



“A Study of Impact of GST on Hotel Industry”

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Abstract:

India, is the world's largest democracies in the world, follows the federal tax system for levy and collection of various taxes. Different types of indirect taxes are levied and collected at different points in the supply chain. In the year 2000, the then prime minister mooted the concept of GST and set up a committee to design a goods and service tax (GST) model for the country. In the year of 2006, Announcement by finance minister, during budget of 2006-07 that GST would be introduced from 1st April 2010. In the year of 2014, the constitution (122nd amendment) bill was introduced in the Lok Sabha. In the year of Aug 2016, the Constitution (101st Amendments) Act was enacted. In September 2016, 1st GST council meeting is held. In the March & April 2017, GST council recommends CGST, SGST, IGST, UTGST and Compensation Bill was introduced & CGST, SGST, IGST and Compensation Cess Acts Passed. In the May 2017, GST council recommends all the rules. On 30th June, 2017 All the States Except J&K Passed Their SGST Act. On 1st July, 2017 GST is launched.

Key Words:

Committee, Constitution, GST

Introduction:

The 122nd Amendments Act Bill sought to amend the constitution to introduce the GST wide proposed new article 246A. This new article gave power to Legislature of every state and Parliament to make laws with respect to GST where the suppliers of goods & service take place. GST has been applicable throughout India, and has replaced multiple cascading taxes levied by the Central and state government. GST is levied at all stages right from manufacturing/import of goods up to final consumption with credit of taxes paid at previous stages available as credit against output tax liability arising out of the sales supply (known as Seamless flow of credit of taxes). In short, only value addition is to be taxed and burden of tax is to be borne by the final consumer.

Need for GST in India

Increase in revenue: One reason behind that the need of GST was also to boost the revenue from the indirect taxes in the nation. GST is easy to understand, and a simple tax structure will bring more taxpayers and in return, it will increase the revenue for the Indian government.

GST removes multiplicity of taxes across states and will create a single national taxation system and a single common market.

India needs GST to get rid of problems with the direct taxes. As multiple taxes like CENVAT, central sales tax, state sales tax, octroy, etc. will not exist and will be replaced by GST, and improve tax compliance.

Taxes not to be subsumed by GST in India are:

- Basic Customs Duty
- Export duty
- Toll tax
- Road and Passenger Tax
- Electricity Duty
- Stamp Duty
- Property Tax

Note:

1. Alcoholic beverages for human consumption are proposed to be kept out of the purview of GST.
2. GST on petroleum products would be levied from a notified date to be recommended by the GST council.

Framework of GST

1. Dual GST

India has adopted a dual GST system, which was imposed concurrently by the Centre and States as CGST & SGST. Centre has the power of tax intra-state sales and states are empowered to tax services. Now GST has extend to all over the India.

2. CGST/SGST/UTGST/IGST

GST is a destination based tax applicable on all transactions involving supply of goods and services for a consideration subject to exceptions thereof. GST in India comprises of Central Goods and Service Tax (CGST) – levied and collected by Central Government, State Goods and Service Tax (SGST) – levied and collected by State Governments/Union Territories with State Legislatures and Union Territory Goods and Service Tax. (UTGST)-levied and collected by Union Territories without State Legislatures, on intra-State supplies of taxable goods and/or services. (IGST)- Inter-State supplies of taxable goods and/or services are subject to Integrated Goods and Service Tax. IGST is approximately the sum total of CGST and SGST/UTGST and is levied by Centre on all inter-State supplies.

3. Legislative Framework

There is single legislation – CGST Act, 2017 – for levying CGST. Similarly, Union Territories without State legislatures [Andaman and Nicobar Islands, Lakshadweep, Dadra and Nagar Haveli, Daman and Diu and Chandigarh] are governed by UTGST Act, 2017 for levying UTGST. States and Union territories with their own legislatures [Delhi and Puducherry] have their own GST legislation for levying SGST. Though there are multiple SGST legislations, the basic features of law, such as chargeability, definition of taxable event and taxable person, classification and valuation of goods and services, procedure for collection and levy of tax and the like are uniform in all the SGST legislations, as far as feasible. This is necessary to preserve the essence of dual GST.

Classification of Goods & Service

HSN (Harmonized System of Nomenclature) code is used for classifying the goods under the GST. A new Scheme of Classification of services has been devised wherein the services of various descriptions have been classified under various sections, headings, and groups. Each group consists of various Service codes (Tariff).

Manner of utilization of ITC:

Input Tax Credit (ITC) of CGST and SGST/UTGST is available throughout the supply chain, but cross-utilization of credit of CGST and SGST/UTGST is not possible, i.e. CGST credit cannot be utilized for payment of SGST/UTGST and SGST/UTGST credit cannot be utilized for payment of CGST. However, cross utilization is allowed between CGST/SGST/UTGST and IGST, i.e. credit of IGST can be utilized for the payment of CGST/SGST/UTGST and vice versa.

Rates of tax

Composition Scheme	Category of registered person	Rate
For Goods	Manufacturer	1% (1/2% CGST + 1/2% SGST/UTGST) of turnover
	Restaurant Service	5% (2 1/2% CGST + 2 1/2% SGST/UTGST) of turnover
	Others	1% (1/2% CGST + 1/2% SGST/UTGST) of turnover of taxable suppliers
For Service		6% (3% CGST + 3% SGST/UTGST)

Different services provided by hotel industry are,

- ❖ Serving a food and liquor
- ❖ Room accommodation service
- ❖ Rent a cab
- ❖ Catering

- ❖ Laundry Service
- ❖ Renting space for events, conferences etc.
- ❖ Business support service
- ❖ Club services
- ❖ WIFI, telephone services

Hotels are classified into stars categories (1 star to 5 star), there is no method of assigning these ratings and compliance with customary requirements is voluntary. A US Hotel with certain rating may look differ from European or Asian with same rating and would provide a different level of amenities, rates of facilities, and quality of services.

Literature Review:

The current tax system in India is likely to change the entire tax system. Currently Indian government has to introduce the one nation one tax system. Many of the expert are saying about GST is help to develop the Indian economy. Due to coming GST in India all the barriers in indirect tax system are removed and one single tax rate are applicable.

GST has firstly introduced by France in 1954, than after most of the country have to adopt GST like Brazil, China and India. India have also adopted Dual system of GST including SGST and CGST.

Vineet Chauhan (2017)

Conduct a study on “Measuring Awareness about implementation of GST” A study of 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. There are many small business owners were analyses in order to identify the awareness about GST from Rajasthan state and the kind and extent of relief provided and implementation of the provision under GST law.

Poonam (2017)

The biggest problems in Indian tax system like Cascading effect & tax evasion can be minimized by the implementation of GST. After amalgamation of local state and central taxes competitiveness of industry, exporter and company will increase. The extra revenue which can be generated from broaden tax based structure can be utilised for the development of nation.

Times of India dated (27th July, 2017)

Stated that the GST implementation across different places for the same product has wider differences which the consumers are unaware, resulting them in surprise. Ex. A sweet shop sold in counter at a shop is taxed with 5% but if it is served in the hotel it is taxed with 18% this has resulted in difference of consumers shopping to purchase the similar products.

Jai Prakash (2014)

In his research study mentioned that the GST at the central and the State level are expected to give more relief to Industry, trade, agriculture and consumers through a more comprehensive and wider coverage of input set-off and service tax set-off, subsuming of several taxes in the GST and phasing out of CST.

Nisitha Gupta (2014)

In her study stated that the implementation of GST in the Indian framework will lead to commercial benefits which were untouched by the VAT system and would essentially lead to economic development.

Alka Shah (2nd Nov 2017)

“Integrated Goods and service tax an Indian Innovation”. The objective of the study is to cross utilisation of credit is to be done and adjustment to be made between centre and states. The paper mainly focuses on the key provisions for determining place of supply of Goods/services and nature of supply i.e. interstate or intrastate.

Dr. Manjunath (2016)

“Customer satisfaction in Fast Food Industry”. The objective of the study is to find out the key success factors for Fast food industry in region of Mysore district and its aim is to find out the essential factors or determinants of customers satisfaction in the restaurant industry of Mysore district. The findings revealed that the service quality and physical design are the key factors for satisfaction in fast food industry in Mysore district.

Jonathan and ET. (2017)

The objective of the study is to how the restaurants bill will look under GST, what are the implications for the end consumers for the owner and the overall industry. The findings revealed that hotels are liable for GST of 28% (14% CGST and 14% SGST) as against the effective tax of 21% under present indirect tax regime.

OBJECTIVES OF THE STUDY:

- Impact on hotel industry of GST

Research Problem:

“A Study of Impact of GST on Hotel Industry”

The GST portal is accessible over internet (by taxpayers and their CAs/Tax Advocates etc.) and intranet by Tax officials etc. The portal is one single common portal for all GST related services.

A common GST system provides linkage to all State/UT Commercial Tax Departments, Central Tax authorities, Taxpayers, Banks and other stakeholders.

However, it is important to note that the common GST Electronic Portal for furnishing electronic way bill is www.ewaybillgst.gov.in. E-way bill is an electronic document generated on the GST portal evidencing movement of goods.

RESEARCH METHODOLOGY:

1. Research design:

'A research design is the arrangement of conditions for collection and analysis of data in manner that aims to combine relevance to the research purpose with economy in procedure.' It constitute the blue print for the collection measurement and analysis of data.

Sources of data:

Sources of data mean the location from where the data has been taken. It can be a database, dataset, spreadsheet, etc.... Sources of data are very important for any research work.

There are mainly to types of data, such as:

1. Primary data
2. Secondary data

The explanation of these types of data is as under.

1. Primary Data:

Primary data is an original and unique data, which is directly collected by the researcher from a source according to his requirements.

It is the data collected by the investigator himself or herself for a specific purpose. Data gathered by finding out first-hand the attitudes of a community towards health services, ascertaining the health needs of a community, evaluating a social programme, determining the job satisfaction of the employees of an organization and ascertaining the quality of service provided by a worker are the example primary data.

Generally in primary data are directly collected by observation, survey, interview, questionnaires etc...

2. Secondary data:

Secondary data refers to the data which has already been collected for a certain purpose and documented somewhere else. Data collected by someone else for some other purpose (but being utilized by the investigator for another purpose) is secondary data.

Gathering information with the use of census data to obtain information on the age sex structure of a population, the use of hospital records to find out the morbidity and mortality patterns of a community, the use of an organizations records to ascertain its activities, and the collection of data from sources such as articles, journals, magazines, books and periodicals, to obtain historical and other types of information are example of secondary data.

In this Comprehensive Project Report, **Primary Data** has been used for the Practical study. In the primary data we have to use questionnaires method for the data analysis and collection.

GST on Hotel Industry:

The HO is located in Mohali is the leading assurance & consulting organization well positioned to assist GST in India. GST introduce in 1991 by replace with federal sales tax. Charge of GST ranging from 13% to 15% and other at 5%. Tax to GDP ratio first increase then decreased when rates we raised and then up and down. GST introduce in 1985 is the peak rate is 15%. In the constitutional bill in 2014 rate of taxes concessional 12% and standard rate is 18%. Luxury rate are 40%.

The current position of hotels hits various taxes across the channel by VAT to output service tax and luxury tax. The vat varies from state to state and lies between 12 to 14.5%. Similarly luxury tax depends on the proportion of room tariff and usually scales between 0 to 12%. Service tax are changing that depends on the proportion of room tariff and usually 8.7 of the total room tariff food rate differ from place to place. For food and beverages 40% of the bill attracts the service and it comes to 5.8% when considered on total bill.

The structure of 5, 12, 18 and 28% of which the service sector will be taxed at 18%. The 5% slab on food product which is a positive of subsumed taxed for hotels and restaurants. However, the 18% levy on services or room revenue compared to neighbouring countries. Which charge a tax between 4 to 7% rules out fair competition.

How will GST work?

The new tax structure of GST will come from April, 2017. Once this happens all the state & central tax that are levied on goods and services such as excise duty, VAT, service tax, luxury tax, entertainment tax, etc. will be incorporated within a single tax comprising two components. Each of these taxes are divided into the rate. The standard rate of GST is likely to be 18%.

Impact on Hotels

Section 4 deal with GST influence hotels and restaurants. Those restaurants whose annual turnover less than ₹ 50 lakh, GST is 5%. Dinner in 3 star Non-A/c small restaurants is 12%. Dinner in A/c restaurants is 18%. Dinner in 3 star or 5 star is 28%. All the above said hotels, inns, guesthouses, Clubs, Campsites or other commercial places, grant homes, in this input tax credit are available. At present the hotels are impacted by multiple taxes. These are three taxes levied on hotels, which are VAT, luxury tax by state and service tax by centre. These taxes goes up to 28%. After implementation multiple taxes would replace by one single tax 18%.

Negative impact

The charge of service tax on room tariff restaurants, the impact of which will be passed on to the end customer is likely to have a detrimental impact on demand as it drives up the effective consumer cost. However, roll out of GST could neutralize this impact. The incremental tax on air travel will also push up the travel bill the quantum of the same would be low.

Scope of the Study

CGST/IGST on supply of the following items has not yet been levied. It shall be levied with effect from such date as may be notified by the government on the recommendations of the council:

- Petroleum crude
- High speed diesel
- Motor spirit (Petrol)
- Natural gas
- Aviation turbine fuel

Sampling

Our working area was within the Rajkot & Dwarka. We have to collect data from restaurants within these two cities. As we know that persons related with this sector may be an owner or the employee.

Sampling unit

Our sampling unit will be the person who are connected with the restaurants sectors i.e. owners and employee.

Size of Sampling

Size of sampling means the survey of people. This includes restaurants owners, employees and customer from various restaurants.

Techniques for sampling

There are many tools and techniques used for the samplings. We have used for this project are questionnaire.

Hypothesis

Ordinarily, when one talks about hypothesis, one simply means a mere assumption or some supposition to be proved or disproved. But for a researcher hypothesis is a formal question that he intends to resolve. Thus a hypothesis may be defined as a proposition or a set of proposition set forth as an explanation for the occurrence of some specified group of phenomena either asserted merely as a provisional conjecture to guide some investigation or accepted as highly probable in the light of established facts.

Hypothesis

H0: GST have the positive impact on the hotel industry

H1: GST have the negative impact on the hotel industry

Data Analysis & Interpretation

74% of the person are related with the restaurant sector and rest are related with the no restaurant sector.

91% of person are enjoying with their work. And 9% of person are not satisfied with that work.

88% of the people are satisfying with GST applying in the Hotel and rest of 12% are not satisfied with that.

21% of the owners are highly satisfied with the GST, 52% of the owner are satisfied with the GST and 24% are neutrally with GST and rest of the 3% are Unsatisfactory with the GST.

85% of the said about they are receiving benefits after applying the GST and rest of the 15% are not receiving any benefits from that.

55% of the owner are highly satisfactory with the GST is beneficial for long term, 15% are strongly agree with that and 21% are neutral with that and rest of 9% are Disagree with that.

82% of the restaurant owner are providing awareness about the GST to the Customer in their hotel and rest of the 18% are not providing awareness because they believe it is not part of their business.

64% of customer impacts the customer purchasing power effectively, 12% are strongly agree with that, 15% are neutral and 9% disagree with that.

Yes out of 100%, 76% owners are replied positively about GST application and rest of the 24% are not replying positively about GST.

82% of the restaurant owners said that GST is positively influence on their restaurant's performance in the market, rest of the 18% is said not positively influence their restaurants performance.

52% are Agree with the individual are to save part of their income, 42% are neutral for the same and rest of the 6% are not believe in save their income.

Out of the 100% there are 67% restaurants owner are agree with increased the inflation due to GST and rest of the 33% are not agree with that.

88% Restaurants owners are ready with that working environment is safe because of applying GST and rest of the above 12% are said not safe because of applying GST in their hotel.

70% of the owners said selling alcoholic beverages in their hotel are good and rest of the 30% are said it is Bad for their.

94% owners are said our relationship between co-owners and owners are good and rest of the 6% are said it is not at all good.

58% are Agree with products and services after GST will be expensive, 15% are Neutral about that, 21% are strongly agree with this and rest of 6% are Disagree with this.

Suggestions:

We have to conducted survey on impact of GST on hotel industry after that we have to analyse the whole scenario and give the some suggestion about that. Points are below mention:

1. many of the hotel are A/c and Non-A/c based we have to suggest that both the rate are different and we suggest that the fixed the moderate rate of GST for both A/c and Non-A/c. so that this is beneficial for the low-level income people.
2. There are many of the hotel are selling alcoholic beverages in their hotel like liquor, wine etc... So the rate of this product are particularly different than the other product its compare to high than the other products. So that we have to suggest that rate on the alcoholic products can be reduce.
3. we have to suggest that the reducing the rate of food and beverages so that it is beneficial foe the middle class as well as lower income group.
4. Allowances on GST rates in small sized and moderate hotels as it encourages the low income and middle class people.

CONCLUSION

We have to study about GST impact on hotel industry after all the above information it is showed that the (H1) null hypothesis is to be rejected & (H0) is to be accepted after conducting the research on the study of impact of GST on hotel industry.

There are many companies' focuses on the food and beverages could be the biggest beneficiaries of GST within the hotel sector. After implementation of the GST they will help to the consumer also help in the savings. Due to the implementation of the GST the budget of the hotel are much benefited. Generally hotel sector are follow the rate of 18% to 28%.

We have to study after the study of this topic we have to conclude that the GST is more beneficial to the everyone industries. After the GST tax system in India are changed and applicable the only one tax. GST is very easy process in now a days most of the owners are have to handle by own. It is a very easy process in filing of a return and as well change of any information like addresses, principles etc.

Due to GST billing system are very easy and customer are satisfied with the original bill. Customer have shown the original bill with taxes applicable on the food and they are satisfied with that. After the GST hotel industry have much more developed and customers are trusted on this hotels.

Annexure:

QUESTIONNAIRE

Personal details

Name:

Gender:

Age Group:

Qualification:

1. Is this your first business related to restaurant sector?

A) Yes B) No

2. Do you enjoy what do you at your work?

A) Yes B) No

3. Are you satisfied with GST applying in your hotel?

A) Yes B) No

4. How would you rate your overall experience about GST application in your restaurant?

A) Highly satisfactory B) Satisfactory

C) Neutral

5. Have your hotel received benefits after GST application?

A) Yes) No

6. GST is beneficial in hotel for long term?

- A) Strongly Agree
- B) Agree
- C) Neutral
- D) Disagree
- E) Strongly Disagree

7. Is your organization can provide awareness to your customers about GST application on hotel industry?

- A) Yes B) No

8. GST is impacts the customer purchasing power in effectively.

- A) Strongly Agree
- B) Agree
- C) Neutral
- D) Disagree
- E) Strongly Disagree

9. Has your customers replied positively about GST application?

- A) Yes\ B) No

10. Is application of GST positively influence on your restaurants performance in the market?

- A) Yes B) No

11. GST encourage individuals to save part of their income.

- A) Strongly Agree
- B) Agree
- C) Neutral
- D) Disagree E) Strongly Disagree

12. GST will increased the inflation in the hotel?

- A) Yes B) No

13. Is your working environment is safe because of applying GST?

- A) Yes B) No

14. How would GST impact the restaurant selling alcoholic beverages?

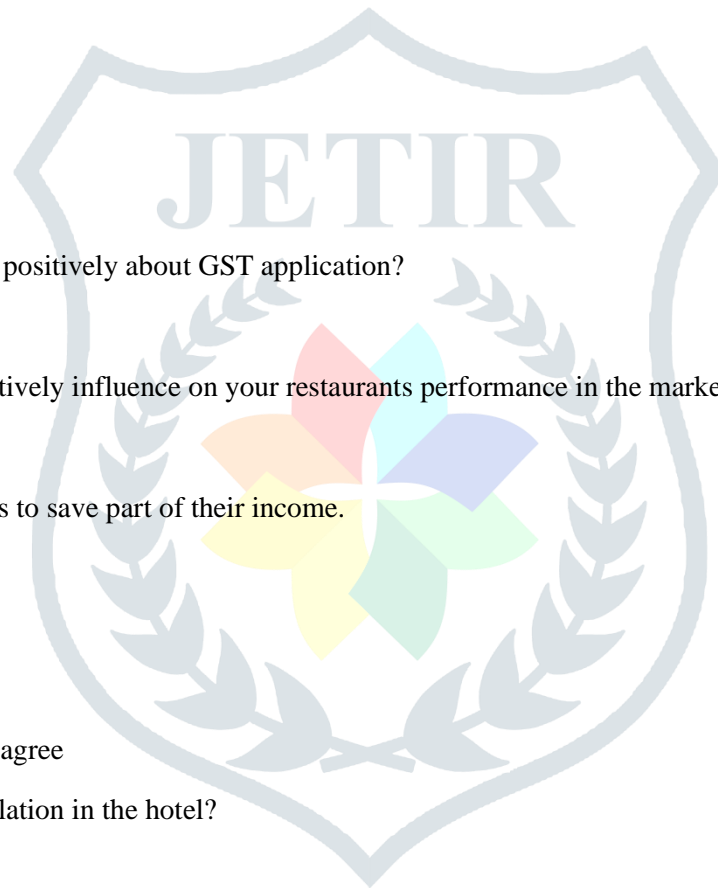
- A) Good B) Bad

15. How is the relationship between you and your co-workers?

- A) Good B) Bad

16. The implementation of GST will result in the products and services to be more expensive.

- A) Strongly Agree
- B) Agree
- C) Neutral



D) Disagree

E) Strongly Disagree

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