



“A STUDY ON IMPACT OF GST PRACTICES IN THE TOURISM AND HOTEL SECTOR.”

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ABSTRACT: -

The implementation of the Goods and Services Tax (GST) in India marked a significant tax reform with wide-reaching implications for various sectors of the economy, including the hotel and tourism industry. This study explores the multifaceted impact of GST on this vital sector. We delve into the changes in taxation structure, pricing dynamics, and operational aspects that GST has brought about in the hotel and tourism industry. Additionally, we examine its influence on tourist behaviour, investment patterns, and the overall growth of the sector. Through a comprehensive review of existing literature, case studies, and analysis of available data, this study aims to provide valuable insights into the transformations and challenges faced by the hotel and tourism industry in the GST era.

• GST, Hotel and Tourism Industry, Taxation, Pricing, Operational Changes, Tourist Behaviour, Investment, Challenges, Opportunities.

Introduction: -

The impact of Goods and Services Tax (GST) on the hotel and tourism industry in a country can be significant and multifaceted. GST is a consumption-based tax system that replaces various indirect taxes, and its impact on the industry can vary depending on the specific GST rates, exemptions, and implementation strategies. Here are some common effects of GST on the hotel and tourism industry.

1. **Tax Rates:** Under GST, hotels are categorized into different rate slabs, based on their room tariffs. This has implications for both budget and luxury hotels. The rates have varied from 5% to 28%, depending on the room tariffs. Hotels with lower room tariffs have benefited from lower GST rates, while luxury hotels have faced a higher tax burden.
2. **Costs and Pricing:** The impact on pricing can be complex. While GST can reduce the overall tax burden for businesses due to input tax credits, it can also affect pricing decisions. Hotels may choose to pass on the benefits of reduced taxes to customers by lowering room rates or offering promotions, potentially boosting demand.
3. **Impact on Tour Operators:** Tour operators and travel agencies are also affected by GST. The tax implications on their services have influenced pricing and packaging of travel deals.
4. **Infrastructure Development:** GST revenues are shared between the central and state governments. The increased revenue potential from GST has encouraged state governments to invest in tourism infrastructure, including better roads, airports, and tourist attractions.

LITERATURE REVIEW

Japee and Lakhani (2018) studied about Goods and Services Tax in India – Paradigm Shift in Taxation. This study focuses on impact of GST from international perspective. Researcher presented pre and post GST tax classification and also explained the importance and need of GST in India. This study also explains the journey of GST that how it came into effect in 2017 and also analysis of impact of GST on famous sectors of economy has been done. At last researchers concludes that this tax system will benefit the customers as well as the business houses only when the entire country works as a whole towards making it successful.

Saeeda (2019) studied about GST: Impact of GST on Various Aspects of Restaurant and Hotel Business in Anand and Nadiad District. The main aim of the study is to examine the impact of GST on various aspect of restaurant business in Anand and Nadiad City. For the study purpose, researcher selected 35 hotels and restaurants from Anand city and 33 hotels and restaurants from Nadiad city using Convenience Sampling technique. The study is based on primary data collected using structure questionnaire. Researcher used Pearson Correlation, T-test and Independent sample test for the hypothesis testing. Researcher concluded that effect of GST on sales and purchase of hotel and restaurants is positive to neutral but the profit remains constant even after the implementation of GST. Researcher also stated that accounting procedure and record keeping become easier and production and service cost remains same.

Aswathy et al. (2018) focused on A Study on GST and its effect on hotel industry. This study aims to find out the impact of GST on hotel industry. Researchers classified the GST rates on the basis of room rent and then accordingly examined the impact of GST as per the rates. This study shows the impact of GST on hotel sector in terms of reduced tax rate, centralised registration, provision of GST audit, discount and offers policies of hotels and restaurants should be documented, effect of inward and outward receipts, no input tax credit on alcohol and electricity as they are out of the preview of GST and so on. So finally researchers concluded that companied on food and beverages could be the biggest beneficiaries of GST within the hospitality sector and on the other hand hotels falling under 18-28% GST slab bears the adverse effect of GST. With that 21 researchers also suggested to reduce the average room rates which will be beneficial to both hoteliers as well as to the customers.

Alka Shah (2nd Nov 2017) “Integrated Goods and services tax an Indian innovation” .The objective of the study is to cross utilisation of credit is to be done and adjustments to be made between centre and states. The 22 paper mainly focuses on the key provisions for determining place of supply of Goods/services and nature of supply i.e. interstate or intra -state.

Abraham and Mathew (2019) examined A Study on the Impact of Goods and Services Tax Reform on Hotels in Kerala. The main aim of the study is to examine the opinion of hoteliers on the implementation of GST. A questionnaire was designed and administered to 60 hotels with restaurants across the district of Kottayam for the study using convenience sampling technique. Researchers used percentages and chi square test to analyse the data. Moreover, researchers also focused to identify the problems faced by hoteliers on the implementation of GST. This study also assesses whether there is any increase in the compliance cost on the implementation of GST. So finally researchers concluded that majority of the hoteliers have expressed faith in the system even though the majority of Hotels have incurred additional costs in transitioning towards the new system as it is expected by them that in the long run GST will be proved beneficial.

Objectives: -

To reduce the complications in tax administration and compliances. To create awareness among people who engaged in Restaurant Sector. To cognize the concept of GST on Restaurant. To study features of GST and Restaurant. To evaluate positive and negative impact of GST on Restaurant sector. To furnish information for the further research work on GST.

Hypothesis: -

Hypothesis is usually considered as the principal instrument in research. Its main function is to suggest new experiment and observation

H0: The tourism and hotel industries are not impacted by the GST.

H1: The hotel and tourism industries are impacted by the GST.

Research Methodology: -

Research Design: -

Research Design is a framework of research which shows the techniques used or chosen by researcher to conduct research.

The study adopts the descriptive research design. Data is collected from the hotel and tourism sector.

Sampling Method

In our study we have used Probability sampling method where members of populations are selected randomly, everyone has right to participate in research and give their opinion.

Sources of Data

This study needs both primary and secondary data for research objectives. Primary data is collected using a well-structured questionnaire with Likert scale ratings. Secondary data is gathered from a wide range of published sources, including websites, e-books, and journals.

Primary data

Primary data are those that are gathered from the field while being managed and overseen by an investigator. Original information that has been specifically gathered for a purpose is referred to as primary data. Usually, this kind of data is brand-new and was just gathered. It is helpful for both ongoing research and future investigations. In this study, a questionnaire has been selected as the data gathering tool. The majority of earlier researchers used questionnaires to gather data for their surveys.

Data Analysis and Interpretation

Reliability

Reliability Statistics	
Cronbach's Alpha ^a	N of Items
.788	2

The reliability statistic, Cronbach's Alpha, reports a value of .788 for the given set of 2 items. This indicates a moderate to good level of internal consistency reliability within the items. Cronbach's Alpha typically ranges from 0 to 1, where higher values suggest greater consistency among the items in measuring the same construct. In this case, the obtained value suggests that the items are consistent in measuring the targeted construct. However, it's important to note that while .788 indicates reasonable reliability, striving for higher values, closer to 1, is desirable for more robust measurement and interpretation of the construct.

Chi-Square Test

Frequencies

[Do you believe that the introduction of GST has Positively impacted the financial practices within the Hotel and Tourism industry in Vadodara?]			
	Observed N	Expected N	Residual
Strongly Agree	74	40.4	33.6
Agree	77	40.4	36.6
Neutral	22	40.4	-18.4
Disagree	12	40.4	-28.4
Strongly Disagree	17	40.4	-23.4
Total	202		

Test Statistics	
	[Do you believe that the introduction of GST has positively impacted the financial practices within the Hotel and Tourism industry in Vadodara?]
Chi-Square	103.000 ^a
df	4
Asymp. Sig.	.000

With four degrees of freedom, the chi-square test statistic for the inquiry on how the Goods and Services Tax (GST) has affected financial practices in Vadodara's hotel and tourism sector is 103.00 there is a statistically significant correlation between the respondents' beliefs and their Impressions of the influence of GST on financial practices, as indicated by the p-value of less than .001

Major findings and Results of the study

Majority of customers surveyed are male (65). Majority of respondents are between the ages of 18-25 (118). Majority of the customers surveyed are student (56). Most of the respondents surveyed have How has the implementation of GST impacted your business in the tourism and hotel sector in Vadodara (132) Majority of respondents have How has GST affected pricing strategies for services in the tourism and hotel industry (85) Majority of respondents have the overall impact of GST on the growth and development of the tourism and hotel sector in Vadodara is positive (74) Majority of respondents have in your perspective, has the tourism and hotel industries benefited from the GST (139). Majority of the respondents how has GST impacted hotel room prices for customers in India customer faced that is priced the price (179) Majority of the respondents that is (27.7%) is that the room prices of the range between 2500-7499=12% this is from customer side prospective.

Limitations of the study

- **Data Availability:** Limited availability of data specifically related to the impact of GST on the tourism and hotel industry may hinder the comprehensiveness of the study.
- **Sample Size:** A small sample size or non-representative sample could limit the generalizability of the findings to the broader tourism and hotel industry.
- **Geographical Limitations:** The study may be limited to a specific region or country, which may not reflect the diversity of experiences within the tourism and hotel sector globally.
- **Methodological Constraints:** Methodological limitations such as reliance on self-reported data, potential biases in data collection, or limitations in analytical techniques could affect the validity and reliability of the study's findings.
- **External Factors:** External factors beyond the control of the researcher, such as changes in government policies or global economic conditions, could influence the findings of the study.

Conclusion

To summarize the impact of GST in hotel and tourism sector before that GST many types of taxes to the customers as compare after that GST one type of have to pay to the customer taxes are classified in categories wise divided that means easy to tourism sector and hotel sector also. Customer has to be easily to be understand that which service or product have to purchased charges of the GST rates. And before the GST customers are pay to the highly charges to be pay in the hotels and tourism sector like vat /services taxes/ central excise/ excise duties etc. now are one type of GST for service and purchase any types of the products.

Suggestions

- **Research Objectives:** Clearly state the study's goals, which should include evaluating how the adoption of the GST will affect the travel and lodging industries' income, profitability, competitiveness, employment, and customer behavior.
- **Study Design:** Design a comprehensive research methodology that combines qualitative and quantitative approaches. Consider using surveys, interviews, financial data analysis, case studies, and comparative analysis to gather relevant information.
- **Sample Selection:** Ensure a representative sample of tourism and hotel establishments across different regions, sizes, types (e.g., luxury hotels, budget accommodations, resorts), and business models (e.g., independent hotels, chains).
- **Data Collection:** Gather data on key variables such as revenue, expenses, pricing strategies, customer preferences, employment trends, and investment patterns both before and after the implementation of GST.
- **Analysis Framework:** Develop a structured framework for analyzing the impact of GST practices, considering factors such as changes in tax rates, input tax credit mechanisms, compliance costs, consumer spending patterns, and industry dynamics.

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