

GST ON HOTEL & RESTAURANT SERVICES



HOTEL SERVICES

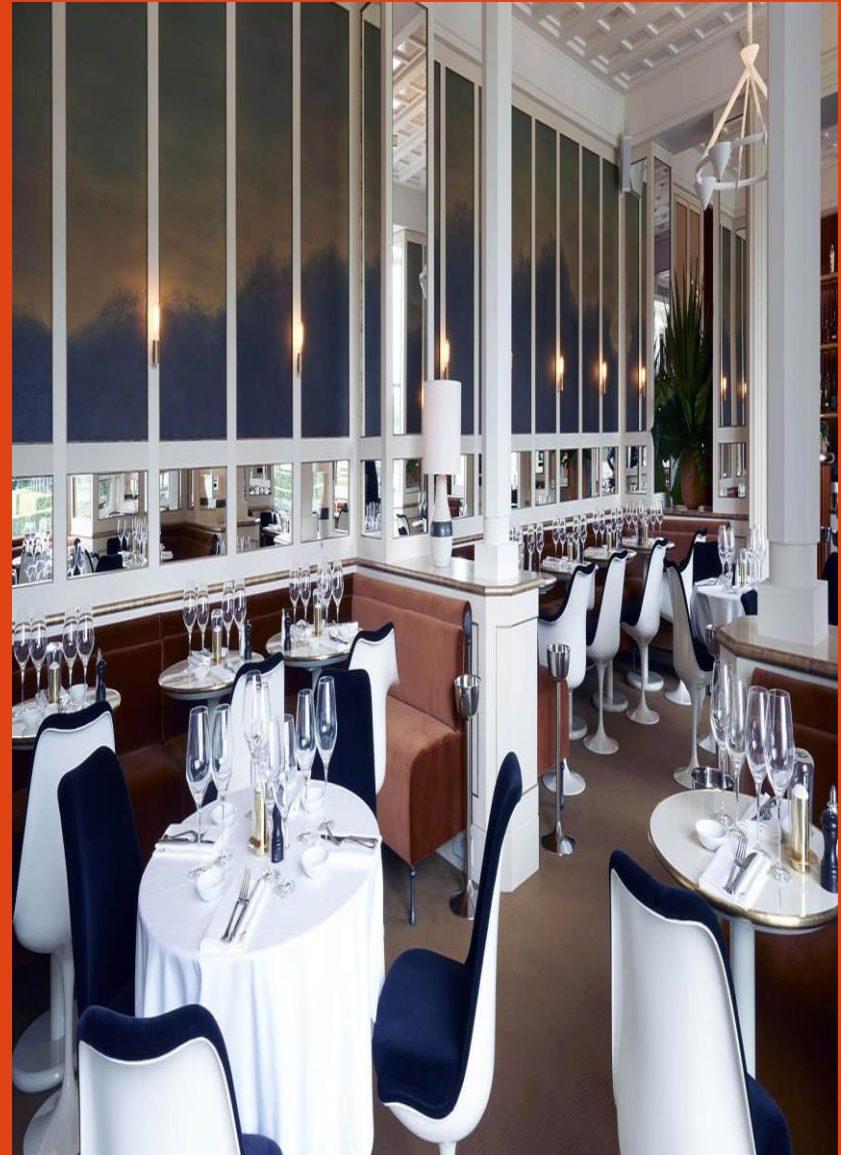
"Hotel" is a commercial establishment offering to travelers and sometimes to permanent residents, and often having restaurants, meeting rooms, stores, etc., that are available to the general public.

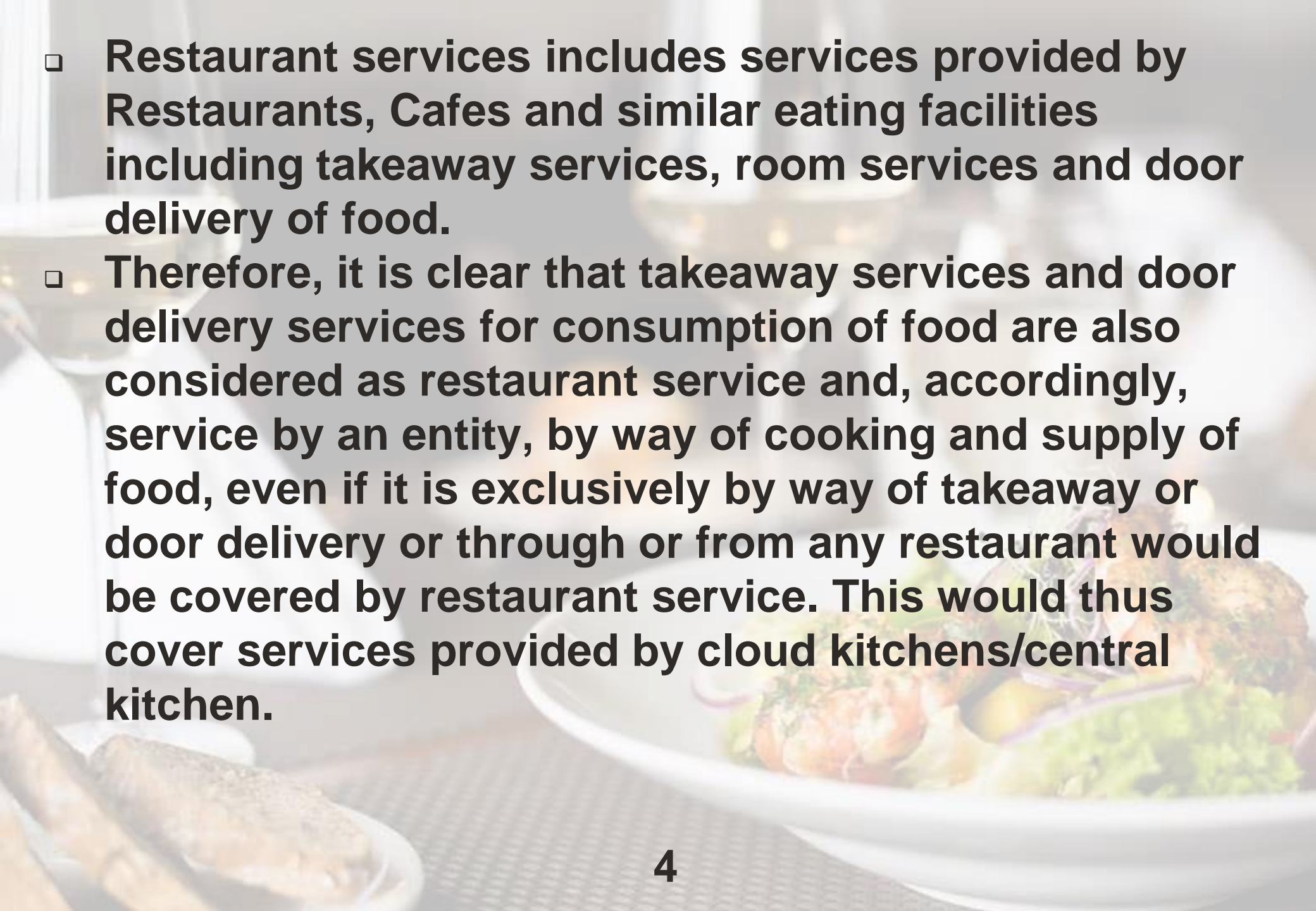
"Accommodation" in hotels will cover hotels, inns, guest houses, clubs, campsites or other commercial places which are meant for residential or lodging purposes where the tariff for a unit of accommodation is declared per unit per day.



RESTAURANT SERVICES

“Restaurant Service” means supply, by way of or as part of any service, of goods, being food or any other article for human consumption or any drink, provided by a restaurant, eating joint, including mess, canteen, whether for consumption on or away from the premises where such food or any other article for human consumption or drink is supplied.

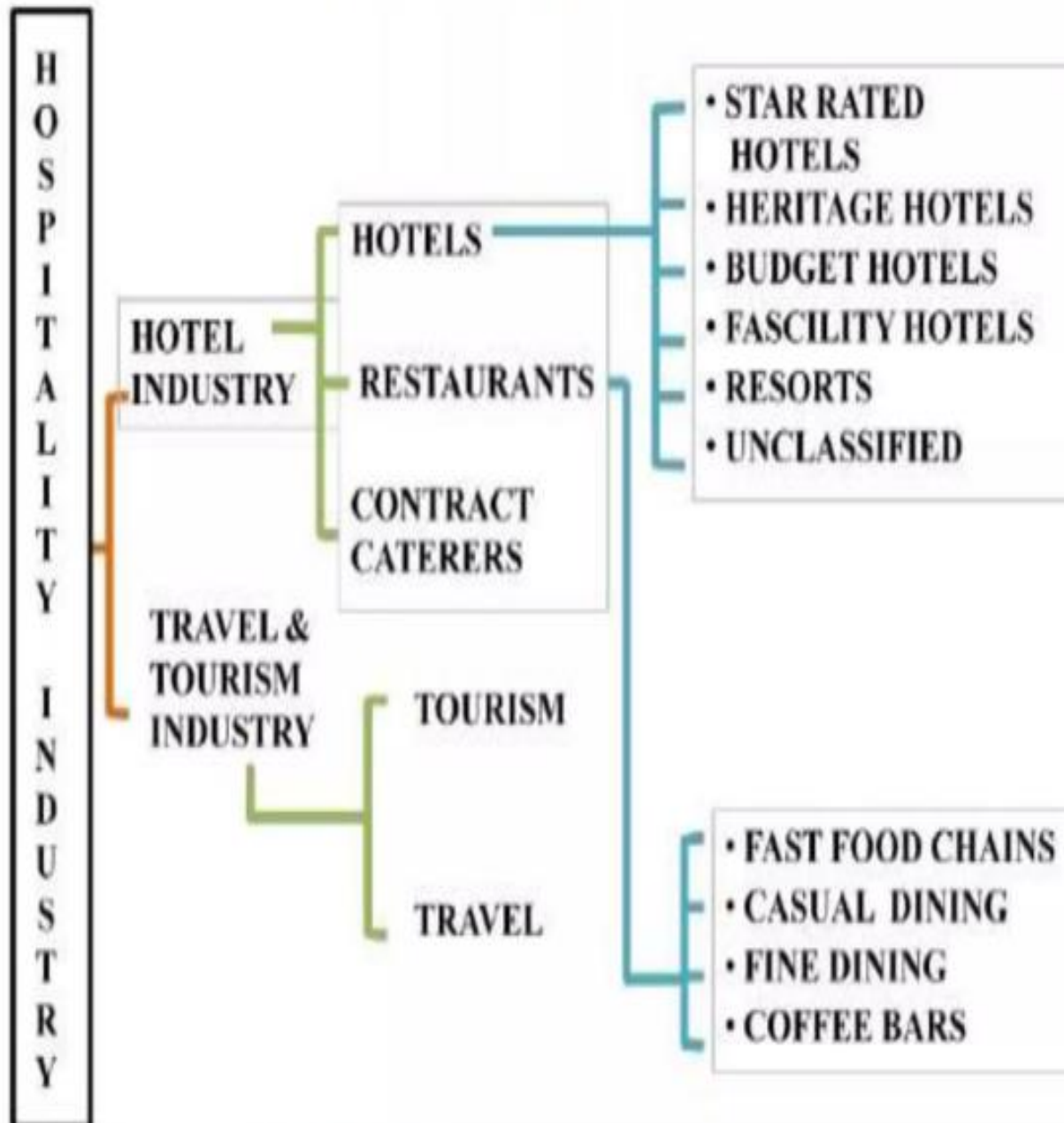


- 
- ❑ **Restaurant services includes services provided by Restaurants, Cafes and similar eating facilities including takeaway services, room services and door delivery of food.**
 - ❑ **Therefore, it is clear that takeaway services and door delivery services for consumption of food are also considered as restaurant service and, accordingly, service by an entity, by way of cooking and supply of food, even if it is exclusively by way of takeaway or door delivery or through or from any restaurant would be covered by restaurant service. This would thus cover services provided by cloud kitchens/central kitchen.**

OVERVIEW OF HOSPITALITY INDUSTRY

- ❑ Hospitality is about serving the guests to provide them with "feel-good-effect".
- ❑ **"Athithi Devo Bhava"** (Guest is God) has been one of central tenets of Indian culture since times immemorial.
- ❑ Today, hospitality sector is one of the fastest growing sectors in India and it grew at the rate of CAGR 8.28% between 2007 and 2019 and from 2021 it is expected to grow at CAGR 9.21%
- ❑ Nowadays, the travel and tourism industry is also included in hospitality sector. The boom in travel and tourism has led to the further development of hospitality industry.

Segmentation - Hospitality Industry.



CLASSIFICATION OF HOTELS

1. Based on location

City center: Generally located in the heart of city within a short distance from business center, shopping arcade. Rates are normally high due to their location advantages. They have high traffic on weekdays and the occupancy is high.

Example: Taj , Mumbai

Motels: They are located primarily on highways, they provide lodging to highway travelers and also provide ample parking space. The length of stay is usually overnight.

Suburban hotels: They generally have high traffic on weekend. It is ideal for budget travelers. In this type of hotel rates are moderately low.

Floating hotels: As name implies these hotels are established on luxury liners or ship. It is located on river, sea or big lakes. In cruise ships, rooms are generally small and all furniture is fixed down. It has long stay

AIRPORT HOTELS:

These hotels are set up near by the airport. They have transit guest who stay over between flights

Resort hotels:

They are also termed as health resort or beach hill resort and so depending on their position and location. They cater a person who wants to relax, enjoy themselves at hill station. Most resort work to full capacity during peak season. Sales and revenue fluctuate from season to season.



BOATELS

A house boat hotels is referred as boatels. The shikaras of Kashmir and **kettuvallam of Kerala** are houseboats in India which offers luxurious accommodation to travelers

Rotels

These novel variants are hotel on wheel. Our very own "palace on wheels" and "Deccan Odessey" is trains providing a luxurious hotel atmosphere. Their interior is done like hotel room. They are normally used by small group of travelers.



2. BASED ON PROPERTY

- **Small hotels:** hotel with 100 rooms and less
- **Medium size hotels :** hotel with 100 – 300 rooms
- **Large hotels:** hotel which ahs more than 300 rooms
- **Mega hotels:** hotels with more than 1000 rooms
- **Chain hotels:** these are the group which has hotels in many number of locations in India and international

3. **PRICING PLANS**

- European Plan : room charges only
 - American Plan : rooms + all meals
 - Modified American Plan : room + breakfast + lunch or dinner
 - Continental Plan : room + continental breakfast
 - Bed and Breakfast : room + English breakfast
-

Growth Drivers

- ❑ Discovering /Expanding news/Niche markets.
- ❑ Booming economy.
- ❑ Growth in IT enabled services & IT industry
- ❑ Rising stock indices
- ❑ Entry of low cost airlines
- ❑ Low cost medical facilities
- ❑ Globalization & Liberalization gave it new impetus

Overview

- Important part of global economy
- Slack session : March to September
- September-march period accounts 60% of total tourist arrivals
- Focused largely on foreign tourist, with almost 70% of the business coming from this segment
- Inbound tourist expenditure per head is third highest in the world & over more than global average tourist spending
- The cumulative FDI in to the hotel & tourism sector from 1991 to February 2011 has been US \$1,93,739 million, representing 1.18% of the total FDI in to the country

IBEF- INDIA BRAND EQUITY FOUNDATION

ADVANTAGE INDIA

ROBUST DEMAND

- ❑ The Medical Tourism sector is predicted to increase at a CAGR of 21.1% from 2020-27.
- ❑ The travel market in India is projected to reach US\$ 125 billion by FY27 from an estimated US\$ 75 billion in FY20.
- ❑ International tourist arrivals are expected to reach 30.5 million by 2028.

ATTRACTIVE OPPORTUNITIES

- ❑ India is geographically diverse and offers a variety of cultures that come with its own experiences, making it one of the leading countries in terms of international tourism expenditure.
- ❑ Travel and tourism are two of the largest industries in India, with a total contribution of about US\$ 178 billion to the country's GDP.
- ❑ The country's big coastline is dotted with attractive beaches.

POLICY SUPPORT

- ❑ **US\$ 2.1 billion is allocated to Ministry of Tourism in budget 2023-24 as the sector holds huge opportunities for jobs and entrepreneurship for youth.**
- ❑ **Under the Union Budget 2023-24, an outlay of US\$ 170.85 million has been allocated for the Swadesh Darshan Scheme.**
- ❑ **68 destinations/sites have been identified in 30 States/UTs for development under the PRASHAD Scheme as on March 31, 2022.**

DIVERSE ATTRACTIONS

- ❑ **India is geographically diverse and offers a variety of cultures that come with its own experiences, making it one of the leading countries in terms of international tourism expenditure.**
- ❑ **Travel and tourism are two of the largest industries in India, with a total contribution of about US\$ 178 billion to the country's GDP and expected to reach US\$ 459 billion by 2027-28.**
- ❑ **The country's big coastline is dotted with attractive beaches.**

- ❑ Numbers of Hotels in India- More than 53000
- ❑ Restaurants- More than 70 Lakhs in Organised sector and
- ❑ 230 Lakhs Restaurants are in Unorganised Sector
- ❑ This Sector Provided Employment to about 10 Cr. People.

GROWTH DRIVERS IN U.P.

- ❑ There are 5 expressway and the still 1 under construction.
- ❑ New airports such as kushinagar, jewar and many others in making.
- ❑ New cultural sites such as Ramnagari in Ayodhya and new roads to Ayodhya.
- ❑ Development of Buddhist circuit such as kushinagar, Sarnath etc.
- ❑ New International stadium such as Ekana in lucknow, Green park in kanpur and one under construction in Varanasi.
- ❑ Key policy support from U.P. government such as capital investment subsidy, interest subsidy, stamp duty exemption, Land use conversion and development charges exemption.
- ❑ This led to MOU for about Rs.5000 crores investment in this hospitality sector.

States with Largest Domestic Tourist Arrivals in 2021

- Tamil Nadu
- Uttar Pradesh
- Andhra Pradesh
- Karnataka
- Maharashtra
- Telangana

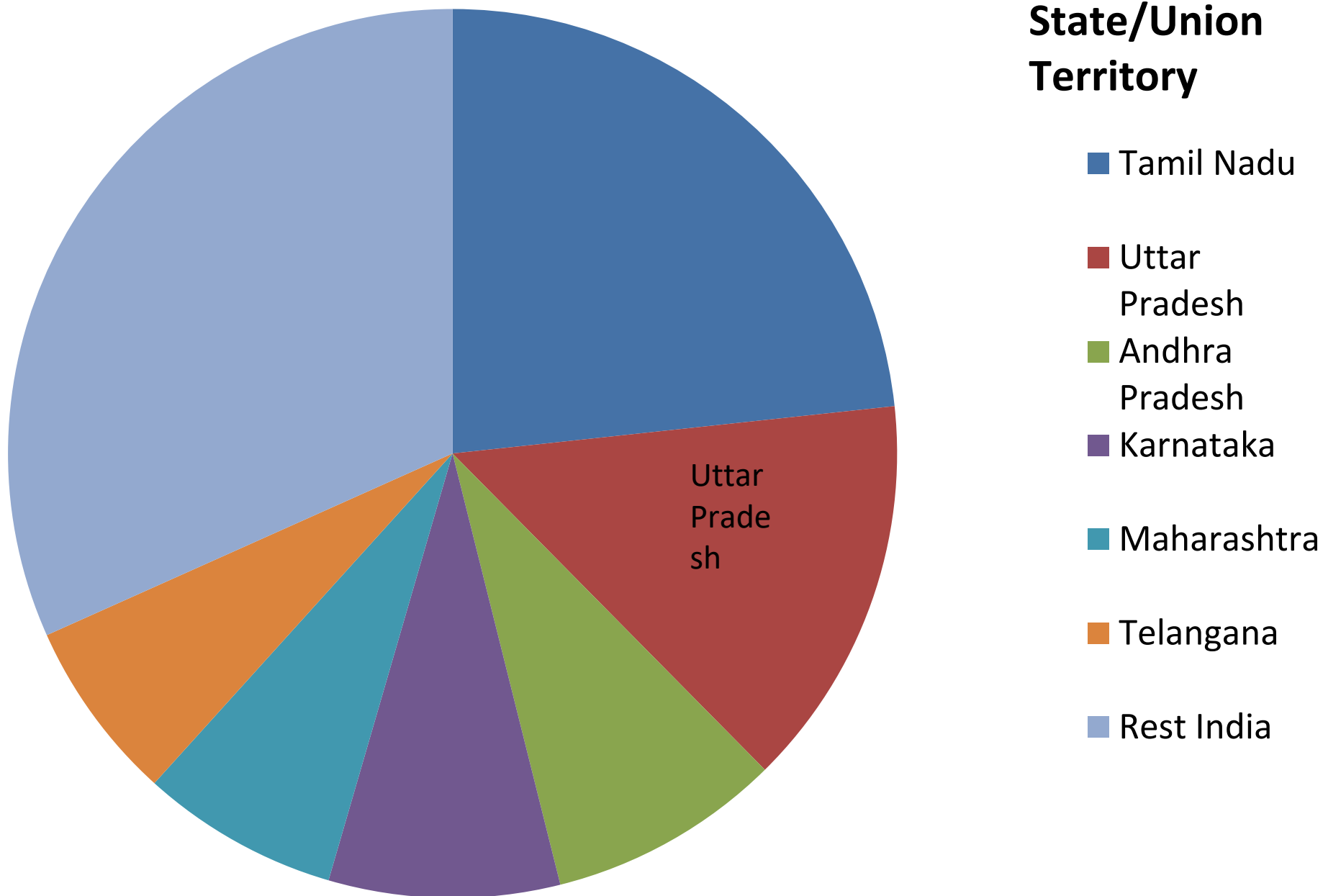


Industry Contacts

- ▷ Department of Tourism
- ▷ Palace on Wheels
- ▷ Hotel Association of India
- ▷ Federation of Hotel and Restaurant Associations of India

Share in %

State/Union Territory





RATE OF TAX ON HOTEL & RESTAURANT SERVICES

TAX on Hotels and Accommodations

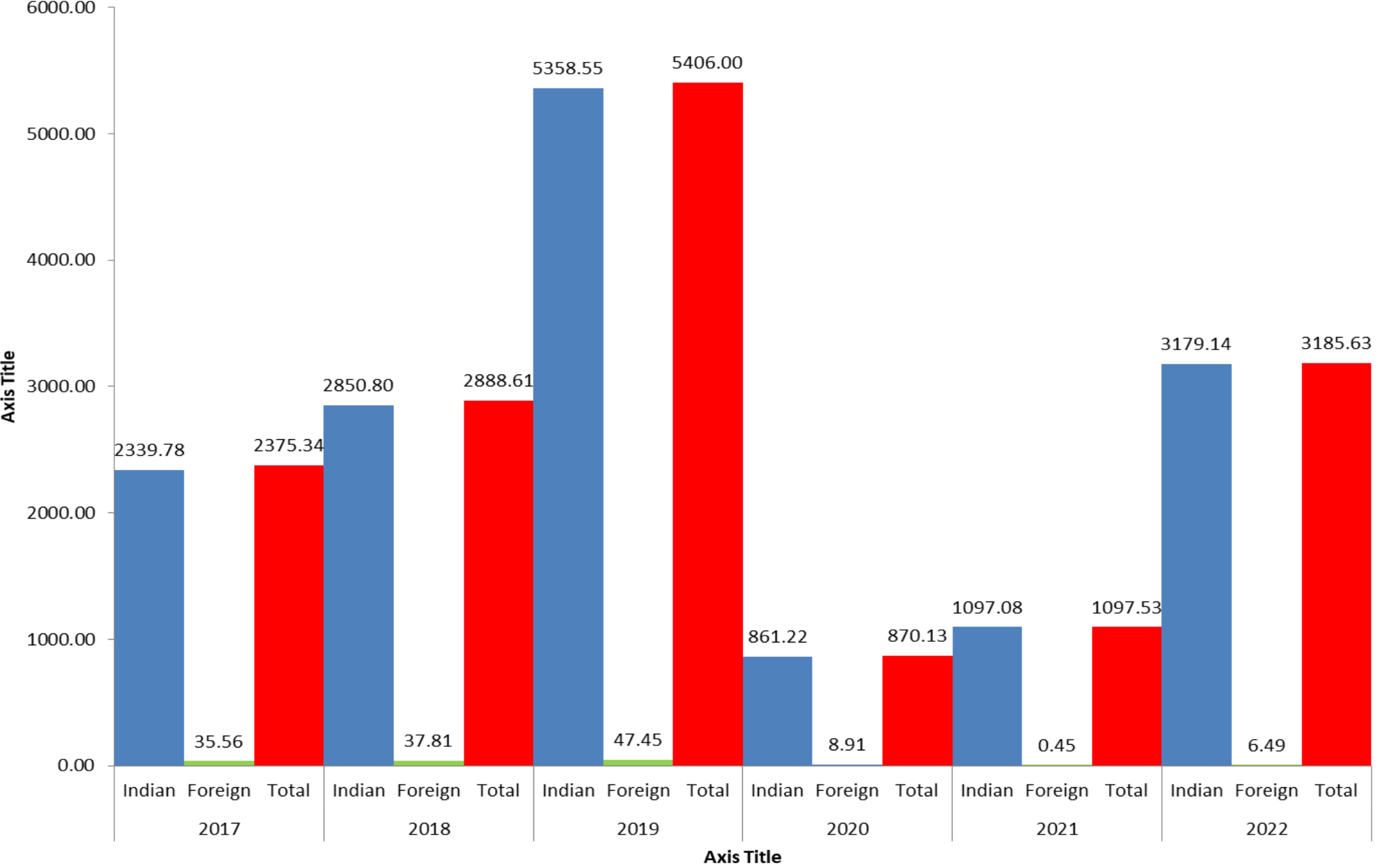
Room Rant per day	GST Rate		
	18.07.2022 onwards	01.10.2019 to 17.07.2022	01.07.2017 to 30.09.2019
Rs 0 to Rs 1000	12%	Exempt	Exempt
Rs 1001 to Rs 2500		12%	12%
Rs 2501 to Rs 5000			
Rs 5001 to Rs 7500			18%
Rs 7501 onwards	18%	18%	28%

S. No.	Type of Restaurants	GST Rate
1.	Food supplied or catering services by Indian Railways/IRCTC	5% without ITC
2.	Standalone restaurants, including takeaway	5% without ITC
3.	Standalone outdoor catering services or food delivery service	5% without ITC
4.	Restaurants within hotels (Where room tariff is less than Rs 7,500)	5% without ITC
5.	Normal/composite outdoor catering within hotels (Where room tariff is less than Rs 7,500)	5% without ITC
6.	Restaurants within hotels* (Where room tariff is more than or equal to Rs 7,500)	18% with ITC
7.	Normal/composite outdoor catering within hotels* (Where room tariff is more than or equal to Rs 7,500)	18% with ITC

Yearwise Tourism Statistics in U.P.

Year	Indian	Foreign	Total	People In Lakhs		
				% Growth Indian	% Growth Foreigner	% Growth Total
2017	2339.78	35.56	2375.34			
2018	2850.80	37.81	2888.61	21.84	6.31	21.61
2019	5358.55	47.45	5406.00	87.97	25.51	87.15
2020	861.22	8.91	870.13	-83.93	-81.23	-83.90
2021	1097.08	0.45	1097.53	27.39	-94.98	26.13
2022	3179.14	6.49	3185.63	189.78	1350.67	190.25

Tourist

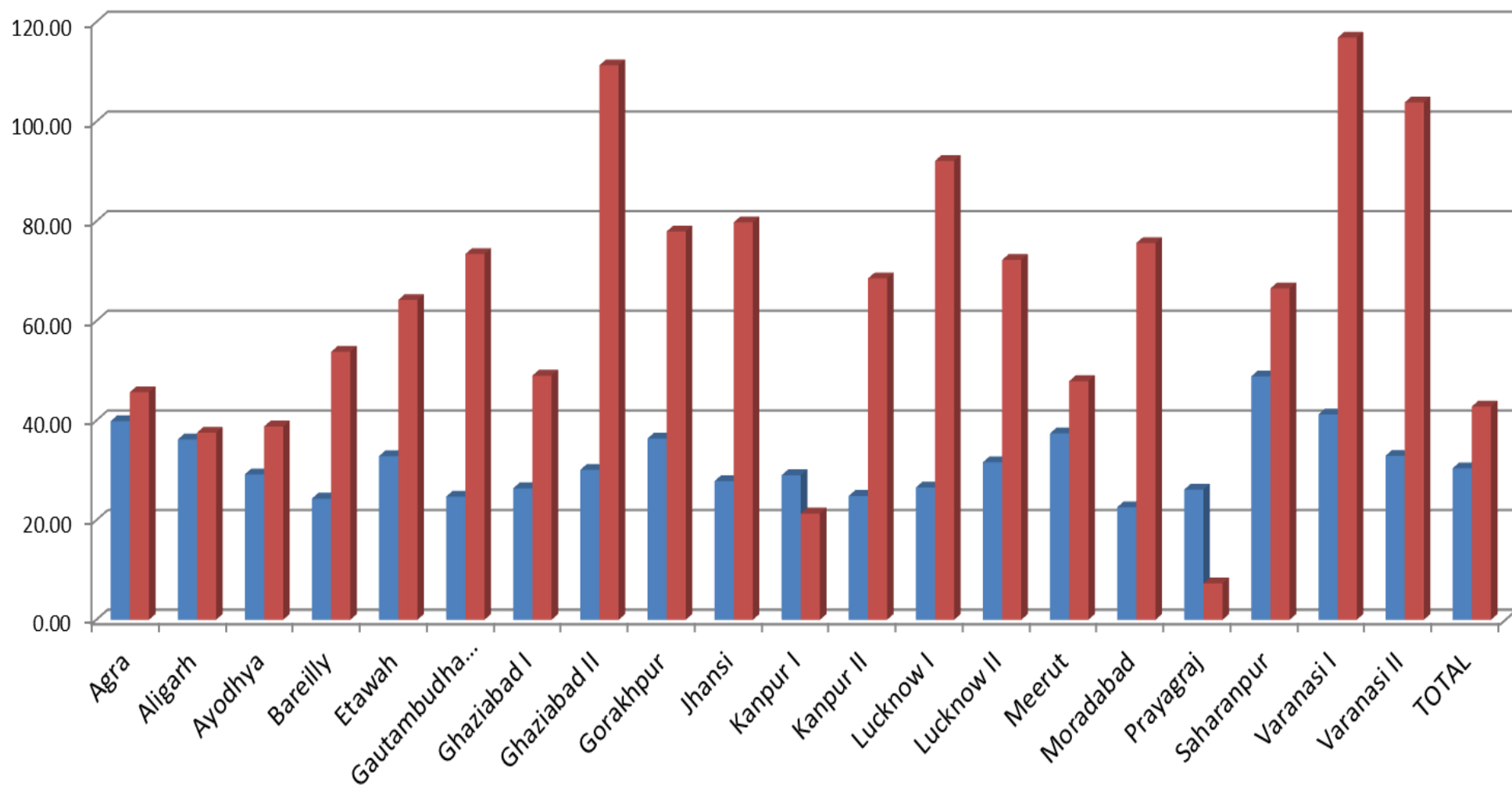


GSTIN COLLECTION HSN Code : 9963 Hotel and Restaurant Services							
		2021-22		2022-23			
S.No.	Zone	Total Dealer	collection (In Lakhs)	Total Dealer	collection (In Lakhs)	% Dealer Growth	% Tax Growth
1	2	3	4	5	6	7	8
1	Agra	469	878.04	656	1279.18	39.87	45.69
2	Aligarh	536	544.95	730	749.67	36.19	37.57
3	Ayodhya	469	172.56	606	239.52	29.21	38.81
4	Bareilly	452	389.31	562	598.78	24.34	53.80
5	Etawah	283	137.72	376	226.14	32.86	64.20
6	Gautambudha Nagar	1674	3349.00	2088	5808.13	24.73	73.43
7	Ghaziabad I	621	513.86	785	765.73	26.41	49.02
8	Ghaziabad II	488	1640.47	635	3466.71	30.12	111.32
9	Gorakhpur	635	347.09	866	617.65	36.38	77.95
10	Jhansi	341	128.16	436	230.43	27.86	79.80
11	Kanpur I	248	1217.77	320	1477.68	29.03	21.34
12	Kanpur II	410	379.75	512	639.95	24.88	68.52
13	Lucknow I	885	910.58	1120	1749.55	26.55	92.14
14	Lucknow II	1008	755.13	1327	1300.68	31.65	72.25
15	Meerut	350	341.08	481	504.49	37.43	47.91
16	Moradabad	447	249.51	548	438.26	22.60	75.65
17	Prayagraj	524	9969.13	661	10697.66	26.15	7.31
18	Saharanpur	268	265.42	399	442.01	48.88	66.54
19	Varanasi I	558	342.10	788	741.83	41.22	116.85
20	Varanasi II	577	332.37	767	677.57	32.93	103.86
	TOTAL	11243	22863.98	14663	32651.61	30.42	42.81

Dealer and Tax Growth % of Hotel and Restaurent 2021-22 Vs 2022-23

■ Growth of Dealer

■ Growth of Tax



GSTIN COLLECTION**HSN CODE :9963****Hotel and Restaurant Services**

(Rs. In Lakhs)

Sr. No.**Year****Collection****% Tax Growth****1****2****3****4**

1.

2017-18

7317.46

2.

2018-19

15207.79

99.65

3.

2019-20

20443.83

34.43

4.

2020-21

18158.35

-11.18

5.

2021-22

22863.98

25.91

6.

2022-23

32651.65

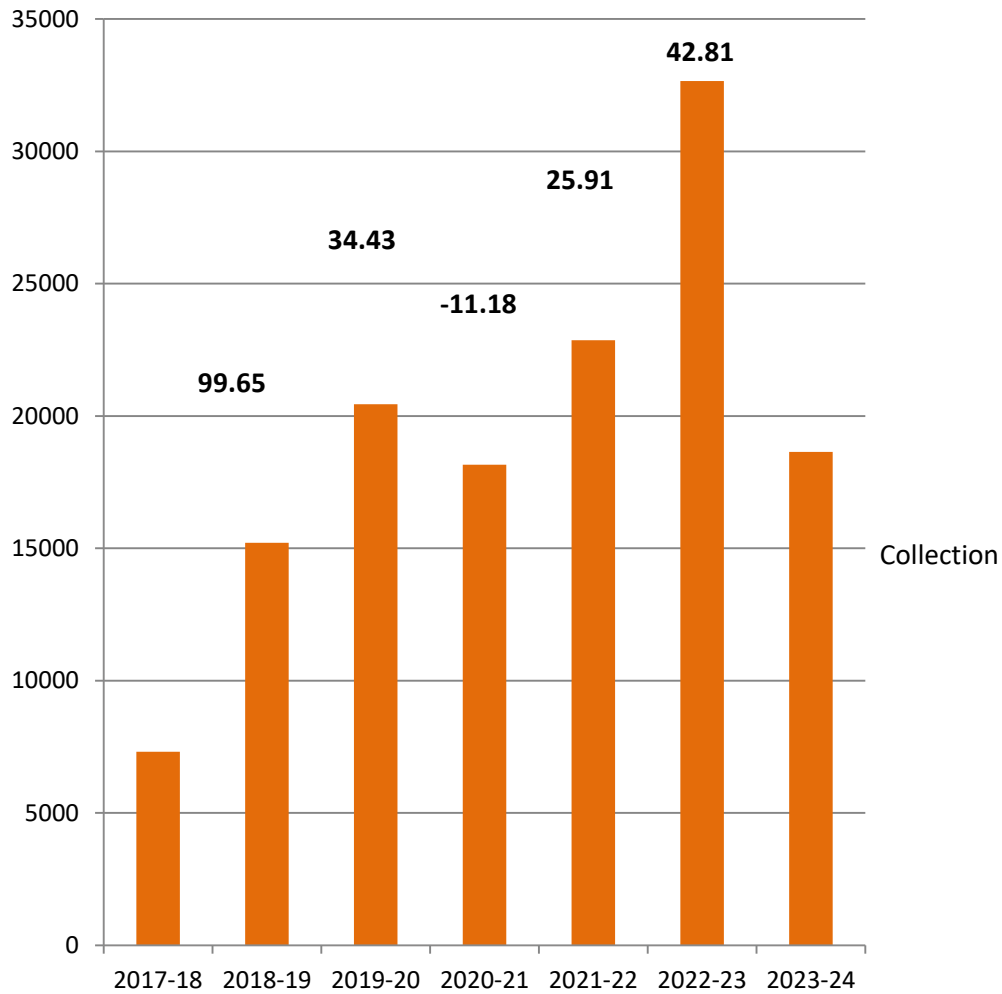
42.81

7.

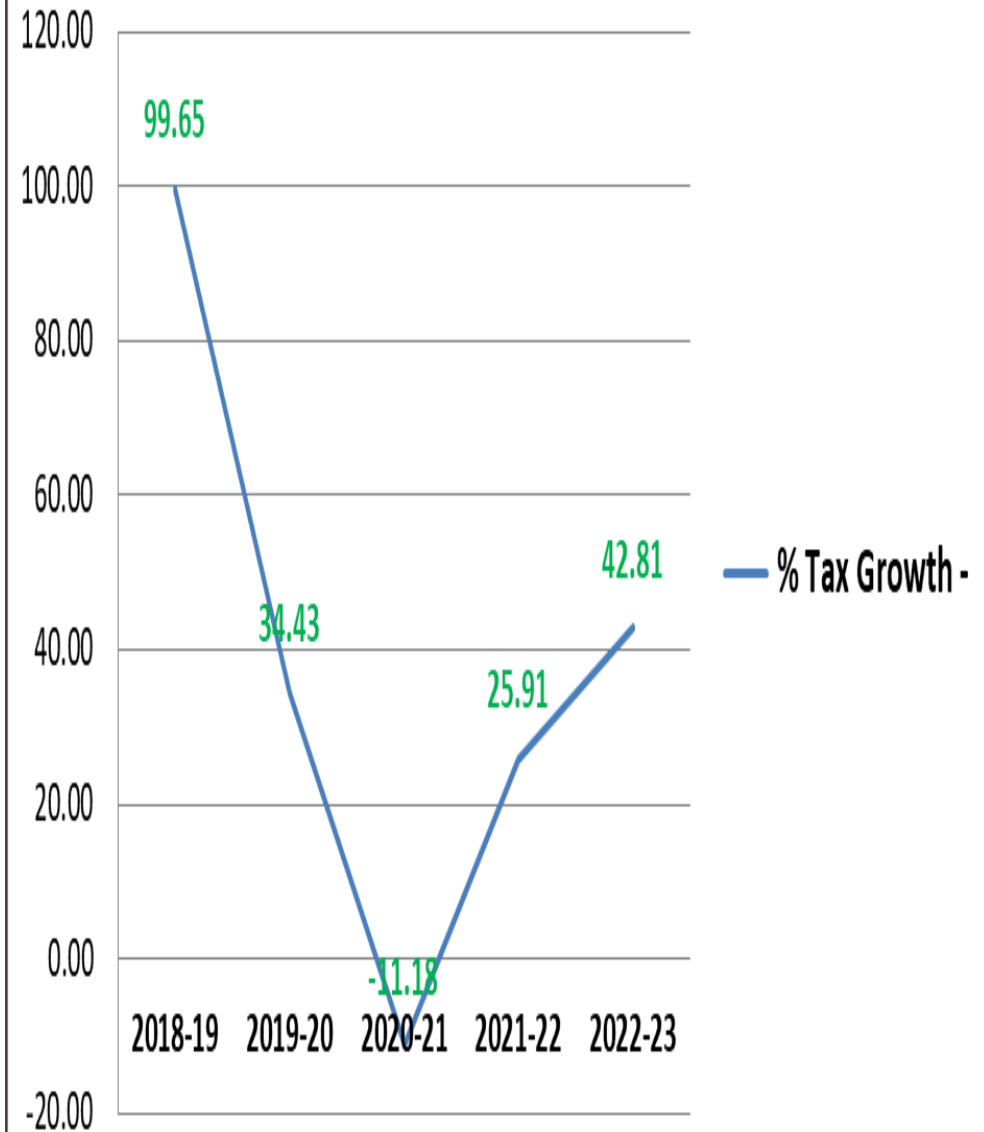
2023-24
(Till September,
23)

18642.38

Collection



% Tax Growth -



GST composition scheme for restaurants



Restaurants are required to pay GST at a concessional rate of 5% on the turnover under the composition scheme subject to the following restrictions

- ❑ Turnover not to exceed Rs 1.5 Crores (Rs 1 Crore in case of special category States)
- ❑ Should not be engaged in any services other than a restaurant
- ❑ Restaurants cannot make interstate outward supply of goods
- ❑ Cannot supply any items not taxable under GST such as alcohol.
- ❑ Restaurants cannot avail any input tax credit
- ❑ Dealer can't issue tax invoice instead he should issue bill of supply.
- ❑ They cannot collect taxes from the customer

Tax Evasion practices and checks



Modus of Operandi

- ❑ Reporting lower turnover than actual one.
- ❑ Not paying tax due on time.
- ❑ False claim of ITC and exemption.
- ❑ Keeping money in accounts not shown to the department. Cash transaction are not shown properly.
- ❑ Misleading financial statement avoiding mixed supply.
- ❑ Restaurants used to do billing on any desk and other such software and later on they show their turnover as per their bill.
- ❑ Packing material & Raw material purchase not shown properly.

Check points for SIB and sector Officers

- ❑ Since 18.07.2022 tariff below 1000Rs. made taxable so sector officer should identify still unregistered hotels and get them registered.
- ❑ Unregistered restaurants should be identified and get registered.
- ❑ Maximum hotels are connected with online platforms such as Agoda, Make My Trip, Goibibo, Oyo, IRCTC, Booking.com, Trivago, Ease my trip, Yatra.com etc
- ❑ Here, we can see which services and which meals are complimentary.
- ❑ AP, MAP, EP, CP are clearly given on those platforms while booking is being done.
- ❑ SIB officers and Sector officers, should take note of these data and impose tax as mix supply on those hotels.
- ❑ SIB officers should collect sufficient bills of different dates from the hotels which has to be checked.

❑ **Case Study on hotels**

- ❑ SIB survey was conducted on Brij Rama Hospitality limited based on data taken from those online platforms . It is found that cars services(pick & drop),boat services(pick & drop) and meals were complimentary but the dealer used to issue invoices showing every services separately and accepting tax at different tax rates on each services. 45 tax invoices were seized each invoices were accompanied by booking and confirmation mails in which tairff was shown and GST was shown @28 percent. But on bill different tax was charged and accordingly returns was submitted. At the time of survey this anomaly was informed to the dealer and the dealer deposited 58 lakhs rupees was deposited at the time of survey. Till today, the dealer has accepted 160 lakhs rupees and deposited the amount by DRC-03.

- ❑ SIB officers should note number of rooms, room tariff and should seize night audit report register or booking register kept by hotel owner or at the hotel reception desk.
- ❑ Sometimes, booking and billing is done on computers, in this case, printout of booking details and billing details should be taken and if need be, hard disk may be seized.
- ❑ Number of workers working in hotel and if there is, then number of workers working in kitchen should be noted.
- ❑ Generally, hotel dealers avail ITC on cars and other such items which are not permissible under the provisions of Section of 17(5) UP GST ACT.
- ❑ There are several hotels which operate on franchise basis. Transfer of franchise rights is different service which is taxable @ 18 percent. It should be checked that whether or not the tax has been paid on these services.

Claim of ITC and other issues in Restaurants

- ❑ Restaurant services are generally taxable @5% without ITC. Apart from food Several general items are sold by restaurant for which they raise Tax invoices as per relevant rate of tax for which they can claim ITC. The rest of ITC needs to get reversed which is not properly reversed by Taxpayer.
- ❑ In the above mentioned cases, the service provider has to issue separate tax invoice than that for restaurant services which is generally not issued . These details are required to be asked.
- ❑ A separate inventory of goods used in food preparation and the goods which are sold separately should be kept by service provider. During the investigation ascertainment of goods used in food preparation should be done eg. Restaurant cum sweet shops.
- ❑ Generally, dealer avail ITC even on fixed capital assets which is not permissible under the provision of 17(5). Hence, a through scrutiny is necessary.
- ❑ SIB officers should collect sufficient bills of different dates from the restaurant which has to be checked.

- ❑ **Case study on Restaurants**

- ❑ SIB survey was conducted on M/s 5 Spices, 09AABFZ3417D1ZB, 5TH FLOOR, MALDAHIYA, VARANASI, Uttar Pradesh, 221001 on the ground of a bill issued by this firm in which it is found that the firm is charging 10% service charge and CGST & SGST is being charged @ 9% on service charge only. No tax is being charged on food items. During survey, it is found that the dealer was accepting tax @5% and claiming ITC on almost everything purchased. ITC claimed is applicable only when the dealer is accepting tax @18%. The dealer is informed about the anomaly and dealer has deposited 50 lakhs rupees only.
- ❑ It is also seen in many cases dealer charges service charge but doesn't accept tax on service charge.

Legal Issues

- ❑ In Gujarat AAR Mangal Das Mehta and co. Ltd. Declared or published room tariff is relevant only for determination of tax rates slab in respect of supply of accommodation food and beverages services if declared tariff is Rs 7500 and above then rate of tariff will be @28% on amount charge for room stay and different rates on different services.
- ❑ In Rajasthan AAAR Modi education foundation, the authorities decided that hostel services is actually accommodation services and if others services are also given then it is a mix supply. In this case, it is decided that the hostel seat should be considered as a unit of accommodation, in case of mixed supply of accommodation and food the higher rate of both will be applicable.
- ❑



Composite or mixed supply

In several mithai cum restaurant shops, eatables are sold as gift hampers containing various different tax rates. These gift hampers should be taxed at the rate of commodity with highest rate of tax present in them but generally the sellers tax the items separately.



Supplies through ECO

An e-commerce operator has to pay tax on supply of restaurant services through e-commerce operator, the facility of ITC is not available on such items. The claim of ITC on supplies made through ECO should be checked. On supply of goods other than food, the tax needs to get paid by the service provider and not by ECO. The restaurant service provider shall report such supplies of restaurant services made through ECOs in Table 8 of GSTR-1 and Table 3.1 (c) of GSTR-3B, for the time being



Franchise issue

There are several restaurants chains which operate on franchise basis. Transfer of franchise rights is different service which is taxable @18% . It should be checked that whether or not the tax has been paid on these services.



Stock

- ❑ Food safety regulations make it mandatory to mention the expiry date of food items on bills issued by service provider. This factor should be considered in calculation of turnover for the items meant for over the counter sale .
- ❑ Similarly the expiry date of raw materials used in food preparation should be considered while deciding the turnover for cooked foods.



Separate bills

- ❑ As per provisions of circular no. 167 dated 17.12.2021, the ECO is required to issue separate tax invoices for supply of restaurant services and for supply of other items.
- ❑ For the items other than cooked food, tax should be paid at relevant tax rate for such item.



Liability on sale by URD

In cases where the unregistered restaurants make supply through ECO, the ECO is liable to pay tax on such supplies. The registration of actual supplier has no impact on ECO liability.



Tax deposition in cash

Tax liability on supply of restaurant services through ECO should necessarily be discharged in cash.

THANK
YOU...