

# *GST on Hotel Sector*



# *Hospitality Sector – Background*

- Tourism and Hospitality sector is catalyst for socioeconomic growth, and also a significant source of foreign exchange to the country
- Hospitality sector includes a wide range of services such as boarding and lodging (accommodation, Hotels, Motels), event planning (banquet halls, guest houses), transportation, tourism (travel agencies, tour operators, houseboats, cruises etc.), food and drink services.

# *Hotel Sector – Background*

- Hotel Industry is a sub-division of Hospitality sector the main purpose of which is to provide lodging services.
- In addition to the accommodation, they also have the following revenue streams:
  - Restaurant, Bar, laundry, telephone/internet, Banquet Halls, Health Clubs, Transportation to guest, Rental of shops within the property, Currency Exchange services, etc.
- It is the worst hit segments (along with the tourism) of the economy due to Covid-19.

# *Hotel Sector – Background*

- Hotel service is differentiated from the regular renting service on the basis of permanence of stay. Hotel is often associated with the temporary stay (such as hostels, motel, resorts, camp site, etc.) for which the chapter 9963 would be applicable and the services of renting which are of some sort of permanence would be governed by chapter 9972.
- In general, the hotel brands operate in either of the following structure:
  - Property is owned by a third person, whereas the operation and management of the hotel would be taken care by such brand on a specific consideration. Ex. Marriott, Hyatt.
  - The property is owned and managed by the brand itself – Ex. Taj Mahal Hotel

# Important Definitions

## Hotel Accommodation Services

- Supply, by way of accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places
- Meant for residential or lodging purposes including the supply of time share usage rights by way of accommodation.

## Restaurant Services

- Supply 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

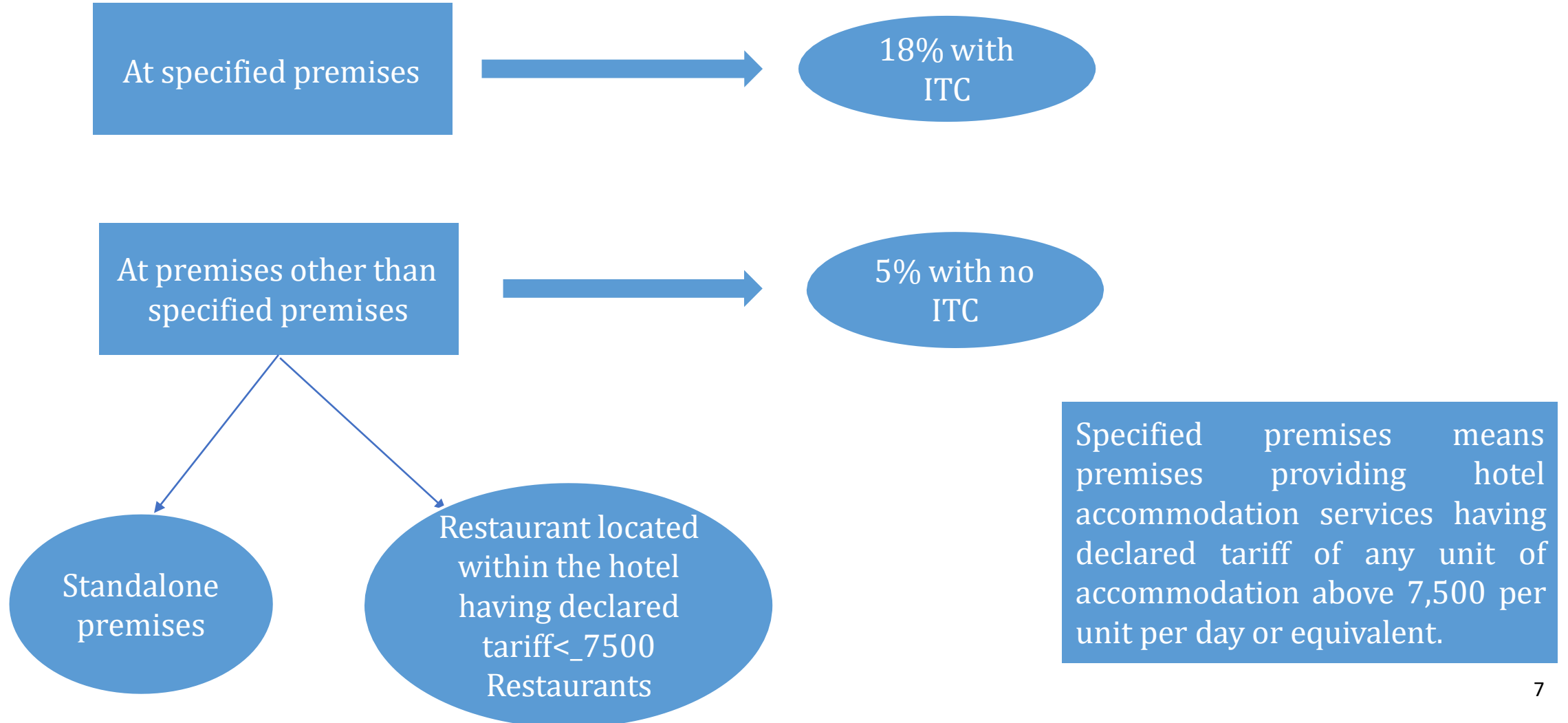
## Outdoor catering

- Supply, by way of or as part of any service, of goods, being food or any other article for human consumption or any drink,
- At Exhibition Halls, Events, Conference, Marriage halls and other outdoor or indoor functions
- That are event based and occasional in nature

# Rate of GST – Bird's eye view

Description of Supply	HSN	Rate of tax
Accommodation Services	99631/99632	12%/18%
Restaurant Services	99633	5% without ITC (compulsory) /18% with ITC
Outdoor Catering Services	99633	5% without ITC (compulsory) /18% with ITC
Manpower Supply	9985	18%
Renting of Shops	9971	18%
Guest Transportation	9966	5%/12
Laundry & Pressing Services	99971	18%
Telephone/Internet Charges	9984	18%
Service Charge for Doctor on Call services	998599	18%
Water-Cruises, House boats	9964/9985/9963	18%
Cancellation Charges*	999794	18%
Spa Services	999729	18%
Health Club	999723	18%

# Rate of GST for Restaurant / Outdoor catering



# ***GST on Accommodation Services***

## **Goods and Services Tax**

- Slab rates were introduced instead of single rate:
- Rate of tax was determined based on the Declared Tariff of the unit of accommodation. Exemption was provided based on ***Declared Tariff of a unit of accommodation***. However, later it was shifted to “Value of Supply” from “Declared Tariff” w.e.f. 26<sup>th</sup> July 2018.
- Value of Supply of a unit of accommodation – The term is not defined rather the valuation provisions under GST Law have to be looked into.
- Section 15 of CGST Act provides that value of supply shall be the transaction value agreed between the unrelated parties and only such price is paid/payable.



# ***GST on Accommodation Services***

- Rate of GST 01.07.2017 to 30.09.2019

<b>Declared Tariff</b>	<b>GST Rate</b>
1000 to 2500	12%
2501 to 7500	18%
Over and above 7500	28%

- Rate of GST 01.10.2019 to 17.07.2022

<b>Value of Supply</b>	<b>GST Rate</b>
1000 to 7500	12%
Over and above 7500	18%

- W.e.f. 18.07.2022

<b>Value of Supply</b>	<b>GST Rate</b>
Less than or equal to 7500	12%
Over and above 7500	18%

- HSN/SAC for the services would be – 99631 or 99632

# ***GST on Restaurant Services***

## **Goods and Services Tax**

- Considering the legal & factual lacuna/complexity in taxing food and beverages other than alcoholic liquor for human consumption, a clarificatory classification was provided in the Act itself through Schedule II sl.no.6(b).
- If the supply of food and beverages other than alcoholic liquor for human consumption are provided in a bundled supply i.e., composite supply then it shall be deemed to be a supply of service.
- The rate of tax on supply by restaurant shall be determined based on its operation whether independent or in the premises of a hotel.

# ***GST on Restaurant Services***

## **If an independent restaurant -**

- From 01.07.2017 to 15.11.2017 – Air-conditioned or liquor licensed restaurant – 18%, others – 12%
- From 15.11.2017 to 30.09.2019 – 5% without ITC or 18% with ITC
- W.e.f. 01.10.2019 – Only 5% without ITC

## **If operating in the premises of a hotel w.e.f. 01.10.2019 –**

Description	Rate of GST
If the hotel has a unit of accommodation for which the declared tariff equivalent or above Rs.7,500/-	18%
Others	5% without ITC (no optional)

- *The term declared tariff has not been substituted with Value of Supply.*
- HSN/SAC for the services would be – 99633

# ***GST on Outdoor Catering Services***

- W.e.f. 01.10.2019 - Outdoor Catering Services – means a supply of food and beverages for human consumption at Exhibition Halls, Events, Conferences, Marriage Halls, and other outdoor or indoor functions that are **event-based and occasional** in nature.
  
- Rate of Tax
  - From 01.07.2017 to 26.07.2018 – 18%
  - From 27.07.2018 to 30.09.2019 – Only if it is event-based and occasional in nature – 18%
  - From 01.10.2019:
    - If outdoor catering is provided in a premises where it has a unit of accommodation for which the declared tariff equivalent or above Rs.7,500/- - 18%
    - Others – 5% without ITC
  - HSN/SAC for the service would be 99633

# ***GST on Banquet halls & Shop rentals***

## **Renting of Banquet Halls**

- Rate of GST on renting of Banquet halls is 18%
- Composite supply of Banquet hall + catering service in specified premises (declared tariff > 7500) – 18% and others – 5% (without ITC)
- HSN/SAC for such service would be 997212/996334

## **Renting of Shops**

- Rate of GST on such renting would be 18%
- HSN/SAC for such service would be 997212

## **Brainstorming:**

Whether the electricity charges collected additionally would trigger the applicability of GST? Circular 206/18/2023-GST dt 31<sup>st</sup> Oct 2023 can be examined?



# ***GST on Guest Transportation Services***

- In addition to the accommodation and restaurant services, it is also a trade parlance to arrange the transportation services for Guests.
- It could be a specific request, or an airport pick-up and drop in conjunction with the accommodation services.
- The rate of GST for providing the guest transportation services is as follows:
  - Where the cost of fuel is not charged additionally – 5% without ITC; 12% with ITC
  - Where the cost of fuel is additionally charged by the guest – 18%
- HSN/SAC for the service would be 9966

# Composite vs Mixed Supply

Criteria	Composite	Mixed
Supplier	Single	Single
No. of Supplies	Two or more taxable supplies	Two or more individual supplies
Combination	Naturally bundled and supplied in conjunction	Not naturally bundled
Dependency	One of such supplies would be pre-dominant (Principle supply)	No such pre-dominancy between such supplies
Price	No requirement of single price	Single Price
Tax Treatment	Entire supplies would be treated as the principal supply	Entire supplies would be treated as such supply which attracts highest rate of tax
Example	when the accommodation is provided along with complementary breakfast. The entire transaction would be considered as supply of accommodation services	Diwali Sweet Box / Christmas Gift Box supplied by the Hotels which consist of fruits, sweets, etc.

# *Supplies to Special Economic Zone Units*

- In terms GST Law, supply of goods and/or services FOR AUTHORISED OPERATIONS to a SEZ developer or SEZ unit shall be considered to be a Zero-rated supply;
- Zero-rated supply means a beneficial category wherein the incidence of tax shall not be shifted to the recipient, rather the supplier would be awarded with a refund;
- Such supplies can be affected either under Letter of Undertaking without payment of IGST and claim the corresponding ITC as refund or else to pay IGST on such transactions from pocket, then claim such paid IGST as refund;
- A uniform list of default authorized operations of SEZ had been issued by the Department of Commerce dated 02nd January 2018, wherein most of the services are listed other than restaurant services.
- Supplies to/by a SEZ would always be an inter-State supply.



# Place of Supply - Services

Description	PoS under section 12	PoS under section 13
<ul style="list-style-type: none"> <li>Services directly or indirectly in relation to immovable property, accommodations (including stay in house boats or vessels) and anything ancillary to the services in relation to immovable property</li> </ul>	<ul style="list-style-type: none"> <li>Location where the immovable property or boat or vessel is located or intended to be located</li> <li>If location of immovable property is located or intended to be located outside India then POS shall be location of recipient Section 12(3)</li> </ul>	<ul style="list-style-type: none"> <li>Location of such immovable property - when the services are provided in more than one location including taxable territory the taxable territory will be the place of supply</li> </ul>
<p>Performance based services such as restaurant, grooming, fitness, beauty treatment, health services etc.</p>	<p>Location where the services are actually performed</p>	<p>Location where the services are actually performed</p>
<p>Services by way of organizing some event or celebrations etc.</p>	<ul style="list-style-type: none"> <li>To registered person – location of such person.</li> <li>To unregistered person – place where the event is held or if event is held outside India, then location of recipient.</li> </ul>	<ul style="list-style-type: none"> <li>Location where the event is actually held. When the services are provided in more than one location including taxable territory the taxable territory will be the place of supply.</li> </ul>

# *Input Tax Credit - Apportionment*

- When the inward supplies are received in common for providing taxable supplies, exempt supplies, or personal purposes then the credit has to be apportioned in the following manner

## Inputs & Input Services:

- For Taxable and Exempt Supplies – ITC is available on a proportionate basis.
- For business purposes and personal purposes – ITC to be reversed @ 5%.

## Capital Goods – (credit has to be distributed for a period of 60 months):

- For Taxable and Exempt Supplies – ITC to be reversed monthly on a proportionate basis on such distributed amount;
- For business purposes and personal purposes – 5% has to be reversed.

# Thank You



This document is an informational document designed to provide general guidance in simplified language on a topic of interest to taxpayers. The information provided in these documents does not cover every situation and is not intended to replace the law or change its meaning.

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