



## **BUDGET 2023-24 – An opportunity to fuel the growth of Indian Hospitality and unleash the sector’s potential to grow the economy, create jobs and earn precious foreign exchange**

Tourism & Hospitality is a significant contributor to the economy. In 2021, the Sector contributed USD 178 billion to India’s economy, accounting for 5.6% of GDP & 6% of employment.

Honorable Prime Minister, Shri Narendra Modi has identified “Tourism” as one of the 5 key pillars of the Indian economic growth and development. The hospitality sector is a key pillar of tourism both domestic and international. Hotels serve the essential need of accommodation for a traveler be it for pilgrimage, business, or leisure.

There is no doubt that government’s vision of tourism creating 53 million jobs will be driven by the hospitality sector. An oft quoted survey by the Ministry of Tourism had established that the employment propensity of hotels and restaurants far exceeded those of agriculture, manufacturing, railways and transport - thereby making a strong case for encouraging investments in the sector through pragmatic incentives.

The pandemic has dealt a severe blow to the Sector. Government’s support is crucial to restore normalcy at a faster pace for the hospitality industry and to unleash the full potential of the sector to create jobs across skill categories as well as for women and for the differently abled. This can be achieved through:

- Rationalisation of taxes and tax rates.
- Policy Interventions
- Easy compliances and ease of doing business.

It is against this backdrop that Hotel Association of India (HAI), the apex body of the Indian Hospitality Industry submitted its suggestions proposed to be considered by the Government in Union Budget 2023-24.

The recommendations were submitted under the heads of **(i) Direct Taxes (ii) Customs & Central Excise (iii) Policy & Other Issues** and **(iv) Indirect Taxes** . HAI’s pre-budget memorandum for the union budget 2023-24 was very detailed.

The Association was invited for a consultative meeting at the ministry of finance on the 30<sup>th</sup> of

November where the HAI delegation presented its key recommendations.

Under Direct Taxes the main proposals included allowing hotels a higher rate of depreciation, allowing business losses to be carried forward for 12 years instead of 8 years, allowing carry forward of MAT Credit and allowing CSR expenditure in computing business income

Under Customs & Central Excise, removing petroleum products & alcohol from excise & placing them under GST Act instead has been the single most important recommendation.

Another proposal relates to restoration of the benefits to hotels under the Service Exports from India Scheme (SEIS) for at least 5 years beyond 2019-20 and maintaining hotel reward points under the Scheme at 5%

Key Policy recommendations included according infrastructure status to hotels, provision of online single window clearance for hotel licenses, subsidized power tariffs for hotels as available to manufacturing industries and including hotel costs in the expenses in addition to travel expenses under the LTA Scheme. A creation of an empowered National Tourism Board has also been proposed.

Although GST related requests are not examined as part of Annual Budget, HAI submitted. Its recommendations for GST as well and at the meeting, articulated the key Industry requests w.r.t GST that include the reduction of GST on hotels from the prevalent 18% to 12 % and reducing the rate of GST on restaurants located in hotels to 12% with full ITC .

The Association requests were well received by the Ministry officials and the Chair was empathetic.

The industry is hopeful that this year's budget will include some favorable policy announcements that will not only aid a speedy recovery of the sector but also promote the long-term growth and development of hotels. Hotels are capital intensive with long gestation periods and incur high operating costs that are largely fixed in nature.

Making hotel investments more attractive by providing softer financing and reducing operational costs can be a game changer in adding hotel capacities to meet the current shortage of hotel rooms in the country. The potential of hotels in creating jobs both direct and indirect is well established. In addition, hotels promote improved infrastructure and connectivity while raising the standards of living of the people in and around their location.

## **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"