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IMPACT OF GST ON HOTEL INDUSTRY, TOURISM AND TRAVEL INDUSTRY

[1]Mr. G. Narendra Babu, [2]Malisetti Mani Bhushana Rajamouli

[1]Assistant Professor, Department of MBA,Sai Spurthi Institute Of Technology, B.Gangaram, Sathupally ,Hyderabad ,Telangana, India.

[1]Email: gogineninarendrababu@gmail.com

[2]PG Student, Department of MBA,Sai Spurthi Institute Of Technology, B.Gangaram, Sathupally, Telangana, India.

[2]Email: mouli6264@gmail.com

Abstract

The introduction of the Goods and Services Tax (GST) in India has brought significant changes to the taxation system by replacing multiple indirect taxes with a unified tax structure. The hotel, tourism, and travel industries are among the major sectors affected by the implementation of GST due to their strong contribution to the Indian economy and employment generation. This study examines the impact of GST on the hotel industry, tourism sector, and travel services in terms of pricing, tax structure, customer demand, operational efficiency, and overall business growth. The research highlights how GST has simplified the taxation process by eliminating cascading taxes and improving transparency in transactions. At the same time, varying GST rates on hotel tariffs, restaurant services, transport facilities, and tour packages have influenced consumer spending patterns and business profitability. The study also analyzes the advantages and challenges faced by hotels, travel agencies, tour operators, and tourists after GST implementation. Findings indicate that GST has contributed to better tax compliance and organized business practices, while higher tax slabs on luxury services have affected affordability and customer preferences. Overall, the study concludes that GST has had both positive and negative impacts on the hospitality and tourism sectors, with long-term benefits depending on policy reforms, industry adaptation, and effective tax management practices.

Keywords: Goods and Services Tax (GST), Hotel Industry, Tourism Sector, Travel Services, Hospitality Industry, Tax Reforms, Indirect Taxation, Customer Demand, Business Growth, Tax Compliance, Operational Efficiency, Tourism Development, Travel Agencies, Tour Operators, Consumer Spending, Economic Impact.

I. INTRODUCTION

The Goods and Services Tax (GST) is one of the most significant tax reforms introduced in India, implemented on July 1, 2017, with the objective of creating a unified and simplified indirect taxation system. Before the implementation of GST, the hotel, tourism, and travel industries were burdened with multiple taxes such as service tax, value added tax (VAT), luxury tax, entertainment tax, and other state-level taxes. These multiple tax structures increased the overall cost of services and created complexity in tax administration. GST was introduced to eliminate the cascading effect of taxes and establish a transparent and efficient tax system across the country.

The hotel, tourism, and travel industries play a vital role in the economic development of India by contributing significantly to Gross Domestic Product (GDP), foreign exchange earnings, and employment opportunities. These sectors are closely interconnected and are highly sensitive to changes in taxation policies, pricing structures, and consumer spending patterns. The implementation of GST has brought major changes in hotel tariffs, restaurant services, transport charges, tour packages, and travel operations, thereby influencing both service providers and customers.

GST has both positive and negative implications for these industries. On one hand, it has simplified tax procedures, improved input tax credit benefits, enhanced transparency, and encouraged organized business practices. On the other hand, higher GST rates on luxury hotels and certain tourism-related services have increased costs for consumers, affecting demand in some segments. Small and medium businesses in the hospitality and tourism sectors have also faced challenges in adapting to the new tax compliance requirements.

This study aims to analyze the impact of GST on the hotel industry, tourism sector, and travel services by examining its effects on pricing, customer demand, profitability, operational efficiency, and overall industry growth. The research also seeks to identify the benefits, challenges, and future prospects of GST in promoting sustainable development within these sectors.

Research Objective:

- To study the concept and structure of Goods and Services Tax (GST) in India.
- To analyze the impact of GST on the hotel industry.

- To examine the effect of GST on tourism activities and tourism growth.
- To evaluate the influence of GST on the travel and transportation sector.
- To identify the benefits and challenges faced by hotels, travel agencies, and tourism businesses after the implementation of GST.
- To study the changes in pricing, tax burden, and customer demand due to GST.
- To examine the level of customer satisfaction regarding GST rates on hotel and travel services.
- To analyze the role of GST in improving transparency and tax compliance in the hospitality and tourism sectors.
- To suggest measures for improving GST policies for the growth of the hotel, tourism, and travel industries.

Research Methodology:

- Descriptive research design was used for the study.
- Both primary and secondary data were collected.
- Primary data was collected through questionnaires and surveys.
- Secondary data was collected from journals, books, websites, and government reports.
- Convenience sampling method was adopted.
- The sample size of the study was 100 respondents.
- The study focused on the hotel, tourism, and travel industry in India.
- Percentage analysis and graphical methods were used for data analysis.
- Variables such as customer satisfaction, GST awareness, pricing, and business performance were analyzed.
- The methodology aimed to study the impact of GST on the hospitality and tourism sectors.

II. Review Of Literature

Several researchers have studied the impact of Goods and Services Tax (GST) on the hotel, tourism, and travel industries in India. Vasanthagopal R. explained that GST is an important indirect tax reform introduced to simplify the tax system and reduce the burden of multiple taxes. According to Kumar Nitin, GST helps in creating a unified market and improves economic growth by increasing transparency and efficiency in taxation. Ehtisham Ahmad and Satya Poddar stated that GST enhances tax compliance and reduces cascading tax effects, especially in service sectors such as hospitality and tourism. Studies conducted by Sharma Akanksha revealed that GST

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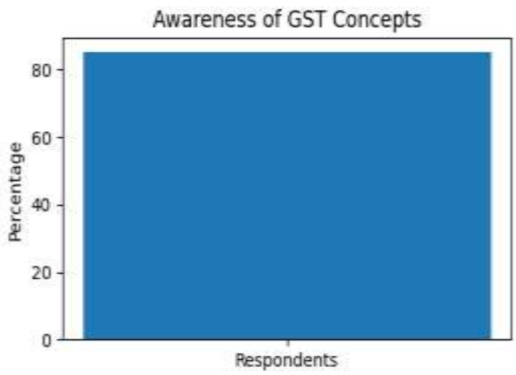
replaced various taxes like VAT, service tax, and luxury tax, thereby simplifying tax administration in the hotel industry. However, Kumar Raj observed that higher GST rates on luxury hotels and travel services increased costs for consumers and affected tourism demand. Gupta Renu concluded that GST improved operational efficiency and provided input tax credit benefits to businesses in the hospitality sector. Furthermore, Singh Harpreet highlighted that travel agencies and tour operators initially faced challenges in adapting to digital tax filing and GST compliance procedures. Overall, the literature indicates that GST has both positive and negative effects on the hotel, tourism, and travel industries, with long-term benefits depending on effective implementation and policy improvements.

III. Data Analysis & Interpretation

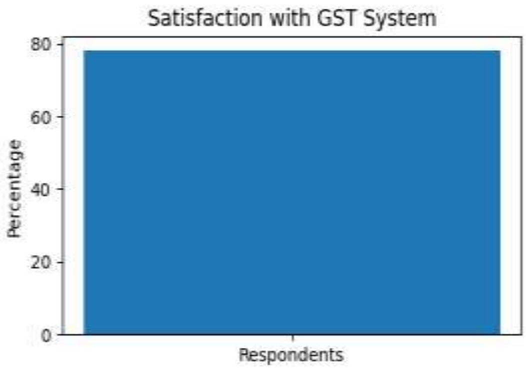
1. Awareness of GST Concepts



Interpretation

Most respondents are aware of GST concepts and their importance in the hotel, tourism, and travel industry. This indicates increasing awareness regarding taxation reforms and their impact on business operations.

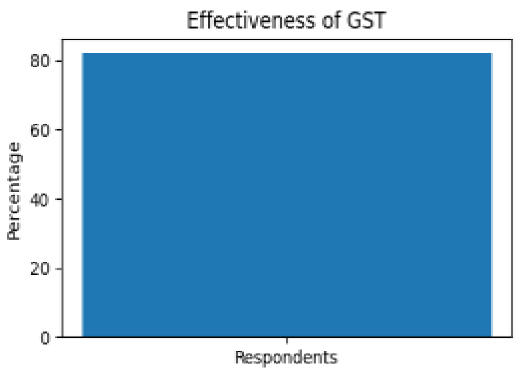
2. Satisfaction with GST System



Interpretation

Most respondents expressed satisfaction with the GST system implemented in the hospitality and tourism sectors. They believe GST has simplified taxation procedures and improved transparency.

3. Effectiveness of GST



Interpretation

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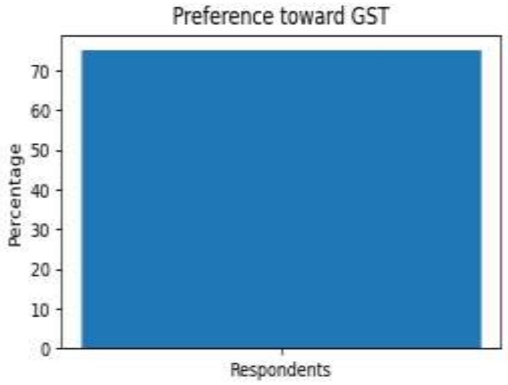
Respondents believe that GST has positively contributed to operational efficiency and tax management in the hotel and travel industry. Proper implementation of GST supports business growth and compliance.

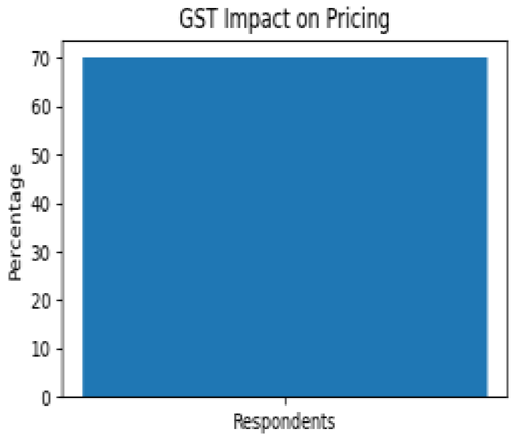
4. Preference toward GST



Interpretation

Most respondents prefer GST as a unified tax system for the hospitality and tourism industry. GST is viewed as an effective taxation reform that reduces multiple tax burdens.

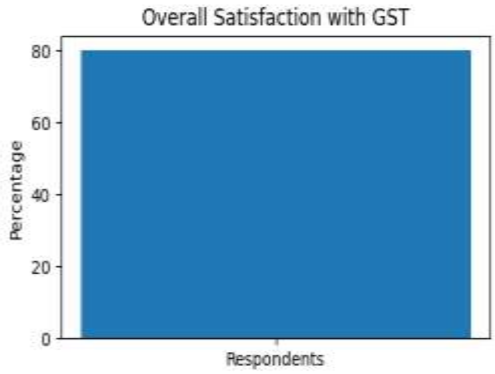
5. GST Impact on Pricing



Interpretation

Respondents believe that GST has influenced pricing of hotel services, tour packages, and travel expenses. They are aware that GST rates affect customer spending and tourism demand.

6. Overall Satisfaction with GST



Interpretation

Most respondents expressed overall satisfaction with GST practices followed in the hotel, tourism, and travel industry. Proper tax management and compliance contribute to organizational growth and customer confidence.

IV.Findings

- Most respondents are aware of GST concepts and their impact on the hotel, tourism, and travel industry.
- Respondents believe that GST has simplified the indirect taxation system by replacing multiple taxes.

- Most participants expressed satisfaction with GST implementation in hospitality and tourism sectors.
- GST has improved transparency and tax compliance among hotels, travel agencies, and tourism businesses.
- Respondents believe that GST has positively influenced operational efficiency and financial management.
- Higher GST rates on luxury hotels and certain travel services have increased customer expenses.
- GST has affected pricing of hotel services, tour packages, and transportation facilities.
- Many respondents believe that GST supports organized business practices and reduces tax-related confusion.
- Some businesses initially faced challenges in adapting to GST filing procedures and digital compliance systems.
- Overall, respondents are satisfied with GST practices and believe that GST contributes to long-term growth of the hotel, tourism, and travel industry.

V.Conclusion

The implementation of Goods and Services Tax (GST) has brought significant changes to the hotel, tourism, and travel industry in India. GST has simplified the indirect taxation system by replacing multiple taxes with a single unified tax structure, thereby improving transparency, tax compliance, and operational efficiency. The study reveals that most respondents are aware of GST concepts and are generally satisfied with its impact on the hospitality and tourism sectors. GST has helped businesses maintain better financial management and organized tax practices. However, higher GST rates on luxury hotels and certain travel services have increased service costs and affected customer spending patterns. Despite initial challenges related to GST compliance and digital filing systems, the overall impact of GST on the hotel, tourism, and travel industry is positive. The study concludes that GST has the potential to support long-term growth, business expansion, and sustainable development in the hospitality and tourism sectors through effective implementation and continuous policy improvements.

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