



# A STUDY ON IMPACT OF GOODS AND SERVICES TAX ON HOTEL INDUSTRY IN BANGALORE

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## ABSTRACT

The Goods and Services Tax (GST) in India marked a significant tax transformation in the region, classifying goods and services into five specific tax slabs: 0%, 5%, 12%, 18%, and 28%. However, refined oil, power supply, and alcohol are not levied under GST but are levied independently by member individuals. GST is the most innovative and noteworthy taxes in India's post-Independence past, aiming to impose a cohesive federal flat tax across all products and services. It has supplemented numerous Central and State tax rates, made India more like a national integrated business, and brought many creators into the indirect taxes, significantly affecting growth as well as government budgets. The Impact of a new stamp duty, encompassing both goods and services, by the Centre and the States in a complex federalist system, might be unprecedented in modern global GST history. One of its greatest benefits is the countermeasures against double taxes or the removal of adding pressure of tax rates, paving the way for a unified cultural economy. GST is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. The year 2017 will forever be remembered as the year that saw the deployment of the largest and most powerful economic liberalization since independence, the Goods and Services Tax (GST). The GST was first introduced in India in 2017 when they planned to establish a dual tax regime framework.

**Keywords:** Goods and Services Tax (GST), Hotel industry, Hospitality.

## INTRODUCTION

## IMPACT OF GST ON HOTEL INDUSTRY

The Impact of Goods and Services Tax (GST) has significant Impact on the hotel industry, which is a crucial component of the hospitality sector in India. Hospitality, deeply rooted in the ethos of Indian culture, emphasizes offering warmth and goodwill to guests, often epitomized by the saying "Athithi devo bhavha" (Guest is God). With the inclusion of travel and tourism, the hospitality sector has experienced rapid growth, with hotels, restaurants, resorts, and other establishments playing a pivotal role.

Hotels, as central entities in the hospitality sector, provide lodging accommodations along with various amenities such as dining, recreational facilities, and event spaces. The organizational structure of hotels typically includes revenue-earning departments like accommodation, dining, and retail, as well as support departments like human resources, maintenance, and housekeeping.

The GST regime has impacted the hotel industry in several ways:

1. **Taxation Basis:** Hotels are subject to taxation under the GST regime, affecting their pricing strategies and overall financial management.
2. **Revenue and Profitability:** GST influences revenue and profitability through its impact on pricing, input tax credits, and compliance costs. Hotels must navigate these complexities to maintain financial viability.
3. **Operational Efficiency:** Compliance with GST regulations necessitates operational adjustments and administrative efforts, potentially affecting efficiency and resource allocation within hotels.
4. **Guest Experience and Pricing:** Changes in pricing due to GST may influence the guest experience and perceptions of value, impacting customer satisfaction and repeat business.
5. **Competitive Landscape:** The GST framework affects the competitive landscape within the hotel industry, influencing pricing strategies, market positioning, and customer preferences.
6. **Investment and Expansion:** GST Impact may influence investment decisions and expansion plans within the hotel industry, considering factors such as tax Impact and regulatory compliance.
7. **Industry Growth and Development:** Despite challenges, the hotel industry continues to play a vital role in the growth and development of the services sector, contributing to tourism, exchange currency, and overall economic prosperity.

## IMPORTANCE OF GST IN HOTEL INDUSTRY

- The hotel industry positioned to gain from the Goods and Service Tax because of standardised and progressive taxation percentages, but also the simpler and easier and improved uptake of credit. The enterprise is luring so much foreign visitors than ever as the supreme pay to the final customer loses. With the application of the GST, it has summarized the taxation operation for the amenities and primary commodities business owners in a region.
- GST draws standardization in the Taxation operation; through as well it will be convenient for the ratepayer to submit an Income Tax Return.
- It permits centrally controlled register, marks towards strong growth of the country's GDP (Gross Domestic Product)
- GST (Goods and Service Tax) gives compliance and oversight to unorganized segments such as with the manufacturing base.

## RECENT TRENDS

The recent trends in Goods and Services Tax (GST) in India reveal a significant impact on various sectors, including the hotel industry. The gross GST revenue collected in December 2020 amounted to INR 1.15 trillion, with notable contributions from CGST, SGST, IGST, and Cess. The total number of GSTR-3B Returns filed for November was 87 lakhs, indicating compliance with GST regulations. In the hotel industry, GST rates vary based on the nature of services provided. For hotel accommodation, the tax rate ranges from 0% for room rentals up to INR 1000 to 18% for rentals above INR 7500. Similarly, for restaurant services, the tax rate is 18% for establishments within particular premises and 5% for those not within particular premises. The Impact of GST has brought about changes in pricing and profitability for hotels and restaurants. While mid-tier hotels benefit from a reduced GST rate of 18% for room tariffs between INR 2500 and INR 7500, higher-end hotels face a GST rate of 28% for tariffs above INR 7500. Restaurant chains in five-star hotels also experience a reduced GST rate of 18%.

## OBJECTIVES OF THE STUDY

1. To understand the positive and negative impact of GST on the hotel and hospitality sector.
2. To evaluate the impact of GST on hotel industry.
3. To analyse the concept GST levied on hotel industry.

## REVIEW OF LITERATURE

1. **Amit Aravind (2023) “AN ANALYTICAL STUDY ON THE IMPACT OF GST ON THE HOSPITALITY INDUSTRY- AN ADVANTAGE FOR GUESTS OR HOTELS?”**. The hospitality sector in India, including tourism, experienced an 8% growth rate between 2007 and 2016. This growth has led to the industry expanding globally and contributing to the well-being of nations and communities. India is the world's most attractive tourism spot, making it a popular destination for domestic and international tourists. In July 2017, the Indian government introduced the Goods and Services Tax bill, which affected taxes levied by state governments on tourist sites. This study aims to determine if the GST system has increased or decreased the burden on the hotel industry and tourists.
2. **Mr. Nagaraj and Dr. Shailaja M L (2023) “ ASSESSING THE LONG-TERM EFFECTS OF GST ON CHOSEN SECTORS IN THE INDIAN ECONOMY”**. The Goods and Services Tax (GST) has significantly impacted key sectors in India, including agriculture, financial, infrastructure, and hospitality. The agriculture sector experienced mixed growth rates but significant GDP contributions. The automobile sector maintained consistent GDP, while the financial sector showed steady growth. Infrastructure faced declining growth rates due to GST and broader economic reforms. The hospitality sector showed consistent growth and expanded role in the economy. The study emphasizes the need for sector-specific responses to GST and recommends enhanced GST awareness programs, specialized impact assessment tools, and simplified compliance platforms.

3. **PROF. K.SANTHA KUMARI (2021) “Impact of Goods and Service Tax (GST) On Hotel Industry in India”**. The hospitality sector in India, including tourism, has experienced an 8% growth between 2007 and 2016. This growth has led to the industry expanding globally and promoting its growth in a multicultural environment. India's diverse cuisine and diverse cultures attract both domestic and international tourists. The Goods and Services Tax (GST) bill was introduced in 2017 to streamline tax systems and attract tourists. This study aims to assess the impact of GST on hotel management and tourists.
4. **Sunil Kumar Das (2023) “ IMPACT OF GST ON HOTEL INDUSTRY AND CUSTOMERS’ PERCEPTION”**. India's Goods and Services Tax (GST) is a comprehensive, multi-stage, location-based tax that covers almost all indirect taxes. The food service and restaurant sectors are growing rapidly in India, driven by the middle class and evolving segments like lifestyle, feminist movement, high consumable income, and portable system accessibility. The introduction of foreign fast-food corporations like Domino's, Pizza Hut, and KFC has significantly changed the restaurant industry, leading to changes in consumer eating patterns. This study investigates how patrons perceive GST in relation to eateries.
5. **Dr. M. Subha Priya and Dr. M. Premkumar (2020) “AN EMPIRICAL STUDY ON IMPACT OF GST ON HOTEL INDUSTRY AT CHENNAI CITY”**. This study examines the impact of GST on the hotel industry in Chennai, India. Five independent variables were identified: GST's effectiveness, ease of understanding, taxation conditions, profit margin, and customer increase. Data was collected from 50 hotels using structured scheduled interviews and secondary data from books, magazines, and websites. The study found a significant impact of GST implementation on the hotel industry, attracting more customers and enhancing government revenues. The analysis used descriptive statistics and multiple regression analysis.
6. **Dr. Meenu Baliyan Punjika Rathi (2018) “ Impact Of GST On Different Sectors Of Indian Economy”**. India's economic development initiatives, including digital India, GST, Demonetization, and Make in India, aim to industrialize the country and create employment opportunities. The hospitality industry, one of India's fastest-growing sectors, is expected to grow by 8% between 2007 and 2016. The industry contributes to the nation's well-being and contributes to the economy through the production of goods and services.
7. **Harshita Bhargave and Anjali Xess Gurjeet Kaur (2020) “An Investigation study on Influence of Goods and Service Tax (GST) in Hotel Industry”**. The study analyzes the merits, challenges, and suggestions for implementing Goods and Service Tax (GST) in the Indian hotel industry through 40 in-depth interviews. It finds uniformity and transparency as the main benefits, while challenges include tax rate structure applicability and increased compliance burden. Hotel authorities suggest well-comprehensive GST rules would benefit the industry's economy.

8. **Dr. Tomy Mathew and Ann Abraham (2019) “A Study on the Impact of Goods and Services Tax Reform on Hotels in Kerala”.** The Goods and Services Tax (GST) reform in India has led to a 20% decrease in hotel businesses and high costs for IT infrastructure upgrades, personnel training, and compliance. Consumers have also reported increased restaurant bills. A study in Kerala found that hoteliers faced challenges transitioning to the new system, increased compliance costs, and increased prices. However, it is expected that GST will eventually benefit the Indian hotel industry and achieve the One Nation One Tax dream.
9. **Ripleen kaur and Jaspreet Dahiya (2024) “A Study on the Challenges of GST E-Filing Faced by the Hotel Industry”.** The hotel industry is expected to benefit from uniform tax rates and efficient use of input tax credit under the Goods and Services Tax. This could attract more international tourists and increase government earnings. The new tax structure also offers advantages, such as billing complimentary food as part of a bundled service under GST, which could support industry growth.
10. **Prof. Shilpa Revankar (2022) “GST and its Influence on Hospitality”.** The Goods and Services Tax (GST) is a destination-based tax imposed on goods and services, regaining from the final consumer. It replaces indirect taxes like excise duty, service tax, octroi, entry tax, entertainment tax, and luxury tax. GST will impact all industries, including the hospitality sector, using a dual structure concept to prevent cascade consequences. The study focuses on the hotel and restaurant industry's changes due to the transformation of old VAT and other tax systems in the new GST system, conducted in Dharwad District, Karnataka state.

## RESEARCH METHODOLOGY

### Research Gap:

Despite several studies examining the impact of Goods and Services Tax (GST) on the hospitality industry in India, there remains a gap in understanding the nuanced effects on different stakeholders within the sector. Existing research primarily focuses on assessing the overall impact of GST on hoteliers and tourists, analysing changes in taxation structures, compliance burdens, and consumer behaviours. However, there is limited research specifically addressing the comparative advantage or disadvantage of GST for guests versus hotels.

The studies conducted so far have provided valuable insights into the broad Impact of GST on the hospitality industry, including its effect on business operations, consumer prices, and government revenues. However, a comprehensive analysis comparing the relative benefits and drawbacks experienced by guests and hotels individually is lacking. Such an analysis could help identify specific areas where GST Impact has either positively or negatively influenced the experiences of guests and hoteliers.



Overall, there is a research gap in understanding the differential impact of GST on guests and hotels within the hospitality industry in India. Addressing this gap could provide valuable insights for policymakers, industry stakeholders, and researchers seeking to understand the Impact of GST on the sector more comprehensively.

## STATEMENT OF THE PROBLEM

One of the major problems in Impact of GST in hotel industry is

### Increased Compliance Burden

The procedure for all the invoices or receipts towards inward and outward supplies will become unmanageable or clumsy as each one of them will have to be uploaded in the system. The concept of credit matching under GST would be very difficult to handle and would lead to increase in working capital requirements. The frequency and number of returns to be filed will go up. In place of a half yearly service tax return, under GST law, one will be required to file state wise monthly three GST returns along with an annual return will also be required to be filed. So, this will be an adverse effect in GST. Impact of GST in hotel industry also has other small issues like: Multiple Registrations, no credit on work contract services and liquor not included and etc.

## NATURE OF THE STUDY

01. To define Hotel sector under GST law.
02. To understand the impact of GST on Hotel industry.
03. To do critical analysis between previous GST and new GST on hotel sector.
04. Futuristic recommendation.

## NEED OF THE STUDY

1. To create awareness among people who engaged in hotel business.
2. GST diminishes tax rates on resort payments which bring about attachment of some more users whereby a sales growth.
3. Due to accountability in GST process, invoice configuration is simple to grasp for purchasers also for hotels.
4. To furnish information for the further research work on GST.

## SCOPE OF THE STUDY

1. To analyse and find out the GST impact on customers.
2. To study tax structure implied before the introduction of GST on hotel industry.
3. To study the need for GST in India.

## METHOD OF DATA COLLECTION

Data is the one of the important aspects of any research study scientific papers. Every research will be based on the data which itself is processed and analyzed to go get information. There are two different sources of information. Primary data collection relates surveys, questionnaire, experimentations or observational data, secondary data collection may indeed be initiated by gathering information from a diverse source of records or electronically stored information in this scientific report, two data archives would be used which really is primary data secondary data collection.

## POPULATION

I have accumulated or collected my data from hotels and restaurant in Bangalore. As we know that the person who engaged in hotel and restaurant sector will be salaried persons or Owners I have focused and targeted them who work in GST sector. Commerce department and tax department participants who may have known the impact on GST.

## SAMPLE DESIGN

The research is based on descriptive research method describing the characteristics of the population studied.

## SAMPLE SIZE

Number of people on whom survey conducted is branch owner, employees and customers from hotels and restaurants.

## SAMPLING UNIT

My sampling unit included the persons who engaged in restaurant and hotel sector such as employees and owners.

## SAMPLING METHOD

Data are obtained using the questionnaire and circulation of Google forms and contact numbers methodology. I discussed with few hotel and restaurant staffs and questionnaire is distributed and informed about GST and explained objective of this research and gathered more information relating hotel sector.

## LIMITATIONS OF THE STUDY

- a. The study period is limited hence not able to collect much more information regarding hotel industry.
- b. The area of study is limited to Bangalore.
- c. The sample size of the study is limited to Bangalore city.
- d. The study is limited to only hotel industry in Bangalore.

## DATA ANALYSIS

Hotels benefit from the GST framework, as it increases food and drink expenses. Budget hotels are benefited by the 12% incidence, while those under 18-28% face challenges due to GST. Customer satisfaction and buyer behaviour change after GST application in the restaurant business. A single-slab tax would benefit consumers and save 10-15% on overall bills. However, liquor should be included in GST to ensure a uniform single tax structure. Exempting liquor from GST would result in double compliance for the restaurant/hotel industry, affecting ease of doing business and customer satisfaction. A questionnaire has been framed with 10 questions and it has been circulated to the hotel employees and other people and got respondents for that in this data analysis.

Table 1: Summary of the Survey

Questions	Options	Frequency	Percentage (%)
Is this your first ever business in hotel sector?	Yes	38	63%
	No	22	37%
Can you see any significant changes in the growth of your hotel after implementation of GST?	Yes	40	67%
	No	20	33%
Is your work environment stress due to implementing GST?	Yes	25	42%
	No	18	30%
	Maybe	17	28%
Did your hotel receive any benefits after applying GST?	Yes	25	42%
	No	21	25%
	Maybe	14	23%
Do you create awareness to your customers regarding GST applications on hotel industry?	Yes	34	57%
	No	26	43%
Is application of GST burdening your hotel's performance in the market?	Yes	13	22%
	No	29	48%
	Maybe	18	30%
Do you think GST implication increased your customers?	Yes	31	52%
	No	29	48%
Have your customers respond positively about GST utilization in your hotel?	Agree	20	33%
	Disagree	20	33%
	Neutral	20	34%
Which one do you prefer in your hotel?	Before GST Implication	23	38%
	After GST Implication	37	62%
Rate your end view about GST implementation in your hotel?	Satisfied	23	38%
	Dissatisfied	22	37%
	Neutral	15	25%

## HYPOTHESIS

Based on the objectives of the study, the following hypothesis is applied to examine the positive or negative influence of GST on hotel industry.



**H0:** There is no significant difference between work environment stress due to implementing GST and GST burdening on hotels performance.

**H1:** There is significant difference between work environment stress due to implementing GST and GST burdening on hotels performance.

### VAR00001 \* VAR00002 Crosstabulation

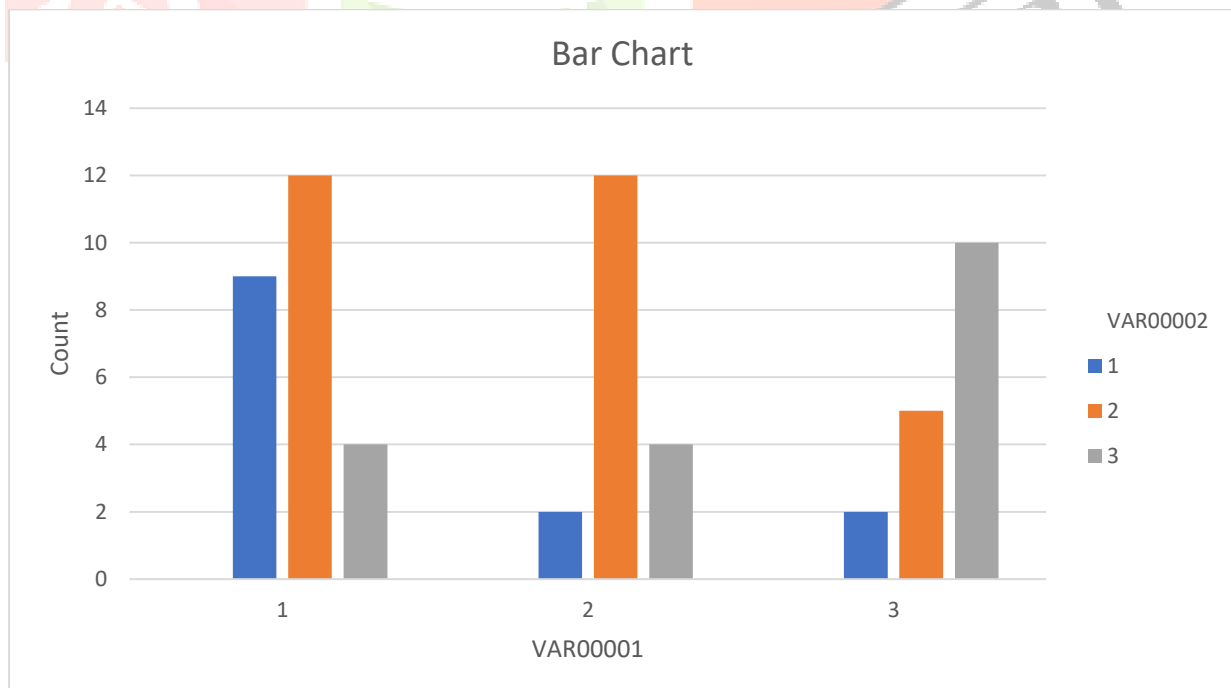
Count

		VAR00002			Total
		1.00	2.00	3.00	
VAR00001	1.00	9	12	4	25
	2.00	2	12	4	18
	3.00	2	5	10	17
Total		13	29	18	60

### Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	13.281 <sup>a</sup>	4	0.010
Likelihood Ratio	12.647	4	0.013
Linear-by-Linear Association	8.803	1	0.003
N of Valid Cases	60		

a. 2 cells (22.2%) have expected count less than 5. The minimum expected count is 3.68.



As the chi square have given values of p less than 0.05 significant level, the null hypothesis has been rejected and alternate has been accepted. Therefore, there is significant difference between work environment stress due to implementing GST and GST burdening on hotels performance.

## FINDINGS

The findings from various studies on the impact of Goods and Services Tax (GST) on the hospitality industry in India reveal several key insights:

- Implication of GST in hotels is satisfied for people as it decreases paying various old taxes.
- GST haven't been burdening and people do prefer the after GST period in hotels.
- Customers have negatively responded for the GST scheme in hotels and restaurants.
- According to hotel employee's implementation of GST has actually increased their business.
- GST does not contribute enough in hotel industry. The customers say the prices had been increased cause of GST
- The customers are not benefitted from the implication.
- The work environment stress has been created as many people are not aware about the GST and for some it is complicated to understand and accept the new scheme.

## RECOMMENDATIONS

1. GST rate is the rate on meals and beds must be downplayed to boost earnings and earnings of the international hotel.
2. Composers plan guideline value should have been improved because then resort can acquire good thing about schemes.
3. Profit of Input tax rebate must've been carried to consumers; thus, the GST local authority must create rigorous clauses.
4. Specific Package should really be proclaimed for international hotel for at least two years to conceal the injury caused by economy during covid-19-time frame.
5. Borrowings must really be provision of financial including nationalized lenders at reduced amount of attention to hotel sector for at least four years to protect debts suffered by market during covid-19 global epidemic.
6. Resort business also must focus exclusively mostly on cost saving, they should not probably have spent superfluous expenses on décor of hoteliers.

## CONCLUSION

The hotel industry in Bangalore, India, faces various tax levies, including VAT, luxury tax, and service tax. The recent modified Union Budget has hindered the hospitality business, with the GST frequency for hotel import duties decreasing from 28% to 18%. The new GST rate is aimed at promoting tourism in India and boosting the state's GDP. The study provides insights into the taxation software and workings of the hotel sector, revealing a customer-centric approach where the buyer is paramount. Some suggestions include implementing customer-slab managing costs independently, implementing a stable GST rate for small-sized and modest hotel industries, limiting GST rates for beverages, and reducing restaurant costs to encourage lower-income and middle-income individuals. Recommendations include smooth, comprehensible change agreements, special attention to information and education for all entities, professions, and staff, and clear communication of GST introduction to the public. The study also emphasizes the importance of addressing complaints about GST introduction through clear recourse.

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