



UNION BUDGET 2024-25

An opportunity to make Indian hospitality the emerging engine for GDP Growth & Employment Generation

New Delhi, July 2024: India is looking at becoming the third largest economy and a developed nation by 2047. If there is one sector that can contribute significantly to this vision it is the Hospitality Sector. It is an established fact that the multiplier effect of the sector in the economy is higher when compared to manufacturing and even agriculture. Every hotel room creates 2 direct jobs and several indirect jobs.

Hotels are also providers of key tourism infrastructure much like roads, rail, ports, and airports. The previous budgets have seen a strong focus on developing infrastructure. However, hotels have not been treated at par. The last budget announced the development of tourism in mission mode. Tourism cannot be developed without tourist accommodation. India tourism Vision 2047 is targeting 100 million foreign tourist arrivals, and 20 billion domestic tourist visits. India is severely under roomed as compared to competing tourist destinations. The existing hotel capacities and the pace of adding new capacities are grossly inadequate. There is an urgency to develop hotel rooms at a rapid pace and across the length and breadth of the country.

The Sector is burdened with high taxation, expensive and multifarious licences, approvals and compliances. Hotels are capital intensive with a long gestation period. Cost of operating hotels is high and largely fixed. This make investments in hotels risky. There is a need to make hotel investments more attractive with an improved rate of investment and to promote ease of doing business.

The forthcoming union budget offers an opportunity to unleash the potential of India hospitality in its contribution to India Vision 2047 by making key policy shifts in viewing the sector for this potential rather than categorising hotels as luxury, elite or even “sin” goods.

HAI’s key policy recommendation for the budget is that the Centre accord the status of infrastructure to hotels. This will allow them access to softer finances at better interest rates with longer periods for re-payment thereby attracting investment.

To address the high costs of hotel operations, HAI has recommended among others allowing hotels a higher rate of depreciation, reducing the rate of income tax, allowing hotels to carry forward business losses for more number of years than permissible currently. Removing of petroleum goods and liquor from VAT and Excise regime to GST instead is another change that can help hotels reduce costs and improve revenues. The government too can gain by higher taxes on the increased revenues.

Providing a single window clearance – a digital platform for all hotel NoCs, licences and permissions is the key recommendation for improving EODB. Under the Foreign Trade Policy HAI has recommended that hotels continue to receive benefits under the SEIS that have been discontinued from 2019. Hotels earn valuable foreign exchange. To maintain standards that a global traveler is accustomed to, hotels also require to import many goods. SEIS and EPCG scheme benefits will aid hotels in doing so.

The Association was happy with the patient hearing it received at the pre-budget consultations that it was invited for by the Ministry of Finance recently.

Although GST related requests are not examined as part of annual Budget, HAI's, recommendations for GST under the head of Indirect taxes was also heard at the meeting .The key GST recommendations are to do with lowering of GST rate from the current 18% to a level that is better aligned with other Asian countries. Delinking of GST rate in restaurants located in hotels from room tariffs , providing a level playing field to hotel restaurants and standalone restaurants and defining the place of supply for MICE to the location of the corporate office rather than the location where the convention is held are some other expectations from the Government Creation of funds to improve connectivity in certain regions, incentivizing sustainable practices are some other policy suggestions by HAI Members for the Union Budget 2024-25.

The hotel industry appreciates the government attention that it has received in the last decade. It looks forward to the intent being translated into action. There is a sense of urgency as India ups the pace of reforms for exponential growth in the Amrit Kaal to realise its 100 year vision. In addition to the contribution to GDP and Jobs, hotels add to the location's infrastructure facilitating the promotion of business and tourism while raising the standards of living of the people in the region.

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 liberalization of 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 Executive 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”