
 - a) Yes
 - b) No

55% of the hoteliers are satisfied with the GST applicability while 45% had the grievances



- Have your customers responded positively about GST application
 - a) Yes
 - b) No

30% of the owners affirmed that the customers are positive about GST application while 70% claimed that the customers did not reply positively on new GST application.



Conclusion

Hotels have benefitted in the food and beverages area and also this system is beneficial for budget hotels which are under slab rate of 12%. But the hotels coming between the slab rate of 18% to 28% are facing the hostility. We can conclude that there is a significant relationship between level of customer satisfaction and change in their buying behaviour. After implementation of the GST, there is a clarification of customers regarding GST rates and the amount paid by them as GST towards the services received in the hotels and restaurants. Increasing the consumer consumption of customers will put positive impact on govt. revenue and at the same time increase the job prospects in hotel industry. With the positive impact hoteliers are also facing some issues, financially, while dealing with their customers.

Suggestions

Customer-slab rate policy has to be taken initiative by the govt. of India to cut the income level differences among the low middle class and lower income group.

The hotels comprising of non-AC rooms should fix a moderate rate of GST as it suits the income needs of lower middle class and low-income customers.

The allowances on GST rates in small-sized and moderate hotels as it encourages the low-income and middle-class people.

In point of GST in hotels, especially for the alcoholic products like liquor, should be taxed at the highest slab rate compared to the current 18% GST rate on AC restaurants.

Reduce the cost of the food and beverages as it will encourage the low-income and middle-class people.

Questionnaire

Name of the Hotel : _____

Name : _____

Address : _____

Contact No. : _____

- Is this your first business related to restaurant/hotel sector
 - a) Yes
 - b) No
- Are you satisfied with the GST applied in your business
 - a) Yes
 - b) No
- Have your customers responded positively about GST application
 - a) Yes
 - b) No

References

1. GST E-Book from WWW.GST.COM
2. WWW.slideshare.net: Article by Hirak Parmar, 2013
3. Bunde Hari Vaibhav: The study of Impact of GST on Hotel Industry
4. Sahoo Aditya Prasad: "Impact of GST on Hotel Industry", a study conducted in Bhubaneswar city, Odisha.

