



THE GOOD, BAD AND CONFUSING

A month after the GST regime was unrolled, we find out how the hospitality industry is coping with one of the world's largest and most complex tax reforms

BY VINITA BHATIA

One nation, one market, one tax – that was the underlying premise and promise on which Goods and Services Tax (GST) was structured. Sections of the business world were excited about the new tax regime that promised to unify the plethora of local and national tariffs. Many were noncommittal, wondering how the assurance of a common single market would bode for their operations on ground. Interestingly, the hospitality industry was amongst

the first to welcome the imposition of GST. However, its rollout came close on the heels of a liquor ban on state and national highways, and the beef ban, both of which hit their revenues badly. There was some talk about portion-control as well, but that passed without witnessing much action. Hence, faced with a tax overhaul, it was not surprising that the industry seemed wary about its likely consequences on their business, since several of them had seen some degree of de-growth post the liquor ban.



“GST has clear guidelines on how each industry needs to manage their accounts and file returns. But it will require businesses to become technologically adept, increasing the technological burden and cost for compliance. An elaborate tax structure for the hospitality sector coupled with multiple contentious and silent provisions in law will pose a major challenge in the long run. The industry has approached the government for simplifying and easing the tax rates.”

- Jean-Michel Cassé, COO-India & South Asia, AccorHotels

A month after GST was announced, we find out from various sections of the hospitality industry whether the hype around the most important tax reform to date has lived up to the expectations. And the reactions indicate that while it is likely to benefit the industry and the nation, GST still needs a lot of work.

ONE TAX TO BIND THEM ALL

A common feedback that hoteliers and restaurateurs have shared about GST is that it has made the current complex taxation policy transparent and inclusive. It helped that the government had announced about the rollout well in advance, so the trade fraternity could prepare for it. Senior members of the GST Council and other government agencies met with trade associations across the country to acquaint them with its workings and its effect on their business.

Many companies had planned in advance to ensure a smooth changeover, like Mahindra Holidays. "The invoicing was carried out with new tax rates in a phased manner across all of our resorts," said Vasant Krishnan, CFO of Mahindra Holidays.

GST did not spring any surprises on Carlson Rezidor Hotel Group either, as the company had been preparing months before the cut-off date. Its South Asia CEO, Raj Rana said that since the two important aspects of GST implementation are technology and training dependency, it could ensure a seamless transition on both fronts.

Anticipating an increase in taxes due to GST, Berggruen Hotels started negotiating contracts only with GST-registered vendors. Its executive director and CFO, Vikas Chadha, said, "We ensured that all contracts

HRAWI appeals to govt to revisit ITC aspect of GST



Dilip Datwani, president, HRAWI

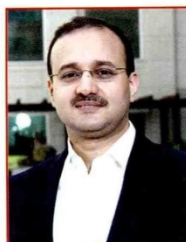
and Exhibitions (MICE) related activities hard. The association claims that one of the anomalies that emerged post-GST roll out was that MICE activities and other events held in hotels outside of home state are not eligible for Input Tax Credit (ITC). This has been leading to cancellations and postponements for pre-booked events. Given the emergence of MICE tourism as one of the fastest growing segments, and its potential to disrupt growth, HRAWI has appealed to the government to revisit this particular aspect of the GST.

"There is an overall reduction in MICE bookings across hotels in India as compared to the same period last year. While advance bookings are being cancelled, new bookings are not happening. Most

According to the Hotel and Restaurant Association of Western India (HRAWI), GST has hit the Meetings, Incentives, Conferences

companies are considering holding events in the same state where they are registered under GST. Businesses may still have digested the high GST, but without ITC, it just becomes unviable. MICE tourism is too important a segment to be overlooked," said Dilip Datwani, president of HRAWI.

"The non-refund or non-receipt of ITC for businesses holding MICE in states other than the ones they operate in is the biggest drawback of GST for hospitality. ITC is available if the entity arranging the MICE has their GST registered in the State where it is held and also unfortunately ITC on Integrated Goods & Services Tax (IGST) is not applicable for the hotel industry. Not receiving a set-off for an expense will be discouraging for any business to conduct MICE outside of their State. This will translate to such enterprises either holding MICE in their respective states or they go to a country where not only the taxes are lower but they will mostly get the tax refund by that country on exit. We are engaging with the Tourism Ministry in this regard and hopefully the clause will be altered to encompass MICE for ITC," said Kamlesh Barot, past president of Federation of Hotel and Restaurant Associations of India (FHRAI) and director of Vie hospitality.



“ GST should nudge the expansion of the structured market by drying out the arbitrage available to the unstructured market. It will make it easier to avail and utilise input credit, without any cascading impact and minimal blockage of funds, leading to administrative efficiencies once the system is stabilised. It should also encourage businesses to invest and increase capacity, thereby helping the country not only increase employment but also widen the tax base and increase tax revenues.”

- Rahul Pandit, MD and CEO, Ginger Hotels

had clauses mentioning that the tax increase due to GST would be chargeable. The challenge of educating customers and issues in implementation, especially on procurements, would remain for the initial months as it is natural that customers will take time to understand the different tax slabs, and its effects on the billing of goods/ services availed by them."

Ginger Hotels, too, decided to take a proactive approach and established a cross-functional team from finance, sales, procurement, operations and technology to execute a smooth roll out. "Our partners were informed to share invoices on or before 30th June. Our PMS system was GST-compliant effective 1st July 2017. Incidentally, there was zero cost incurred in the implementation and system upgrade," noted Rahul Pandit, MD and CEO of Ginger Hotels.

BRAKES ON THE OPTIMISM

Despite meticulously planning for GST, many companies still faced challenges when transitioning to the new tax regime. AccorHotels India, which had com-