iJRASET
International Journal For Research in Applied Science and Engineering Technology



INTERNATIONAL JOURNAL FOR RESEARCH

IN APPLIED SCIENCE & ENGINEERING TECHNOLOGY

Volume: 12 **Issue:** XII **Month of publication:** Dec 2024

DOI:

www.ijraset.com

Call: 08813907089 | E-mail ID: ijraset@gmail.com

International Journal for Research in Applied Science & Engineering Technology (IJRASET)
ISSN: 2321-9653; IC Value: 45.98; SJ Impact Factor: 7.538
Conference 'Technology and Knowledge Based Entrepreneur for Sustainable Industrial Development', held at Sridevi Women's Engineering College, Dec 2024

A Study on Impact of GST on Hotel Tourism and Travel Industry

M.Vyshnavi[1], Mrs. K. Prasanthi[2]
[1]*MBA II Year,* [2]*Assistant Professor, Sridevi Women's Engineering College, Hyderabad*

Abstract: ***The purpose of the paper is to investigate impact of GST on the hotel, tourism, and travel industry. The research hypotheses are tested using sample data collected from 50 general public and people who are working in travel industry. The current study focuses on the study of GST on the hotel, tourism, and travel industry. This paper investigated the root of this problem based on the role of GST impacting on general public expenses while traveling. The current study explored to know the impact of GST in decision making of general public at the time of travelling.***

I. INTRODUCTIION

The hotel, tourism, and travel industry is a vital contributor to India's economy, generating significant revenue and employment. Recognized for its dynamic nature, this sector is heavily influenced by government policies, including taxation. The introduction of GST on July 1, 2017, replaced a myriad of indirect taxes such as service tax, VAT, and luxury tax with a uniform tax system. This reform aimed to simplify taxation, improve compliance, and create a unified national market.

The GST framework introduced tax rates ranging from 0% for budget services to 28% for luxury accommodations and services. While this classification aimed to accommodate diverse consumer segments, it also raised concerns about affordability and demand elasticity, particularly for high-end tourism. Additionally, the availability of input tax credit (ITC) has been a boon for organized players, promoting operational efficiency. However, smaller, unorganized operators have faced challenges in adapting to GST compliance.

This paper delves into the implications of GST on the hotel, tourism, and travel industry, examining its influence on pricing, market dynamics, and India's competitiveness as a tourist destination. It also discusses the opportunities and constraints posed by this tax reform, offering insights into the industry's path toward sustainable growth under the GST regime.

II. OBJECTIVES

1) To study about the GST on hotel, tourism, and travel industry.
2) To study impact of GST on hotel, tourism, and travel industry.
3) To study the impact of GST on general public while travelling.

III. LITERATURE REVIEW

A. Simplification of Taxation

Studies by Gupta and Jain (2018) and Sharma (2020) emphasize that GST has streamlined India's indirect tax structure by replacing multiple taxes such as VAT, service tax, and luxury tax. This simplification has reduced the complexities associated with compliance and encouraged transparency in the industry. The removal of cascading taxes through the input tax credit (ITC) mechanism has also improved operational efficiency for organized businesses.

B. Impact on Pricing and Consumer Behaviour

Research by Bansal (2019) reveals that GST's tiered tax rates—ranging from 0% for budget hotels to 28% for luxury accommodations—have significantly influenced consumer behaviour. While budget travellers benefit from lower tax rates, high GST on luxury services has made India less competitive in the global tourism market. Similar findings by Kumar et al. (2021) suggest that the high tax burden on premium hotels and services can deter international tourists and affluent domestic travellers.

©IJRASET: All Rights are Reserved

C. Influence on Small and Unorganized Players

Studies such as Choudhary and Singh (2018) highlight the challenges faced by small and unorganized businesses in the hotel and travel sectors. These entities often struggle with compliance due to limited resources and technical knowledge.
Furthermore, the mandatory GST registration for operators earning above a specific threshold has increased administrative burdens for smaller players.

D. Boost to Domestic Tourism

Research by Ravi (2020) suggests that GST has had a positive impact on domestic tourism by creating a more predictable and uniform pricing structure across states. This has particularly benefited middle-income and budget travellers by reducing ambiguities and inconsistencies in pricing for accommodations and services.

E. Comparison with International Tax Systems

Several studies, including one by Nair and Bose (2021), compare India's GST regime with international taxation models. They highlight that India's 28% tax rate on luxury services is relatively high compared to global benchmarks, making the country less attractive for high-spending international tourists.

F. Challenges in Transportation and Travel Services

Research by Das and Mehra (2019) points to the complexities in the transportation segment, where GST on airfare, car rentals, and tour packages has had mixed effects. While uniformity in taxation has simplified pricing for consumers, certain segments, such as inter-state transport operators, have reported higher costs.

IV. RESEARCH METHODOLOGY

1) Primary data:

This article primary data was collected through a survey method, with the help of structured questionnaire. designed using google form. The link of google form was circulated among general public about traveling industry.

2) Secondary data:

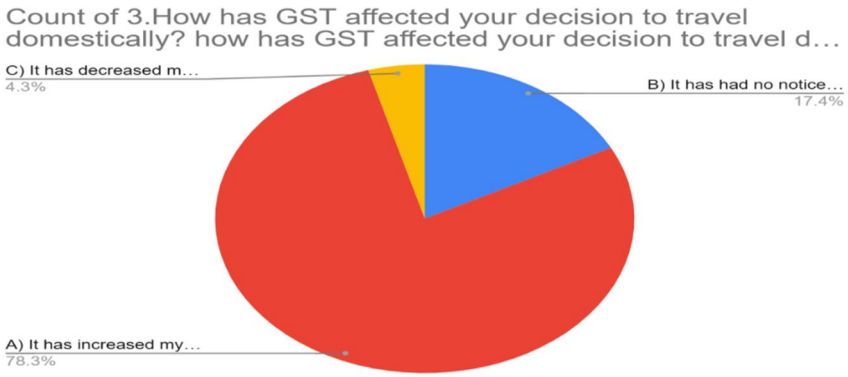
Secondary data was collected by referring online websites, journals, articles, research papers, etc. regarding impact of GST on hotel, tourism and travel industry.

Sampling: maximum sampling is 50.

V. DATA ANALYSIS

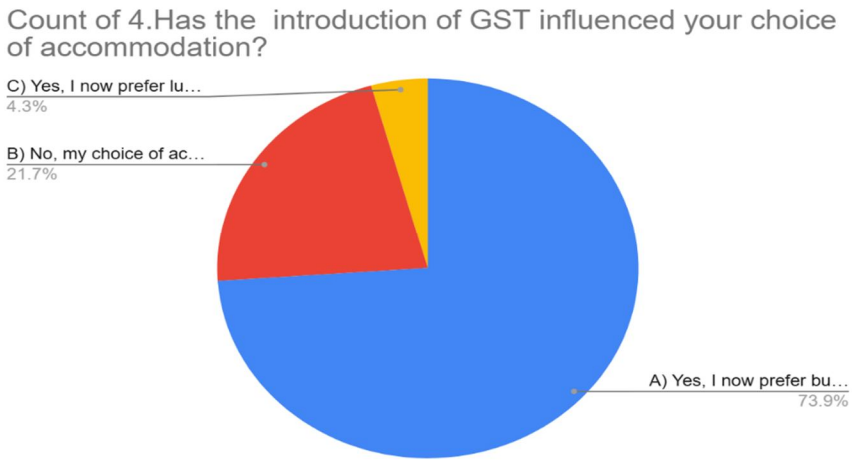
1) How has GST affected your decision to travel domestically? how has GST affected your decision to travel domestically?

A) It has increased my travel expenses significantly.
B) It has had no noticeable impact on my travel expenses.
C) It has decreased my travel expenses.



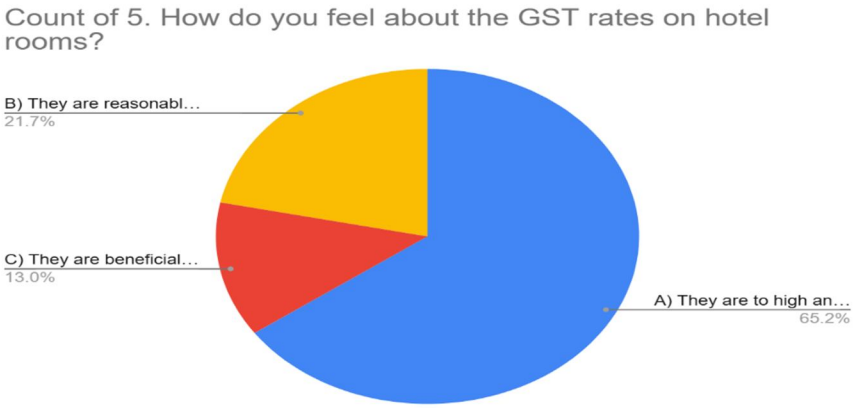
INTERPRETENSION: We can observe that maximum number respondents feel that GST as increased travel expenses significantly.

2) Has the introduction of GST influenced your choice of accommodation?
A) Yes, I now prefer budget hotels to save money.
B) No, my choice of accommodation remains the same.
C) Yes, I now prefer luxury hotels due to better value.



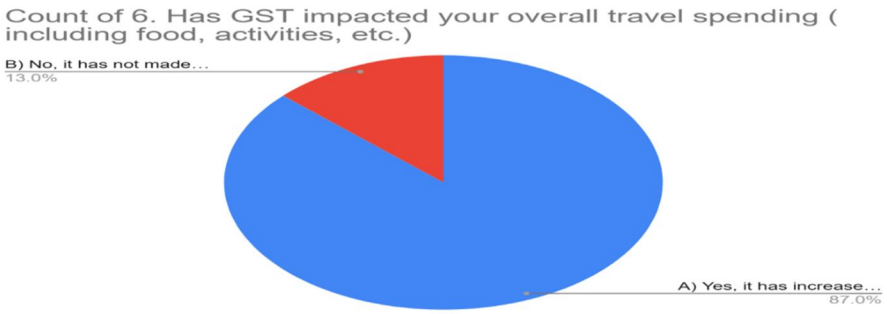
INTERPRETATION: We can see that 73% of respondents think that GST has influenced their choice of accommodation. But 21% of respondents think that GST doesn't influence their choice of accommodation.

3) How do you feel about the GST rates on hotel rooms?
A) They are too high and discourage me from staying in hotels.
B) They are reasonable and do not affect my decision.
C) They are beneficial and provide good value for money.



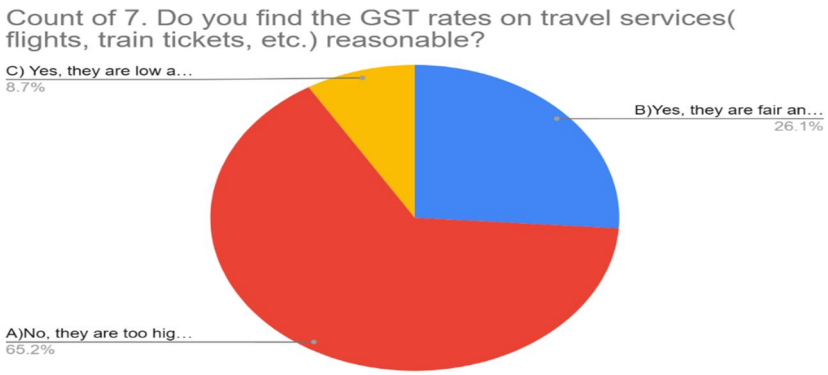
INTERPRETATION: We can observe that 65% people feeling that GST is high and discourage them to staying in hotels. And 21% of respondents feeling that GST is reasonable and do not affect their decision.

4) Has GST impacted your overall travel spending (including food, activities, etc.)
A) Yes, it has increased my overall travel costs.
B) No, it has not made a difference.
C) Yes, it has decreased my over all travel costs.



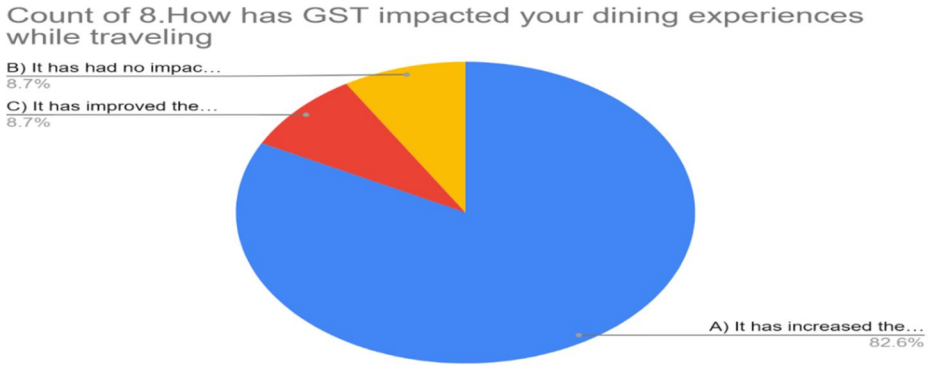
INTERPRETATION: We can see that 87% of respondents thinking that GST has increased the overall travel costs.

5) Do you find the GST rates on travel services (flights, train tickets, etc.) reasonable?
A) No, they are too high and make travel expensive.
B) Yes, they are fair and do not affect my travel plans.
C) Yes, they are low and make travel more affordable.



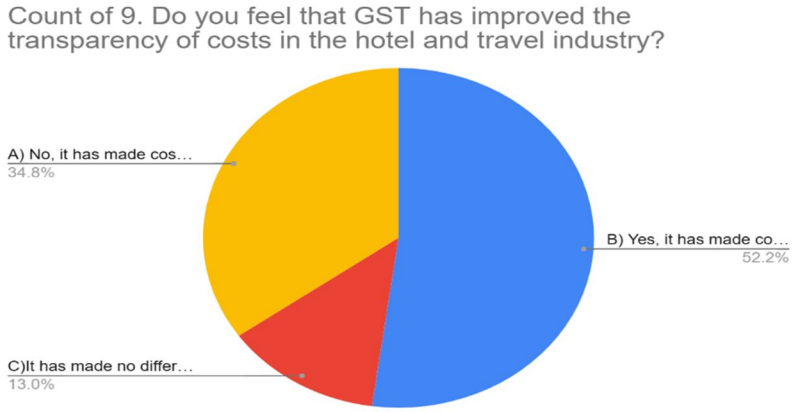
INTERPRETATION: We can analyse that 65% of people feel that GST on travel services is high and expensive.

6) How has GST impacted your dining experiences while traveling.
A) It has increased the cost of dining out significantly.
B) It has had no impact on my dining choices.
C) It has improved the quality of dining.



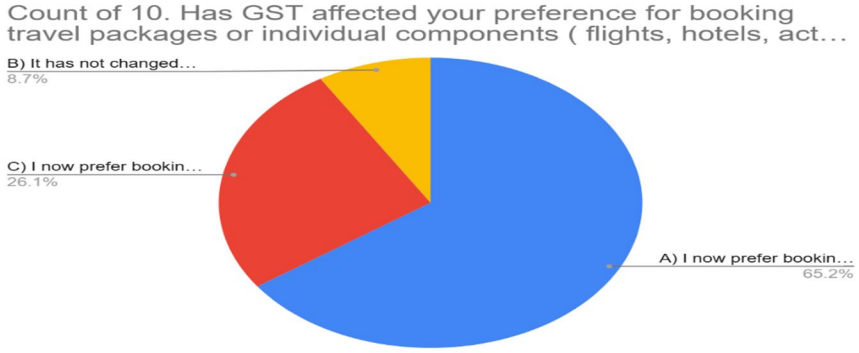
INTERPRETATION: we can observe that 82% respondents think that GST has impact that their dining experiences while traveling.

7) Do you feel that GST has improved the transparency of costs in the hotel and travel industry?
A) No, it has made costs more transparent.
B) Yes, it has made costs clearer and more transparent
C)It has made no difference to my understanding of costs.



INTERPRETATION: we can see that 52% of respondents think that GST had improved transparency of costs in the hotel and travel industry.

8) Has GST affected your preference for booking travel packages or individual components (flights, hotels, activities separately)?
A) I now prefer booking travel packages due to cost savings.
B) It has not changed my bookings preferences.
c) I now prefer booking individual components to manage costs better.



INTERPRETATION: We can observe maximum number of people that GST effected their preference for booking travel packages or individual components.

VI. FINDINGS

1) GST has increased public travelling expenses.
2) Because of GST public prefer budget hotels to save money.
3) GST rates are too high they discourage public to stay in hotels.
4) GST has increased overall travel spending (including food, activities, etc.)
5) GST rates made travelling expensive.
6) GST has increased dining cost significantly.
7) GST made costs clearer and more transparent.
8) GST affected public preference for booking travel packages or individual components (flights, hotels, activities separately).

VII. SUGGESTIONS

1) Better to Reduce High GST on Luxury Services
2) It should be understood that GST has replaced multiple indirect taxes (e.g., service tax, VAT, luxury tax) with a single tax, reducing compliance complexities.
3) Analyse the impact of 5% GST on tour packages and how it affects pricing and profitability.
4) Government support like "Dekho Apna Desh" should be discussed with people to attain tourism interest.

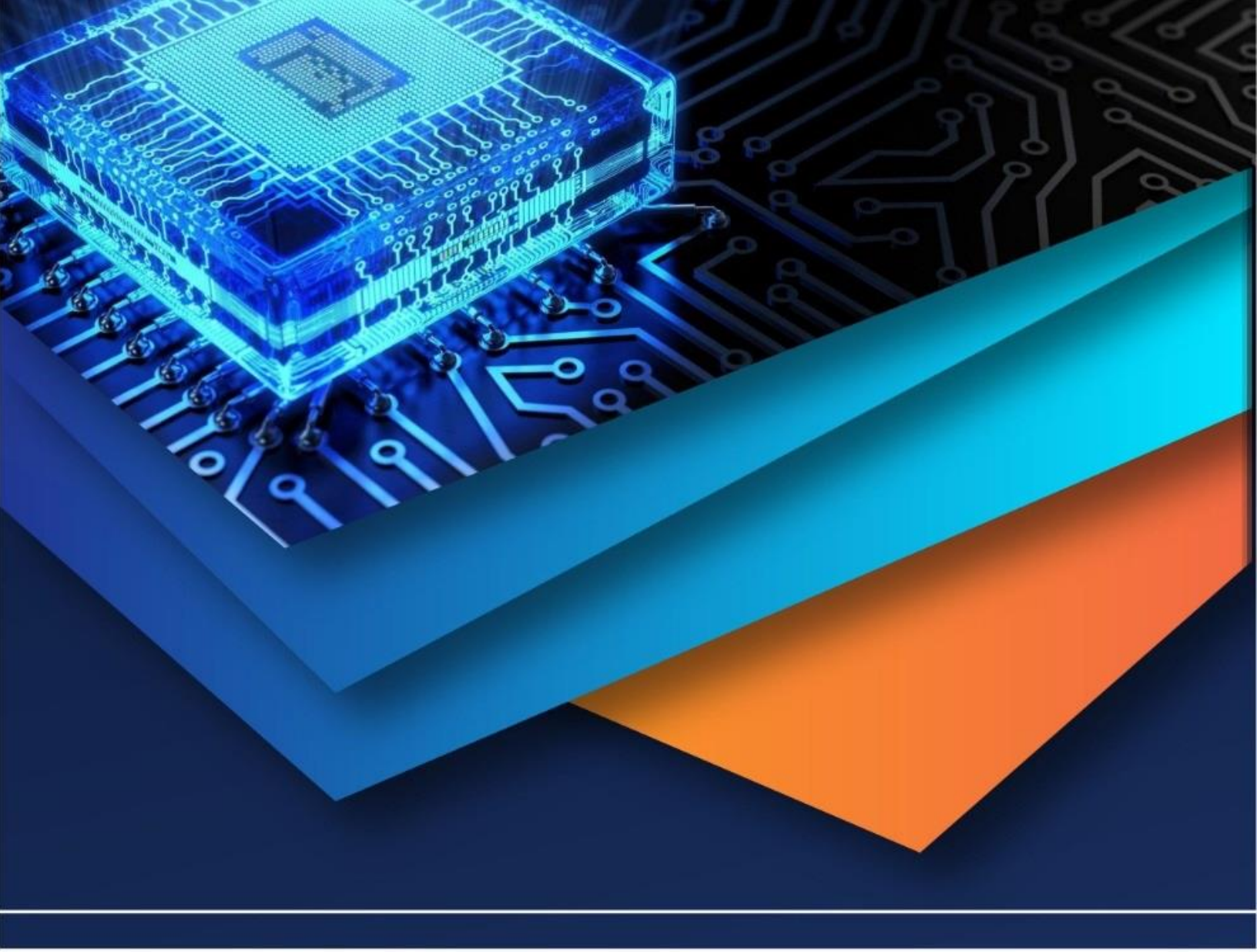
VIII. CONCLUSION

The introduction of GST has streamlined the tax system in the hotel, tourism, and travel industry. By replacing multiple indirect taxes with a single tax, it has simplified compliance for businesses and made the process more transparent. GST has encouraged domestic tourism by reducing the overall tax burden on some services. It has also improved the ease of doing business, which has been beneficial for attracting international tourists. while GST brought transparency and ease of doing business, its success in the tourism sector depends on balancing tax rates to ensure affordability for travellers while supporting industry growth.

REFERENCES

[1] Gupta, R., & Jain, s. (2018). "Impact of GST on the Indian Hospitality. "International journal of management studies.
[2] Sharma, p. (2020). "A study on GST and its effects on tourism sector in India." Journal of hospitality and tourism management.
[3] Bansal, T. (2019)." An analysis of the implications of GST on India's travel and tourism industry." Asian journal of economics and business.
[4] Ravi, k. (2020) "impact of GST on Domestic tourism Growth in India". Tourism Development Quarterly.

©IJRASET: All Rights are Reserved | SJ Impact Factor 7.538 | ISRA Journal Impact Factor 7.894 |



10.22214/IJRASET

45.98

IMPACT FACTOR: 7.129

IMPACT FACTOR: 7.429

INTERNATIONAL JOURNAL FOR RESEARCH

IN APPLIED SCIENCE & ENGINEERING TECHNOLOGY

Call : 08813907089 (24*7 Support on Whatsapp)