Dear

Greetings from FAITH - Federation of Associations in Indian Tourism & Hospitality!

GST is going to become a game changer for the Indian industry. To ensure that Indian Tourism & Hospitality Industry can truly leverage it to unlock economic & employment advantages for India, the following are our recommendations for the GST structure for the Indian Tourism & Hospitality industry:

- Classify Tourism & Hospitality businesses (hotels & resorts, tour operators, travel agents, tourism transport operators, convention centres, destination / amusement / entertainment infrastructure creation companies in the lower slab, which we understand could be between 6-8% GST slab.

- Ensure zero% rating for foreign exchange earning tourism, travel & hospitality businesses.

Rationale:

The world tourism industry is a USD 2 trillion industry. It has a huge economic multiplier impact and impacts an overall economic activity of ~ USD 6 trillion and ~ 280 million jobs. Indian tourism industry is also estimated to be of the size of around ₹2 lakh crores generating an economic multiplier of 3 times creating a tourism economy estimated at ~ ₹ 6 lakh crores and ~ 45 million jobs. Estimates suggest that over the next 10 years the size of the Indian tourism & hospitality industry if enabled well, has the potential to grow by a humongous 250%.

In an OECD study on the impact of taxes on competitiveness of tourism, it was highlighted that most of the nations recognise that tourism is an immense economic driver. As per their stated objective, the consumption tax on tourism needs to be kept lower to encourage investments inflow' job creation & an overall economic development. Thus labour & capital intensive sectors such as tourism (hotels, restaurants, airlines sites, tour operations, entertainment activities) were rated (TR) to be at almost to lower 50% of the standard rate (SR) on other sectors.

GST standard GST rate slabs (SR), GST tourism GST rate slabs (TR) of some countries & their corresponding, tourism inflows were for example the following:

- Austria - SR-20%, TR- 10% ~23m tourists, ~ $ 20 bn tourism forex,
- Belgium SR-20%, TR- 6% ~8m tourists, ~ $ 12bn tourism forex,
- Czech Republic SR-19%, TR- 9% , ~9m tourists, ~ $ 8 bn tourism forex,
- Finland SR-22% TR- 8% ~ 4m tourists, ~ $ 3.5 bn tourism forex,
- France SR-19.6%, TR- 5.5% , ~80 m tourists, ~ $ 55 bn tourism forex,
- Greece SR-19%, TR- 9% ,~ 15 m tourists, ~ $ 14 bn tourism forex,
- Iceland SR-25.5 %, TR- 7% , ~0.8m tourists, ~ $ 0.5bn tourism forex,
- Italy SR-20%, TR- 10% , ~46m tourists, ~ $ 43bn tourism forex,
- Israel SR-15%, TR- 0% m ~3m tourists, ~ $ 5bn tourism forex,
- Portugal SR -20%, TR -5%+(~8m tourists, ~ $12bn tourism forex,
- Spain SR-16%, TR- 7%, ~ 57mn tourists, ~ $60 bn tourism forex,
- Switzerland SR - 7.6%, TR - 3.6% ~9m tourists, ~ $18bn tourism forex,
- Sweden SR - 25%, TR - 12%~11m tourists, ~ $14bn tourism forex

Even with our Asian competitors such as Thailand, Malaysia, Singapore, the total net indirect tax incidence on tourism is estimated to be between 6-9%. Thailand gets around 20 million tourists & earns ~ $ 30 billion in tourism forex, Malaysia gets around ~25m tourists & earns ~ $ 21bn tourism forex & Singapore gets ~11m tourists & earns around ~ $20bn tourism forex.

Contrast this to India where the Tourism indirect tax rates are among 18 - 25-30%, incoming tourists are just about 8 million & our tourism foreign exchange is ~$ 20 billion. Clearly Indian tourism has probably one of the highest indirect tax regimes globally & is one of the lowest proportionately in tourists & forex receipts. GST can address that by prioritisation of tourism & hospitality as most of these nations have done.

Despite our immense comparative advantages of natural wonders & more, India has been unable to convert them into competitive economic advantages. In the World Economic Forum 2015, global tourism competitiveness survey, India was ranked at a high of 12 globally for its natural & cultural assets, but its overall ranking slipped to 52 for its overall tourism competitiveness. This was primarily impacted by the rating on the parameter of Government's prioritisation of tourism where India was ranked at an extreme low of 110.

What will be the outcome of a lower GST rating?:

India's tourism competitors in South East Asia (excluding Japan & China) earn between themselves ~ $ 150 bn + in foreign exchange & attract almost 100 million tourists. It is estimated that just by lowering India's indirect taxation incidence by more than half, will enable India to improve its price attractiveness & target an additional 10% of this market. This is a low hanging fruit and India can get positioned almost immediately to earn $ 15 bn extra in foreign exchange.

The size of the Indian domestic tourism industry has crossed 1.4 billion visitations and is estimated at ~ 4 lakh crores , but the impact per visit is low at less than ~₹4000 per visit. Reducing cost of travel through reduced taxation incidence on domestic tourists can increase the average spend and also overall size of visitation will increase the domestic tourism economy multifold.

It is estimated that by reducing the indirect tax incidence by more than half there will be a 10% enhancement in domestic tourism economy. That could potentially add more than ₹40000 crores to the domestic tourism economy just in the short - medium term.

Sir. India has an abysmal low tourism global share estimated to be < 0.7%. A well-considered GST rating can help restore some competitive advantage. Every 1 international tourist visit is estimated to result in visits to 3 + Indian states. Now is the time to unleash for the states the economic engine of the tourism industry. Together with the recently announced e-visa policy a lower GST slab classification will unlock barriers to India.

Sir, we look forward to yours and the empowered committee of states' finance ministers to create history & make Indian Tourism truly incredible.

Thanking you,

Yours sincerely,