



## UNION BUDGET 2025-2026

**With the right policy interventions Hotels can propel both economic growth and social transformation - Budget 2025-2026 is an opportune time to announce the imperative policies says Hotel Association of India (HAI)**

**New Delhi, Jan 2025:** India is extremely strategically poised with its demographic dividend providing a huge opportunity to drive socioeconomic growth and development. Creation of employment would be the key pillar to seize the chance timely.

If there is one sector that can generate jobs in large numbers across geographies, across skill sets, and for women and the specially abled, it is the hospitality sector. Every hotel room creates two direct jobs and an estimated additional 8 indirect ones while being a critical element of tourism infrastructure like roads, railways, ports, and airports.

Regrettably however, the hospitality sector has not received the recognition it deserves despite the stellar contribution it can make to an inclusive economy and the key role it can play in India achieving its vision 2047 of being *a* developed *nation* or *becoming* *viksit Bharat*.

The India Tourism Vision 2047, which aims for 100 million foreign tourist arrivals and 20 billion domestic visits, cannot be achieved without a rapid growth of hotels. India is grossly under-roomed in comparison to the competing Asian destinations. Hotel projects are capital intensive with long gestation periods. The high commercial interest rates currently applicable to hotels make the return on investment in hotels unattractive.

Currently, infrastructure status is available to hotels with certain qualifiers. We would like to see a removal of those restrictive provisions. All hotels and hotel projects located anywhere in India should be accorded the status of infrastructure and RBI's harmonized master list of Infra sectors and subsectors updated accordingly. This would facilitate the flow of investment in creating hotel rooms—an essential tourism infrastructure.

Operating hotels requires numerous approvals and NoCs; license costs are high and the acquiring process is lengthy and cumbersome. This coupled with high operating costs that are largely fixed in nature, makes hotel operations extremely vulnerable to changes in the business environment. To build

investor confidence, there is a need to enhance the attractiveness of hotel investments with policies that support better returns and facilitate ease of doing business. Allowing hotels the benefits that are available to Industry and Agriculture like lower rates for utilities, lower rates of property tax etc is recommended to recognise the role of hotels in job creation and GDP growth

The rationalization of Goods and Services Tax (GST) for hotels and restaurants, along with a lower GST rate on MICE (Meetings, Incentives, Conferences, and Exhibitions) for international segments and tourists, is aimed at boosting India's hospitality sector. This suggestion seeks to enhance competitiveness, improve affordability, and attract a greater number of international visitors to the country. HAI proposes reducing the 18% GST on hotel rooms above ₹7,500 to 12%, aligning with competing Asian countries. Additionally, GST rates for hotel restaurants should be reduced to 12% with full ITC. This will make them competitive in comparison to standalone restaurants that enjoy a GST rate of 5% without ITC.

Ease of doing business is vital, and HAI advocates for a digital single-window clearance platform for hotel licenses, NoCs, and approvals. Extending the carry-forward period for business losses to 12 years would ensure stability. Continuation of benefits under section 35AD will also promote the growth of hotels and making these benefits available to brownfield hotel projects in addition to greenfield projects will promote capacity enhancement. Reinstating benefits under the SEIS and continuing support through the EPCG scheme would help hotels maintain global standards and attract international travelers and enhance India's foreign exchange earnings.

As reported, domestic consumption has been critical to India's growth story, but inflationary pressures have started to impact the purchasing power of citizens. HAI has recommended that the rate of tax (including surcharge and cess) for all non-corporate entities (including LLPs and AOPs) should be brought down to 25% (including surcharge and cess). In addition, the tax rates for individuals should be reduced, say to maximum 30% (including surcharge and cess). This will leave more money in the hands of the taxpayer for discretionary spending and will stimulate demand.

Currently duties on fuel are high and fuel prices directly add to inflationary pressures. Bringing Petrol under the ambit of GST will rationalise fuel costs. Similarly removing liquor from Excise to GST regime will also help hotels reduce their operational costs.

Incentivising investments in initiatives of sustainability will help in speeding the adoption of sustainability measures by hotels, HAI has suggested.

Tourism has seen increasing acknowledgement from the government in the past decade. However, with the nation entering a critical phase of reform and growth, it is imperative to translate this recognition into actionable measures. By addressing these policy recommendations, the Union Budget 2025-2026

can empower the hospitality sector to drive transformative change. From boosting employment to creating world-class tourism infrastructure, the industry is uniquely positioned to accelerate India's journey to becoming a developed nation by 2047.

### **About HAI**

Established in 1996, Hotel Association of India (HAI) has evolved as an integrated hospitality industry platform to keep pace with the growing buoyancy ushered in by the liberalisation of the Indian economy in the mid-90s. With its membership extending from major hotel groups; boutique, heritage and small hotels, HAI represents the entire spectrum of the industry. Its Committee is a potent combination of the commitment of hotel owners on one hand and hard-core professionalism of hotel managers on the other. As the apex Industry Body, HAI works in the areas of Promotion of Regional Cooperation and Hospitality Research & Education in addition to taking Industry centric initiatives. By launching Unprecedented 'Social Inclusion' initiatives, HAI also projects the 'Social Face' of the Indian hospitality industry"