

GST AND COVID-19 NOSEDIVE TOURISM ECONOMY

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Abstract

Since independence indirect taxation is a huge source of revenue. Number of comprehensive changes has been seen in direct taxation either in compliance or in rate system. There are different models of indirect taxation around the world. India adopted unique GST model in which centre and state as well power to levy and collection of GST. GST impact on all economy sectors positively as well negatively. Tourism and its allied sectors are major sources of revenue in Uttrakhand. GST rates are fluctuated in tourism sectors like GST on transportation of passengers and it credit availability. Rate of hospitality also increased after removing of luxury tax. Tourism industries become hub of employment. In some tourism product, GST registration and some compliance are exempted under new GST era, but rate have been increased in some sectors which increased burden on consumers' pockets. This paper will be tried to emphasized impact of GST and COVID-19 in tourism sectors.

Key Word: Tourism, GST, registration, impact, compliances, comprehensive, revenue.

1. INTRODUCTION

Indian tourism industry is an emerging sector in the world. More than eight per cent of total populations are employed in tourism industry. This industry subjected to indirect taxation through different products. Goods and service tax replaced all indirect taxation and merged in a single tax, called "one nation one tax". GST effects on tourism products positive as well as in negative way. GST effect on air facility, restaurant and accommodation etc in which some product become costly and some product became cheaper. COVID-19 factor also nosedive tourism sector in 2020 and 2021. GST reformed overall structure of tourism industry. Overall cost of tourism packaged increased due to some product under GST. GST registration is also compulsory which increased compliance burden. Government lunched many scheme for small scale business like composition scheme for restaurant service in which tax rate is 5 percent without sett- off taxation. Domestic air fare is five per cent. GST focuses on luxury product like stay cost is less than one thousand rupees is exempted from tax. There are advantages of input tax credit in new GST regime which was ambiguity in ending regime. This study tried to brought out impact of GST and Pandemic on tourism sector and recommendation for future.

2. REVIEW OF LITERATURE

Saxena, R. K., & Payalin his study "Impact of GST on Tourism Industry" described that unified taxa system started in tourism sectors and replaced plethora of taxes. GST brought out clarity in input tax credit as well reduction burden on end consumers..According to R Gupta, R. in his study "GST REFORMS AND INDIAN TOURISM INDUSTRY: REALITIES AND CHALLENGES" open up about GST rate and its impact on tourism sectors. Author described about difference pre-GST and post GST regime. Study emphasized advantages and disadvantages of GS in tourism sector.

According to Perween, S., & Hajam, A. G. "Tourism in India: An overview of Public Expenditure and GST" described about CAGR expenditure in tourism sector. Author made different expenditure in pre-GST and post GST era. Baliyan, M., & Rathi, P. in his study "Impact of GST on different

sectors of Indian economy” described about how GST become boom for hospitality sector. Author brought out advantages and disadvantages of GST in tourism sector.

According to Khatik, S. K., & Nag, A. K. (2019) in his study on “Impact of GST on Indian hotel and restaurant business” there were multiple taxes on tourism sector which have been subsumed in unified taxation. Author described that cost of some product has increased after implementation of GST in hospitality sector. As per Abraham, S. (2020) in his study “Impact of the GST on the Development of Hospitality and Tourism Sector in India” GST removed ambiguity in indirect taxation and compliance burden. GST also reduced tax on hospitality sectors. According to Manoj, S., Bhattacharya, G., Ravindra, K., & Vishal, M. (2020). In his study “EFFECT OF TAX REFORMS ON HOSPITALITY & TOURISM INDUSTRY” described about hospitality sector reform in Jaipur area. Study made comparison pre-GST and post GST regime.

3. RESEARCH METHODOLOGY

3.1 Research Design

This is mix-up of descriptive, exploratory and quantitative based study. Study collected data from secondary sources. Study focus on tourism with reference to pre GST and post GST regime. Secondary data collected from paper publication, books, website, news paper and thesis. Study brought out broad concept of tourism impact under new GST regime.

3.2 Objectives

1. To assess effect of Goods and Services tax in tourism industry.
2. To assess COVID-19 impact on tourism industry.
3. To find out advantages and disadvantage of GST in tourism sector.
4. Ahead mile stones of GST in tourism industry.

Hypothesis

Hypothesis for the said study made on the basis of objective which are:-

Hypothesis 1

H0: There is effect of Goods and Services tax in tourism industry.

H1: There is no effect of Goods and Services tax in tourism industry.

Hypothesis 2

H0: There is COVID-19 impact on tourism industry.

H1: There is no COVID-19 impact on tourism industry.

3.3 EFFECT OF GST ON TOURISM PRODUCT

A tourism sector is important facet in Indian economy. Apart from providing employment, income, and foreign exchange for the country, the trade in the tourism sector has an economically beneficial cascading impact on other associated industries such as construction, agriculture handicraft. Investments in infrastructural facilities such as transportation, accommodation and other tourism related services lead to an overall development of infrastructure in the economy.

GDP 6.7%	Forex 17.7%	Inbound Tourist 6.5 %	Export 4.2%	Total Employemnt 7.7%
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3.4 ACCOMMODATION UNITS

Hospitably sectors subjected to number of taxes in pre GST regime like luxury tax, room tariff, Octoroi tax, different rate of Value added tax (VAT) by different state and services tax. In Post-GST era, it has been unified and only GST imposed as prescribed rate. However, some product became costly in GST regime. New GST regime also brought out clarity in credit system which was not available on some product in previous regime.

Type of services	Rate of tax prior GST	Presently GST Rate
Room Rent		
Per day room rent less than Rs 1000	Nil	<ul style="list-style-type: none"> • Nil rate if Per day room rent less than Rs 1000. • 5 % GST if room rent is 1000 to 7500 • 12% GST if room rent is more than Rs 7500 per day
Per day room rent Rs 1000 to 1500	Vary from 5% to 10%	
More than 1500	Vary from 10% to 12 %	
Hotel service (Club, Semiana) with food	10.15%	12% GST on Restaurant service with composition scheme is 1% .
Tour Package	3.65%	
Renting of immovable property	8.7%	

3.5 TOUR OPERATOR

Tour operator play an important role who engaged in business of planning, scheduling, organizing , arranging tour for accommodation , sightseeing or other similar services by any mode of transport and includes any person engaged in the business of related tours services . For example make my trip , expedient etc , provides complete package of tour which includes boarding and lodging , transportation , local sightseeing , guide etc. presently this business has become purely an E-commerce business and all big companies have their own web portal and mobile application. A situation of rate under GST law for tour operators service is as under.

Location of Customer	Registered place of tour operator	REQUEST TOUR Package for	Type of services provided by tour operator	Amount
Haryana	Mumbai	Karnataka	Air Fare including 5% GST	50000/-
			Hotel Charge including 12% GST	30000-
			Other charge including 18% GST	10000
			Entity Fee	10000
			Total	100000-

As above mention case, tour operator have two option either charge five per cent GST without availability of input tax credit or charge twelve percent with ITC in addition tour operator entity can not avail ITC on air fare and hotel charges. Without ITC total cost of trip will be 100005 (100000+ 5% GST) and with ITC it will be 112000(100000+12% GST).

3.6 EATING OUT PRODUCT

Eating out products are play vital role in tourism economy. End consumers were confused under pre GST law due to number of taxes on eating out product. Value added tax (VAT) has on food part. Service tax charged by restaurant and it's bifurcated from VAT. Lastly service charge collected by restaurant and it was not government tax. After implementation of GST, it has been unified tax and only single tax charged by entity i.e. called GST. Rate of GST on eating out are as under:-

Rate	Service
Five per cent without ITC	Railways/IRCTC
	Standalone restaurant
	Standalone outdoor catering
	Restaurant within Hotel where room rent is less than Rs 7500
	Composite outdoor scheme catering
Eighteen per cent without ITC	Normal composite where room rent is more than Rs 7500

3.7 ASSES IMPACT OF COVID-19 ON TOURISM

First case of COVID-19 was detected in February 2022 in India and till May 2020, India became second country in world in COVID-19 cases. This pandemic not only effect one country but all over world. A comparison made number of tourist visited in India fro 2015 to 2020.

Foreign tourist arrival

Year	Foreign tourist Arrival (FTAs)	NRIs Arrival	International tourist arrival
2015	8.03	5.74	13.76
2016	8.80	6.22	15.03
2017	10.04	6.77	16.81
2018	10.56	6.87	17.42
2019	10.93	6.98	17.42
2020	2.74	3.59	6.33

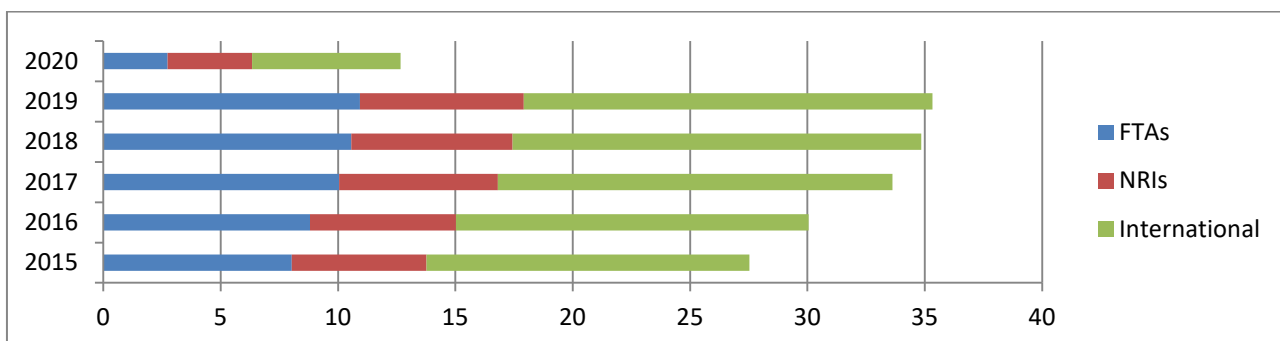


Table 1 showing that number of tourist increased year from 2015 to 2019. During pandemic it has been drastically declined which not only impact on tourism sector but also on the allied sectors of tourism.

3.8 FIND OUT ADVANTAGES AND DISADVANTAGE OF GST IN TOURISM SECTOR

GST is unified tax system which is based on one nation one tax. In pre- GST era tourism sector effect due to different rate structure and different compliance in various state. In addition there were no compensating of input tax credit in some state where service given by different state. Present system removed all ambiguity. Tourism sector not only connected with transportation, lodging and restaurant service but also foreign exchange, insurance services etc. Under new GST regime there are reducing rate of exchange, transport service and insurance services. Overall GST bring out growth in tourism sector.

4. CONCLUSION

Tourism sectors play vital role in Indian economy. It is a huge sector which is connected with other sectors directly as well as indirectly. After introduction of GST, this sector's effect in terms of rates and compliances. GST rate on luxury items like cars, AC rooms etc. has been increased and rates of other products like non-AC room services, catering services, fares etc. have been reduced. Overall, there is a growth seen in the tourism sector after the introduction of GST. The pandemic not only affected the Indian economy but also the world economy. The tourism sector is also not left unaffected by this pandemic. The number of foreign tourists has reduced during this period, which has affected transport services, the hotel industry, foreign exchange etc.

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