



The Federation of Hotel & Restaurant Associations of India

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SUGGESTIONS FROM THE FEDERATION OF HOTEL & RESTAURANT ASSOCIATIONS OF INDIA FOR BUDGET 2021-22

Direct Tax & Policy Recommendations

S N	Issue	Recommendation	Justification
DIRECT TAXES			
1	Business loss due to Covid - 19 as unabsorbed business loss: Currently the unabsorbed business loss can be carried forward for 8 years and can be only adjusted against Business loss	Allow MAT waiver for 3 years from April 2021-March 2024 This should be provided to hospitality being the largely affected sector due to Covid -19	This will help in reducing the tax burden and will provide some marginal relief to the sectors severely affected by COVID,
2	Treating the payments made by foreigners in rupees in hotels as foreign exchange earned for the purpose of EPCG scheme. (This is already allowed for transport operators)	Foreigners coming to India and staying and spending in hotels should be deemed as foreign exchange earned by hotels for the purpose of EPCG Scheme. Treat this at par with merchandise exports of hotels & resorts and extend it an export and deemed export status to promote exports of hospitality services.	To enable the investments into developing more global markets, it is requested to declare foreign exchange & deemed foreign exchange earnings from hotels & tourism as export earnings. Additionally, it is roughly estimated that each foreign tourist moves across 2.5 Indian states, and stay at hotels & resorts and go through other experiences and spend their foreign currency or their converted foreign exchange. All such hotels & resorts and services which accept payment from such foreign tourists should be deemed as exports too.
3	Hotels have export obligations for capital equipment imported as part of the hotel project / renovation. Extension has to be provided to perform this obligation	Extension of time to perform export obligation under EPCG Scheme by 5 years.	With international travel near zero, hotels have zero foreign exchange earnings. So, they are unable to meet their export obligations. Extension has to be provided to perform their export obligations till the

			industry revives to pre pandemic levels.
4	<p>Hotels & Resorts are highly capital-intensive business which require constant upgradation of civil works, furniture and furnishings and plant and machinery to maintain high quality standards for customers of the hotel & resort properties. The investment cycle of the complete block happens once every three – four years.</p> <p>However, this capital work, while necessary to maintain standards and safety does not get monetized in terms of revenue benefits and thus hampers much needed cash flows and thus capex reinvestment and thus jobs creation.</p>	Extend investment linked benefits from section 35 AD to ongoing capex of hotels & resorts to promote high quality brownfield capex and capacity expansion and thus expand investment and job driven GDP.	To ensure constant upgradation to maintain high quality standards of Indian hotels and resorts it is requested to extend investment linked benefits under Section 35 AD for undertaking ongoing repairs, maintenance and upgradation to its capital block. This should be done without any linkage to star ratings as these are voluntary.

POLICY RECOMMENDATIONS

5	Industry and infrastructure status to Hotels & Resorts across the country	<p>A. Classify hospitality under the RBI Infrastructure lending norm criteria for access to long term funds to enhance quality accommodation supply and therefore stimulate higher global and domestic travel demand.</p> <p>B. Accord industry status to Hotel industry and set up a corpus fund for industry status to hospitality infrastructure to ensure their national industry status by compensating states for any losses.</p>	<p>A. Currently hotels built with an investment of Rs.200 crores or more have been accorded infrastructure status. This threshold has to be brought down to Rs.25.00 crores per hotel. This will enable hotels to avail term loans at lower rates of interest and also have a longer repayment period.</p> <p>B. Though industry status has been accorded to hotels by many state Governments, the incentives and privileges associated with an industry are never conferred to the industry.</p> <p>It is thus requested to classify hotels & resorts as an industry across the country and create a corpus which compensates states from any notional loss. The lower cost of operations spread over a higher</p>
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6	Review of Kamath Committee Recommendations which are very stringent and unfavorable for the hospitality industry	<p>Immediate review of the Kamath Committee recommendations to be undertaken with the following provisions:</p> <p>A. Till September 2021 no credit rating and downgrading.</p> <p>B. 24 months' extension for all existing loans.</p> <p>C. Moratorium extension for 24 months</p>	<p>The stringent conditions and the unrealistic parameters suggested by the Kamath Committee for restructuring has made the restructuring plan unfavorable for the hospitality industry. The benchmarks suggested in the scheme are more stringent than what the banks used to offer to the industry in the original loans.</p>
7	The GST rates for hotel room tariffs of Rs. 7500 and above @18 %	Threshold limit of hotel room tariff for charging GST @ 18 % to be raised to Rs. 9500 / from Rs. 7500 /	<p>Raising of the threshold limit will bring parity of rates between the Rupees and Dollar. While the threshold was fixed at Rs. 7500/ the exchange rate of Dollar per Rupee stood at 64, but the same reached at Rs. 75 per dollar today.</p> <p>Indian tourism sector is losing a fair bit of global tourist & meetings & conference traffic coming in these segments & standing to lose domestic traffic in this segment which is going to cheaper South East Asian destinations.</p>
8	Hospitality is a highly capital-intensive business which requires constant upgradation of civil works, furniture and furnishings and	A. Enhance funding limits to raise SEIS rates to 10% for hospitality to enhance the quality of accommodation by	A. To enable the investments into developing more globally acceptable products and earn higher foreign exchange, a lot of this capex

	<p>plant and machinery to maintain high quality standards for customers of the hotel & resort properties.</p>	<p>providing world class fittings & furnishings & thus promote forex earnings.</p> <p>B. Enable SEIS to discharge GST liabilities.</p>	<p>is imported. It is thus requested to enhance the SEIS limits to 10% for hotels & resorts.</p> <p>B. SEIS is a way to set off indirect tax levied to reduce our cost of exports. It was also allowed to discharge service tax liabilities through the scrips. This will enable to discharge of GST liabilities through the SEIS scrips.</p>
9	<p>Boost Domestic Tourism in view of the constrains involved in foreign travel due to Covid -19.</p> <p>Indian Hotels are losing MICE business especially corporate events to international destination of South East Asia.</p>	<p>A. Allow valid GST Hotel Bills of any state other than the home state of the Individual assessee paid for by digital mode exempt under section 80C for an additional amount of Rs 50,000.</p> <p>B. To allow IGST billing to the hotels for corporate bookings & MICE. This will enable the companies to avail GST input credit which will incentives them to spend their annual budgets in Indian cities other than holiday destinations of South East Asia.</p>	<p>A. The potential additional tax saving of Rs 50,000 will encourage citizens to travel within India. This will give impetus to hotels as well as ancillary industry.</p> <p>B. IGST billing for Corporate & MICE will allow all corporates to take input benefits and therefore incentivize them to spend on all corporate trips MICE in India rather than going abroad.</p> <p>The prevailing conditions in the country due to Covid demands some special efforts from the Government to provide enough incentives to 28 million plus people who travel out of India, to stay back and holiday in India so that the hospitality industry could stand on its feet.</p>
10	<p>ITC not allowed on Food sales</p>	<p>Treat all F&B revenue in a Hotel & standalone restaurants as bundled services to be charged GST on the following manner:</p> <p>a) 5 % composite scheme for units that are not availing ITC</p> <p>b) 12% GST for units that are availing ITC.</p>	<p>Simplification of GST rules will lead to greater compliance especially from small units.</p> <p>Due to the dismal state of affairs in the hospitality industry some impactful policy measures are required to help the industry in its survival efforts.</p>