



# **Hospitality & Tourism**

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FAQ : It is a destination based tax on consumption of goods and services. It is levied at all stages right from manufacture up to final consumption with credit of taxes paid at previous stages available as setoff. In a nutshell, only value addition is taxed and burden of tax is to be borne by the final consumer.

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# Impact of GST on Hotels and Cruise





# Hotel/Cruise

**Services directly relating to**

Accommodation by a hotel, etc. incl house boat, vessel

Accommodation in any imm. Prop. For any marriage or function etc. incl services provided i.r.t. such function at such property

Any related ancillary service

Location of Supplier and Recipient both in India



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If in India

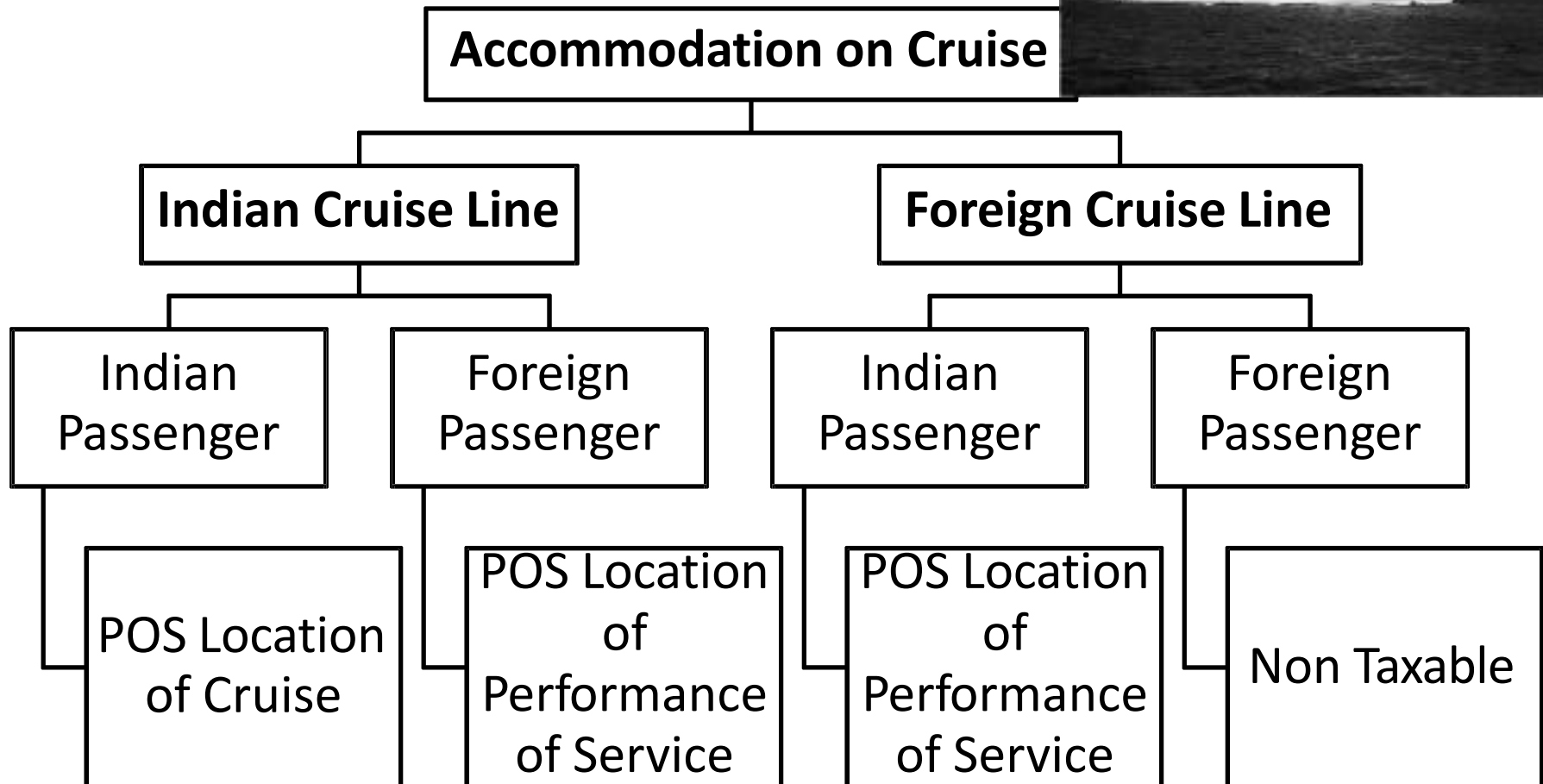
**Location of immovable property or boat or vessel or intended location**

If outside India

Location of the recipient of Service

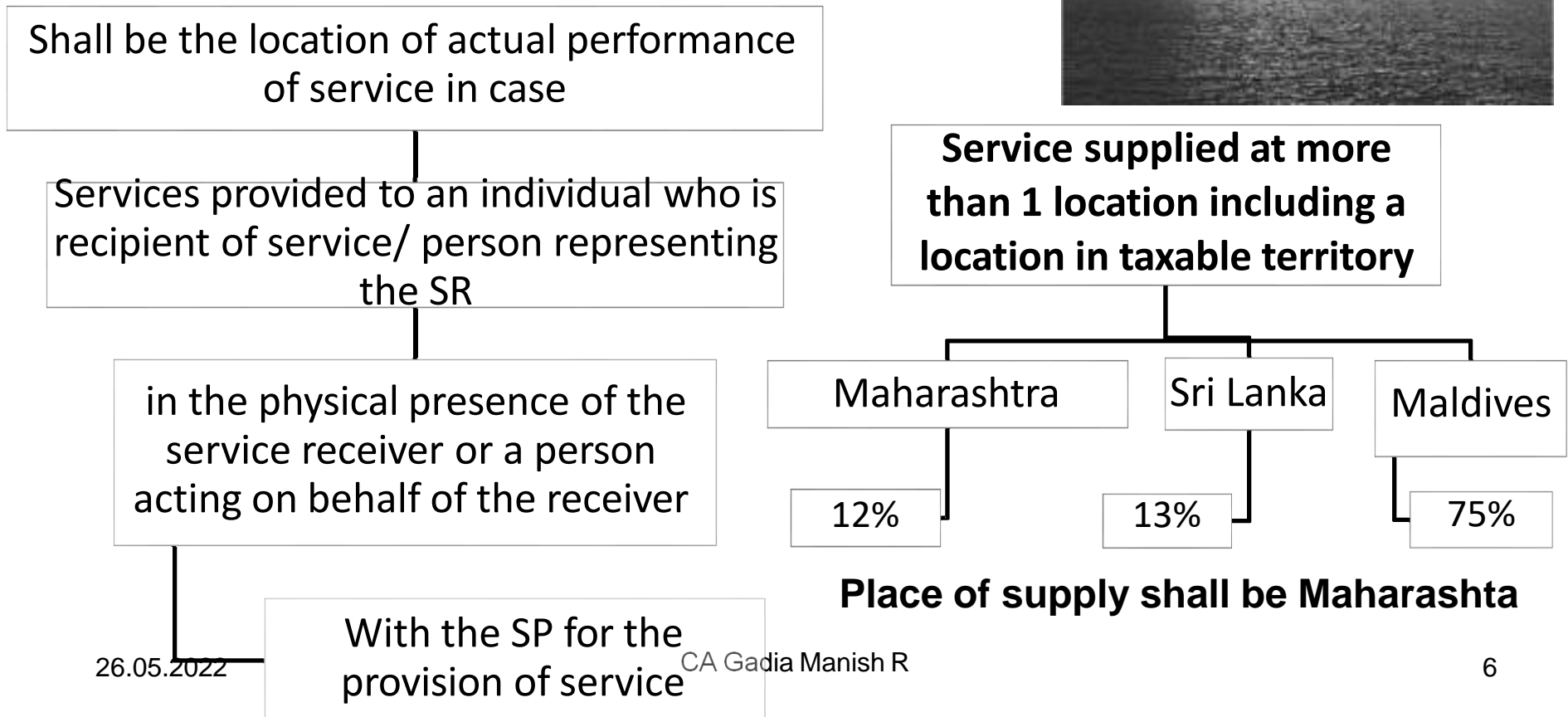
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# POS for Cruise



# Cruise to Foreign Pax

- Invoice should contain Name, Address and GST Number of Service Recipient
- Place of Supply



# Rate of Hotel Accommodations

As per Notification No. 13/2018- Central Tax (Rate), w.e.f. 27<sup>th</sup> July, 2018 GST rate will be determined on the basis of transaction value prior to that on declared Tariff.

Transaction Value per Unit per day	Upto 30 <sup>th</sup> Sept2019	W.e.f 1 <sup>st</sup> October 2019
Below Rs.1000	Nil	Nil
Rs.1000	12%	Nil
Rs.1001 to Rs.2499	12%	12%
Rs.2500 to Rs.7499	18%	12%
Rs.7500	28%	12%
Rs.7501 & Above	28%	18%



# Rate for Cruise

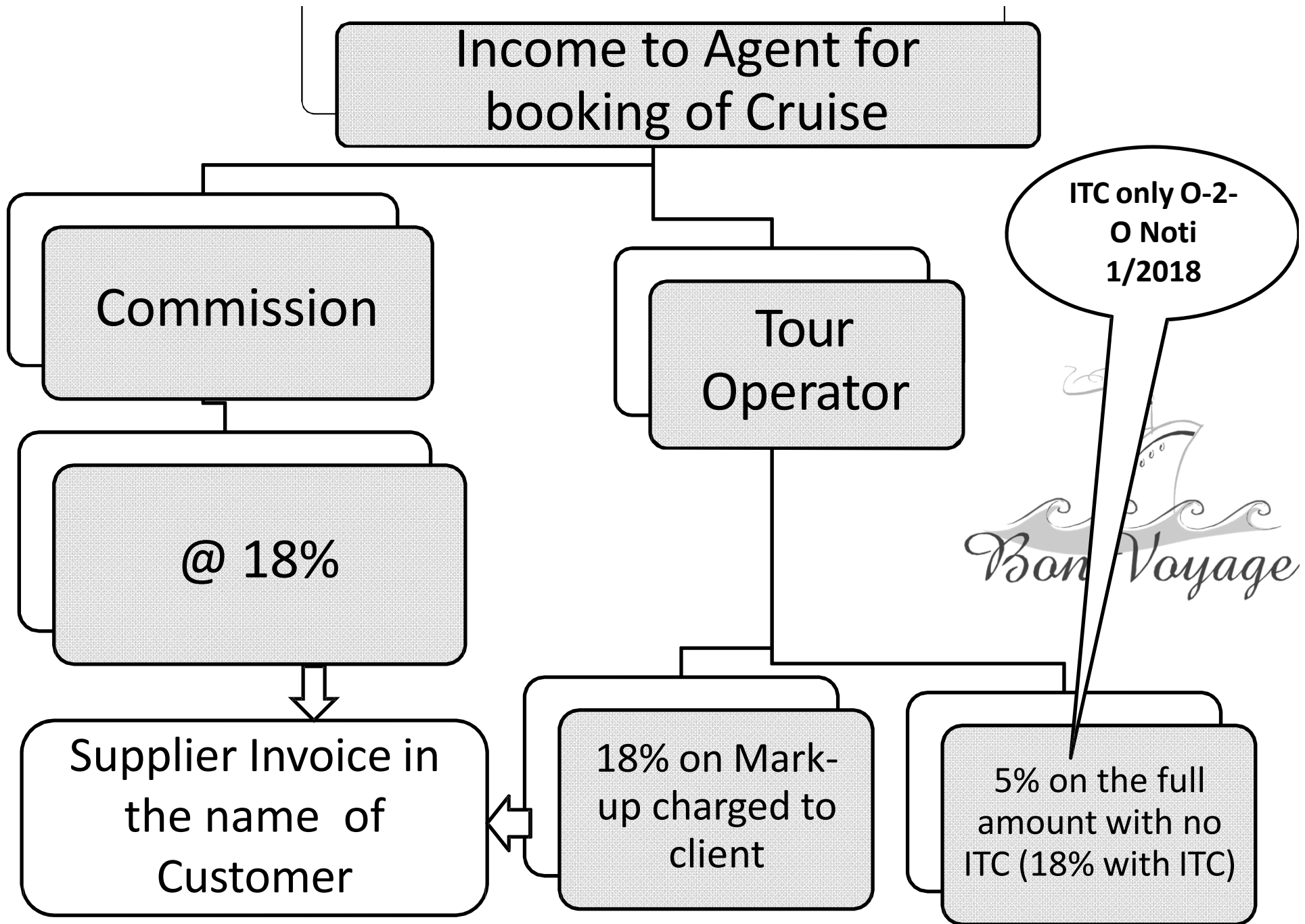


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# Issues w.r.t Hotel services to SEZ

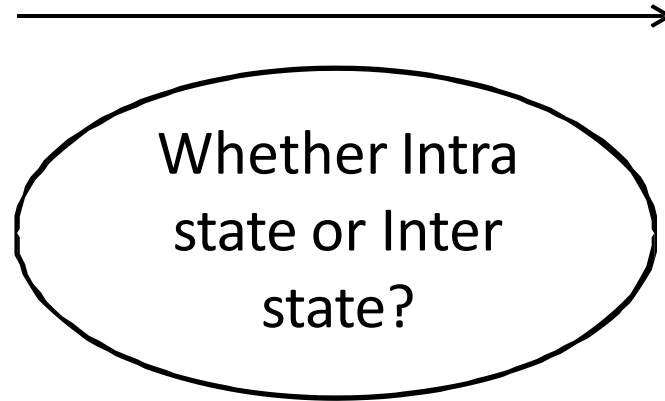


Hotel - Mumbai

Location of Supplier

POS u/s 12



Intra state



Company in SEZ

Inter state as per section 7 (5)(b)

# Issues in Hotel Accommodation

- Composite/ Mixed supply like food, Gym, etc.
- Membership fees
- ITC on Makeup for front desk staff
- ITC on free pickup and drop 
- ITC for Construction of Hotel Building
- ITC on Repairs and renovation 
- Customer paid advance at the time of booking later on cancelled, GST payable on cancellation?



# Credit not allowed 17(5)(b)

**Allowed only for outward supply of same category or as element of composite/mixed supply or obligatory for employer under any law to give to employee**

- food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, **renting/hiring/leasing of MV**, Vessel, Aircraft, life insurance, health insurance



# Credit not allowed 17(5)(c) & (d)

- Works contract services when supplied for construction of immovable property,
  - other than plant and machinery,
  - except where it is an input service for further supply of works contract service;
- goods or services received by a taxable person for construction of an immovable property other than plant and machinery, on his own account incl. when used for furtherance of business
- **Construction** includes re-construction, renovation, addition, alter, repair - **to the extent of capitalization to said immovable property**
- **'Plant and Machinery'** means apparatus, equipment, machinery fixed to earth by foundation or structural support that are used for making outward supply and includes such foundation and structural supports **but excludes** land, building or any other civil structures, telecom tower, pipeline outside factory premises



# Safari Retreats Private Limited Vs CC of CGST

## – Orrisa High Court W.P. (C) No. 20463 of 2018

- Applicant is in the business of construction of shopping mall and later on give on Rent.
- Applicant purchase various material and availed various services for construction of Mall.
- Where inputs are consumed in the construction of an immovable property which is meant and intended to be for the provision of taxable output services, whether input tax credit was available to the assessee?



- Rent income is arising out of the malls which are constructed after paying GST on different items.
- If ITC is denied on building meant and intended to be let out, it would amount to treating the transaction as identical to a building meant and intended to be sold.
- Further, treatment of these two different types of transactions as one for the purpose of GST, is contrary to the basic principles regarding classification of subject matter of tax levy and, therefore, violative of Article 14 of the Constitution.
- Hence, the interpretation adopted by the Revenue is frustrating
- the Petitioner in that case has to pay huge amount without any basis.
- The very purpose of the credit is to give benefit to the assessee.
- Therefore, if the Petitioner is required to pay GST on the rental income arising out of the investment on which he had paid GST, it is required to have the input tax credit on the GST.



# Impact of GST on Restaurant Banquet Industry



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# Rate of Tax for Reastaurant

Type of Restaurant	Rate (14 <sup>th</sup> Nov'17)	Conditions
Stand-alone restaurant, etc. not located in premises having residential or lodging facility	5%	No ITC
Restaurant, etc. located in premises having residential or lodging facility having declared tariff of any unit < Rs. 7500 per unit per day		
Restaurant, etc. located in premises having residential or lodging facility having declared tariff of any unit $\geq$ Rs. 7500 per unit per day	18%	NIL
Composition scheme	5%	No ITC

Charged more than 7500 for single room on 31-12, than 18% for entire year?

# Rate of Outdoor Catering

<b>Type of Outdoor Catering Services</b>	<b>Upto 30<sup>th</sup> Sept 2019</b>	<b>W.e.f 1<sup>st</sup> Oct 2019</b>
<b>Supplied within the premises of Hotel having declared tariff of any unit up to Rs.7,500/- per day</b>	<b>18% with ITC</b>	<b>5% without ITC</b>
<b>Supplied within the premises of Hotel having declared tariff of any unit above Rs.7,500/- per day</b>	<b>18% with ITC</b>	<b>18% with ITC</b>
<b>Outdoor Catering Services other than above</b>	<b>18% with ITC</b>	<b>5% without ITC</b>
<b>These rates are mandatory and not optional in nature</b>		

# Supply of food and beverages



By Office, etc. by itself or  
By Outdoor Caterer



## Supply to be taxed at?????

5%  
without  
ITC

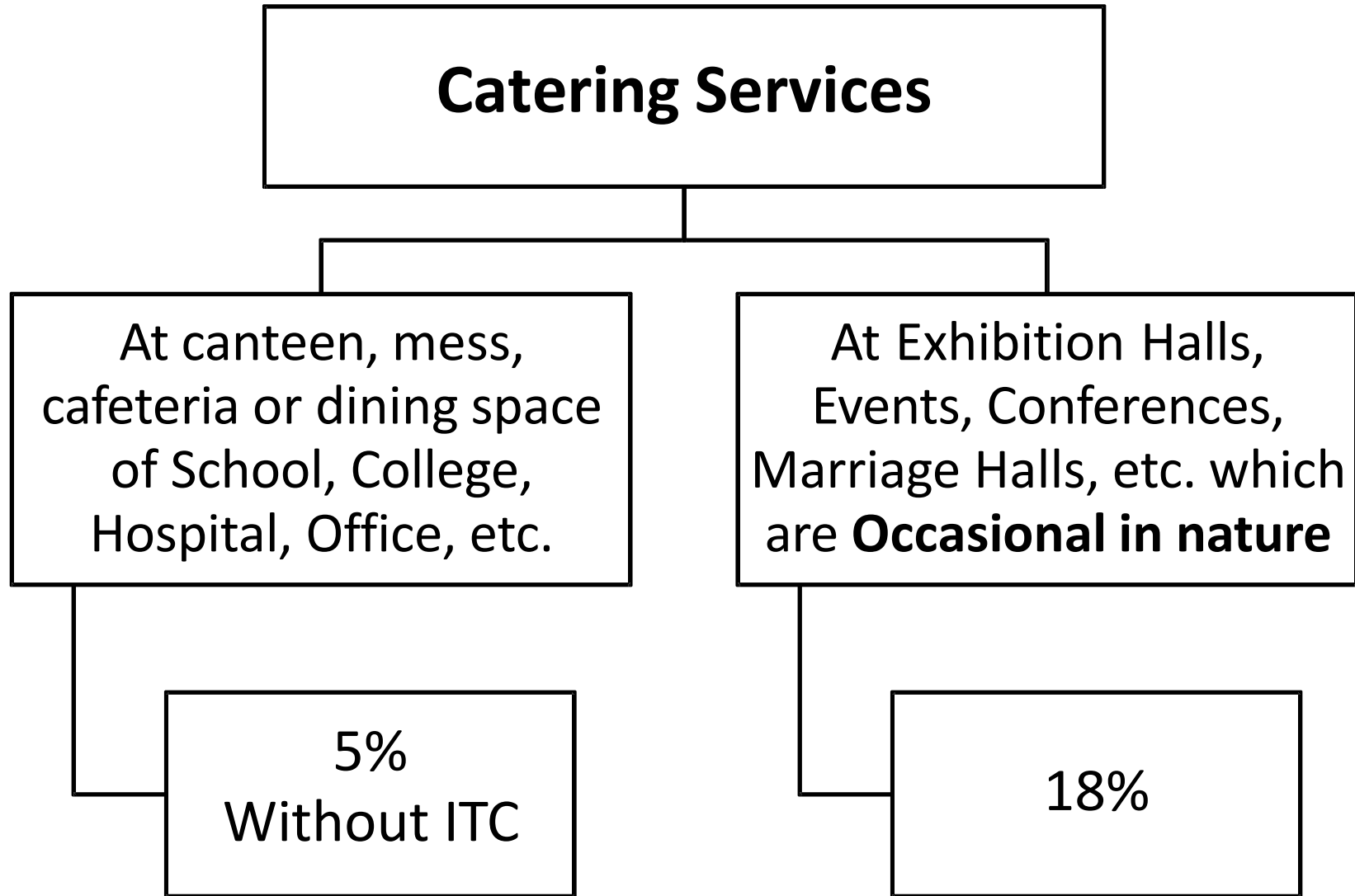
• As it is provided in  
**Canteen**

18%

• As it is provided by  
**Outdoor Caterer**



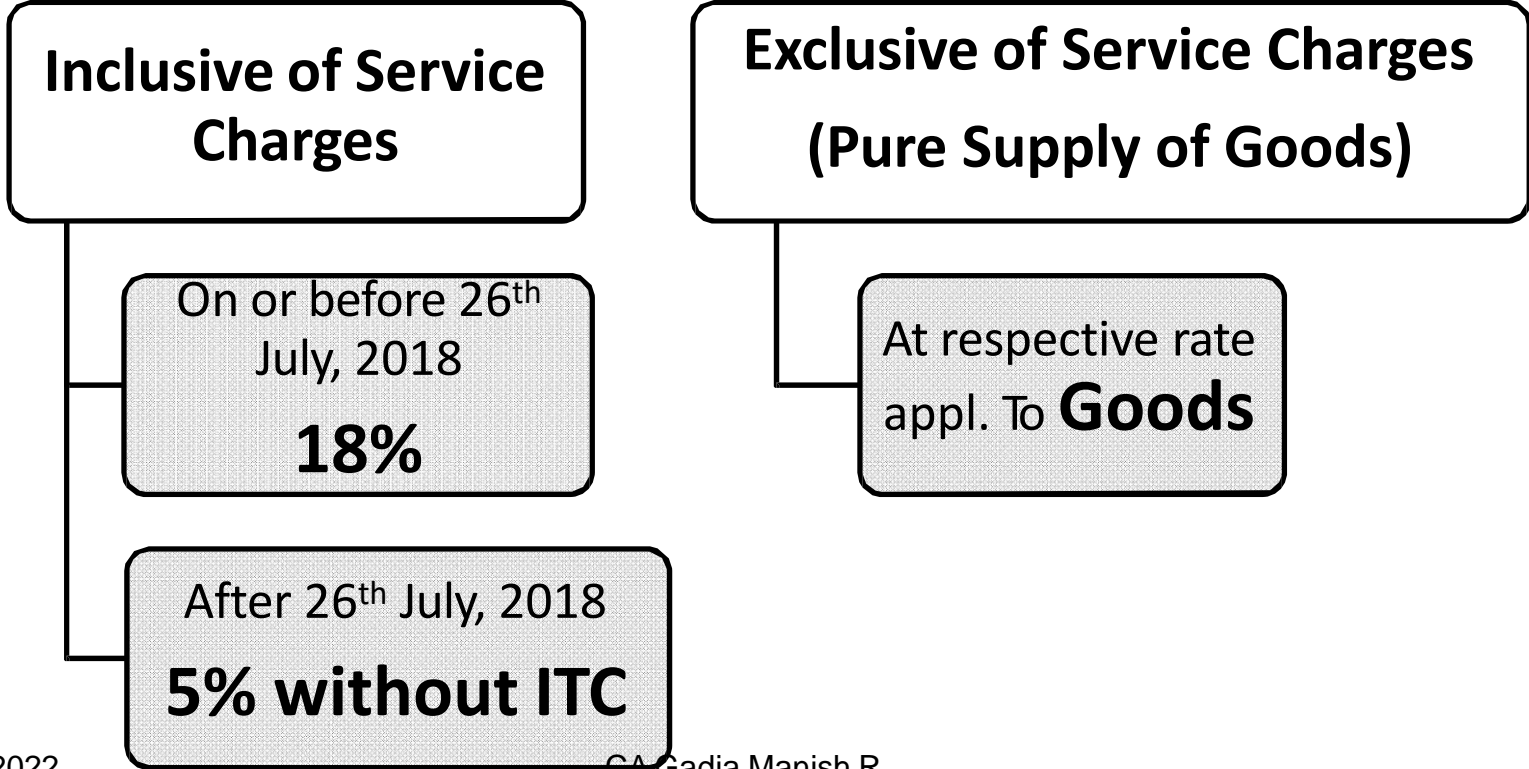
# Catering Services



# Supply of food and beverages



By Indian Railways, IRCTC Ltd or their licensees in trains or platform



# Place of Supply

- The place of supply of
  - restaurant and catering services
- Location where the services are actually performed.



Sec  
12(4)

# Issues

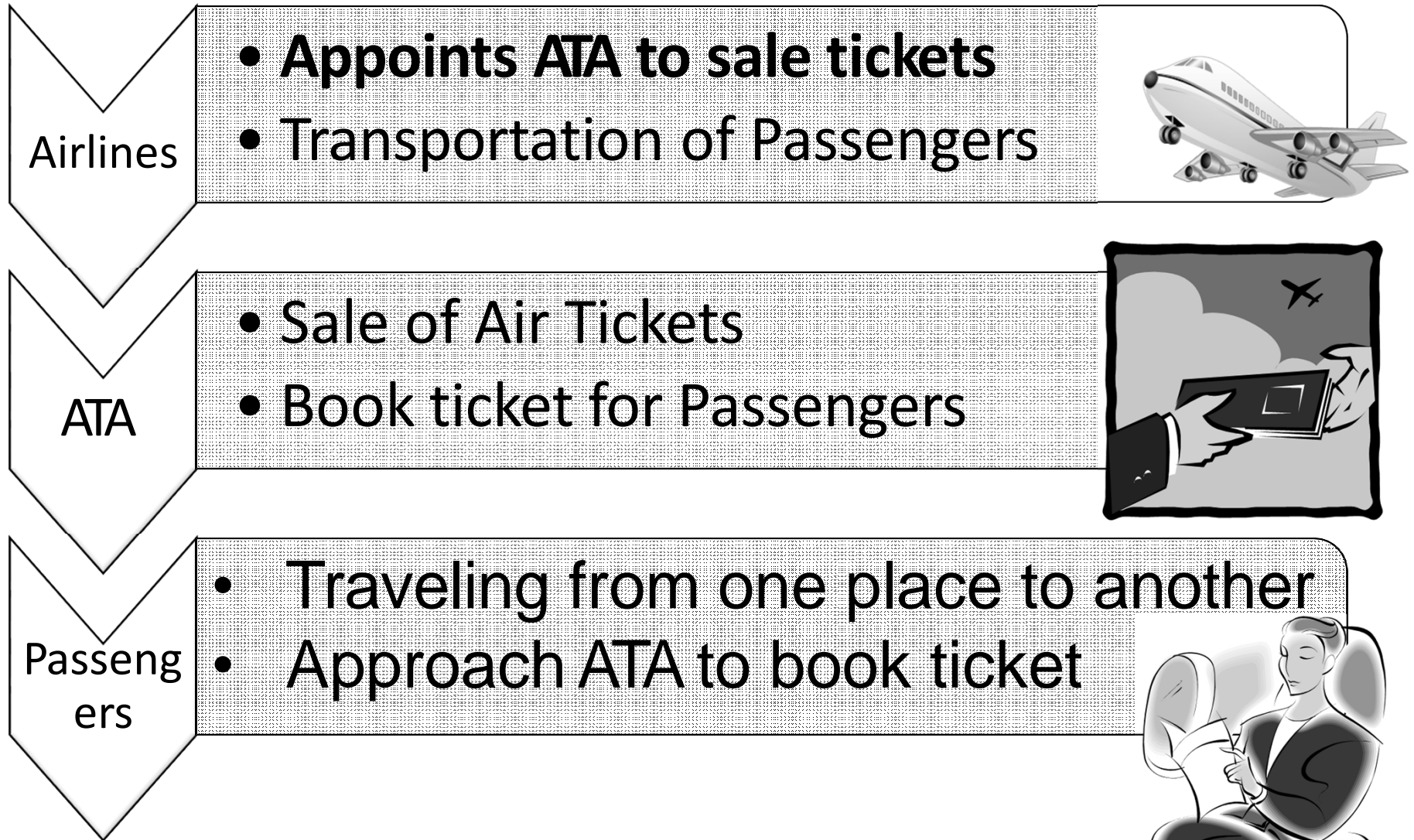
- Cover Charges
- Conducting License
- Renting
- Renting during covid19
- Franchisee
- Supply of Liquor
- Ice cream parlor/ Sweets shop etc.

# Impact of GST on Tour Operator





# Air Travel Agent Nature of Service



# ATA has 3 options to pay GST

**GST to be paid on**

The option once exercised has to be followed during the FY.

**Commission / PLB / upload incentive / any other form of incentive from airline as well as booking fees from passenger**

**Principal to Principal Basis**

**Basic Fare**

GST @ 18% on Commission / PLB / upload incentive / any other form of incentive. Issue invoice on Airline/ Consolidator

Booking Fees @ 18%. Issue invoice on Passenger

For Domestic Booking

For International Booking

@18% of 5% of Basic Fare, effectively 0.9% of Basic Fare

@18% of 10% of Basic Fare, effectively 1.8% of Basic Fare

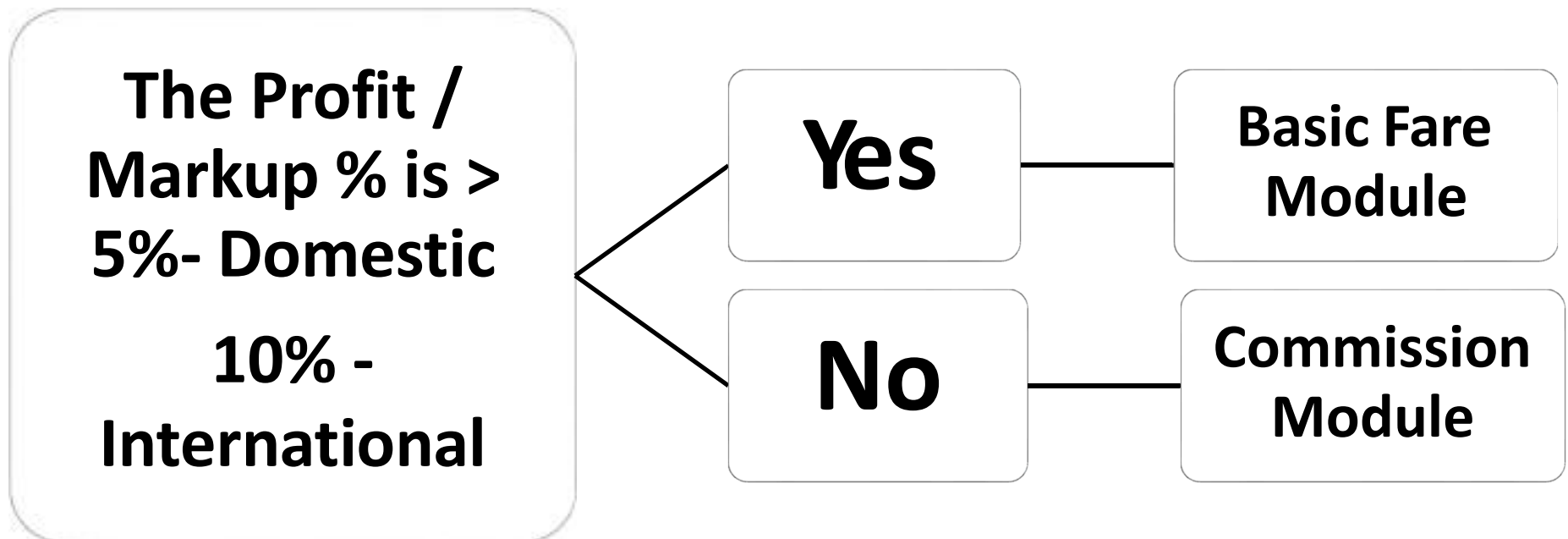
means that part of the air fare on which commission is normally paid to the air travel agent by the airline

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# How to Decide whether to opt for Commission Module or Basic Fare Module



# Principal to Principal Basis



**Airlines**

**Buys  
Tickets  
from  
Airlines**



**Travel Agent**

**Sells  
Tickets to  
Customer**



**Traveler**

Can Claim ITC  
of the Tax  
Charged by  
Airlines.

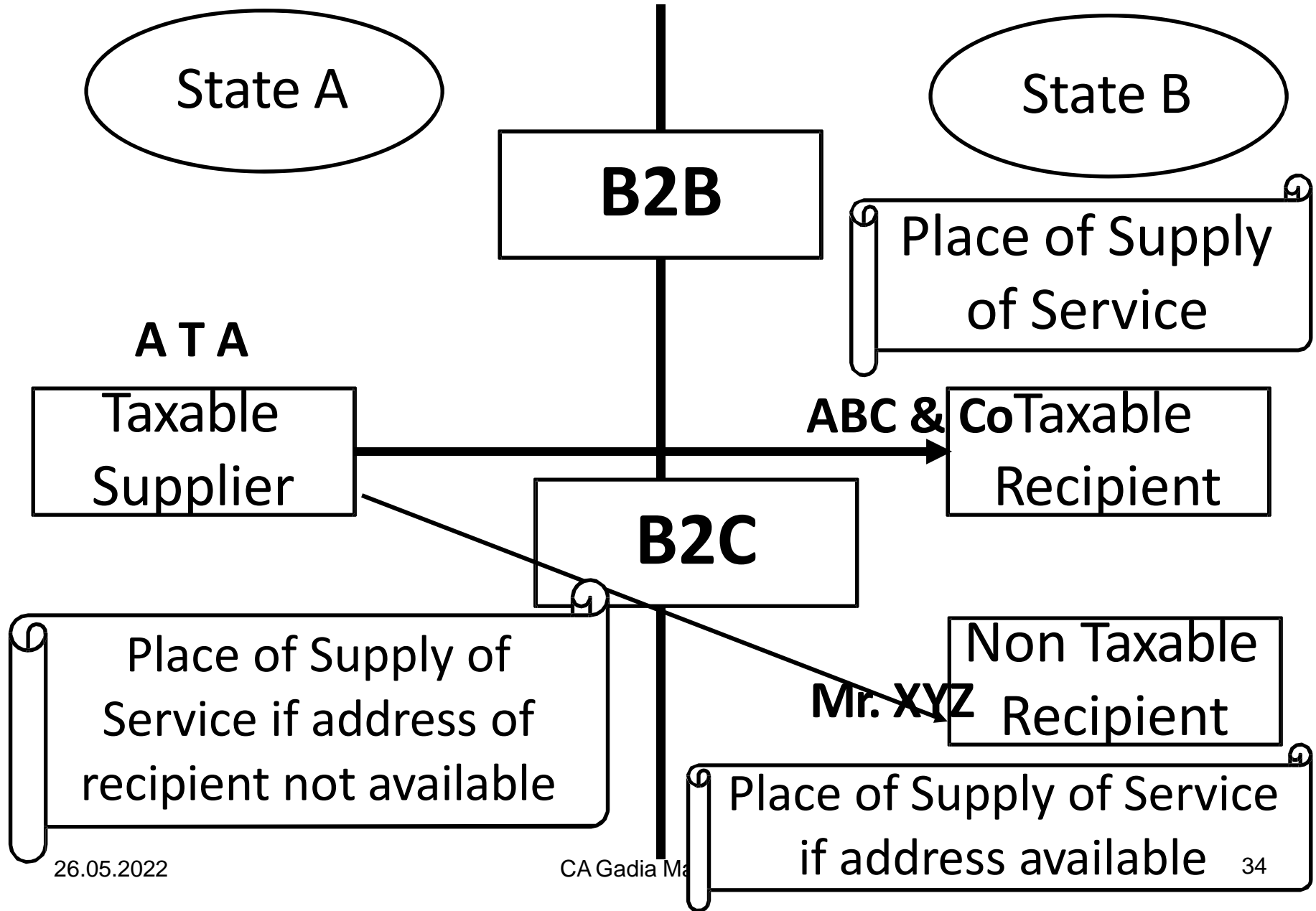
However, in this case the contractual liability/ obligations will be on the Travel Agent as he will be acting as a Principal and not as an Agent.

Will have to Charge GST @ Applicable to Airlines, POS would be similar as in case of Airlines.

# ATA act as principal to principal

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# Place of Supply of Service



Since ATA acts as an Intermediary

Origin & Location of Airlines

Destination & Location of Passenger

GST Payable in India



## Sub Agent buying tickets from consolidator

- Sub agent can also avail the option of paying GST at basic fare module or commission module (commission received from consolidator or service fees from client)
- Place of supply for a Sub Agent will be same as of a normal agent i.e.
  - Location of service receiver (if service receiver is located)
  - If address record on recipient exist, location of service receiver
  - Location of service provider in any other case

It is advisable to an ATA and a sub agent to provide client's Email ID while booking the ticket





## Rent a cab

Commission model

GST @ 18%

W.e.f. 13<sup>th</sup> October, 2017

Net cost and Mark-up Basis

GST @ 5% on full value of invoice including value of fuel **ITC only operator to operator**

GST @ 12% on full value of invoice including value of fuel **with ITC**

GST @ 18% on full value of invoice **excluding value of fuel with ITC**

As per Notification No 20/2017 w.e.f. 22<sup>nd</sup> August, 2017

# Car Hire/Air Line/ Railway

Place of supply for passenger transportation

Location of Supplier and Recipient of Service is in India

Location of Supplier or Recipient of Service is Outside India



service receiver is registered?

Yes

No

Place where the passenger embarks on the conveyance for a continuous journey

Location of Service Receiver

Place where the passenger embarks on the conveyance for a continuous journey



# Income for Tour Operator

Commission Income from hotel/transporter/ other agents

18% on commission earned

Tour operator will issue invoice on the hotel/transporter/ other agents for commission earned

Service charges from the client

18% on the service charges charged to the client

Tour operator will pay GST on service charges only if the invoice of hotel /transporter is **directly in the name of client**

Sale of tour on principal to Principal Basis

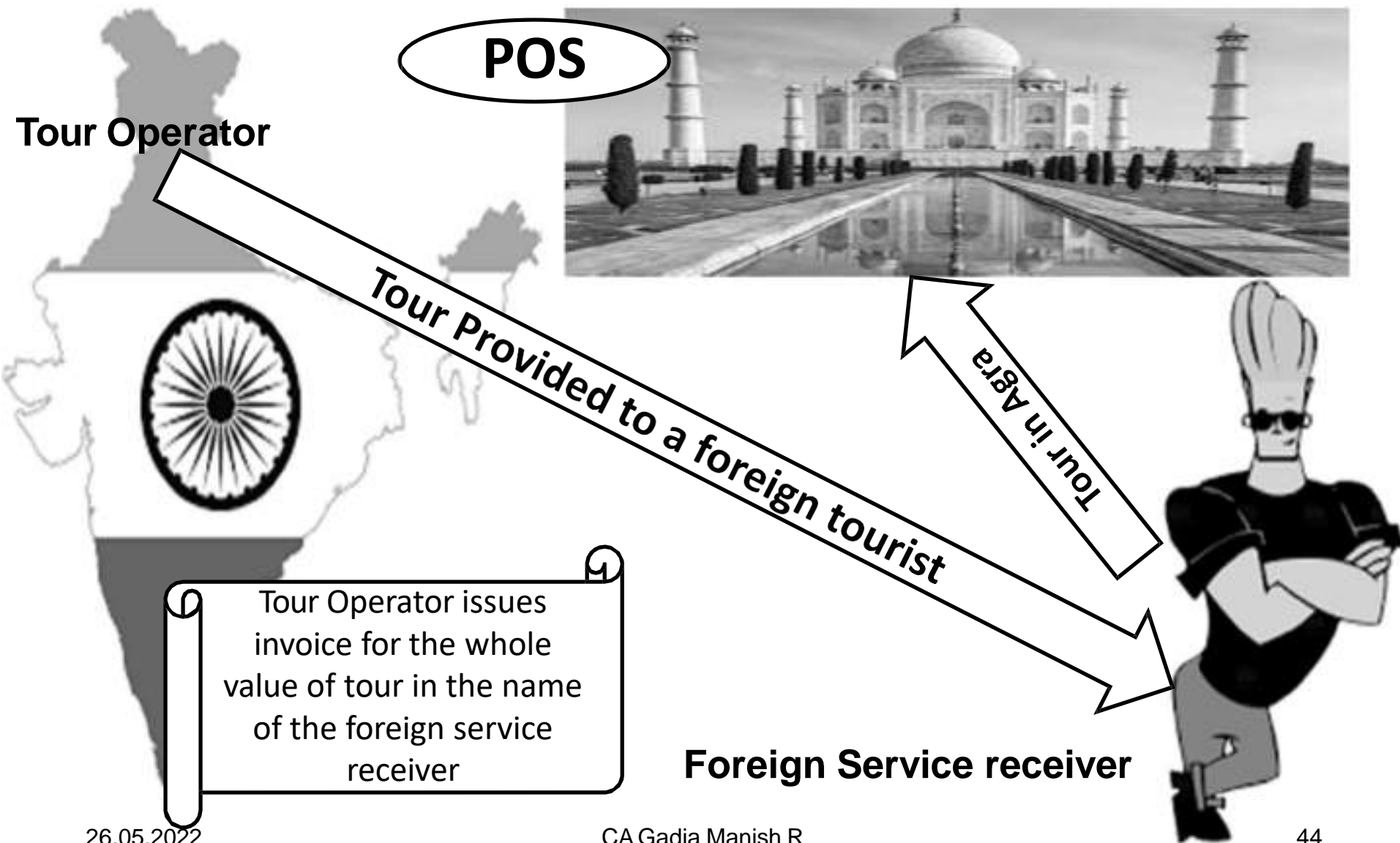
5% (with no ITC) or 18% (with ITC) on whole value of tour

Here, invoice will be issued by hotel in the name of tour operator and then tour operator will issue invoice in the name of client

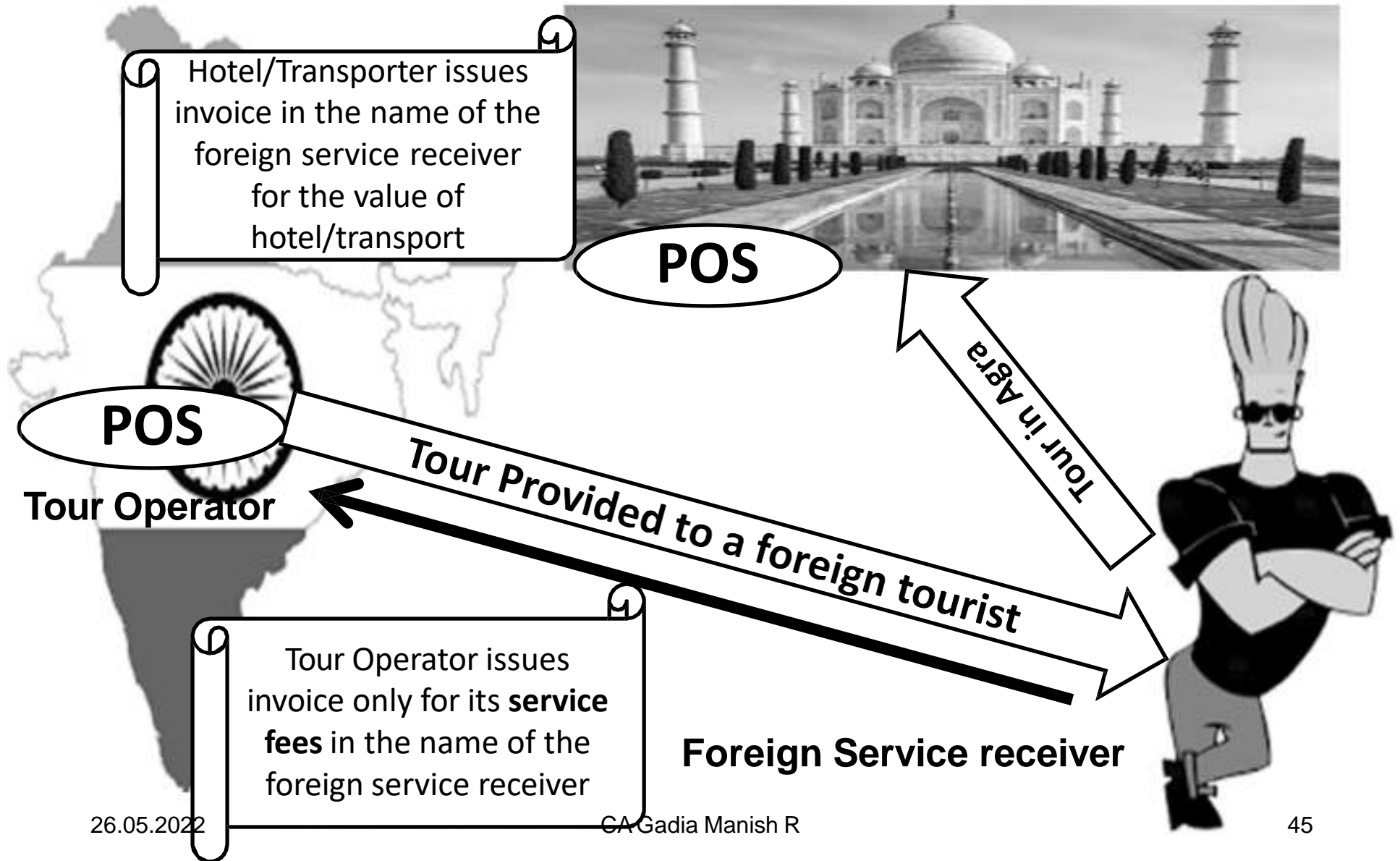
ITC only  
O-2-O  
Noti  
1/2018

**In case of 5% it shall be Inclusive of charges of accommodation and transportation**

# Inbound Tour – Principal Basis



# Inbound Tour-Intermediary



# Inbound Tour at Multiple Places

POS

?

Jaipur



Delhi



Agra



Tour Operator

Consolidated Tour for a foreign tourist

Triangle Tour

Foreign Service receiver



Place of Supply if Supply is made in more than one State or Union Territory shall be Treated As Supply in each state

Value of Supply Specific to each State and Union Territory

As per the proportion of value for services Separately collected

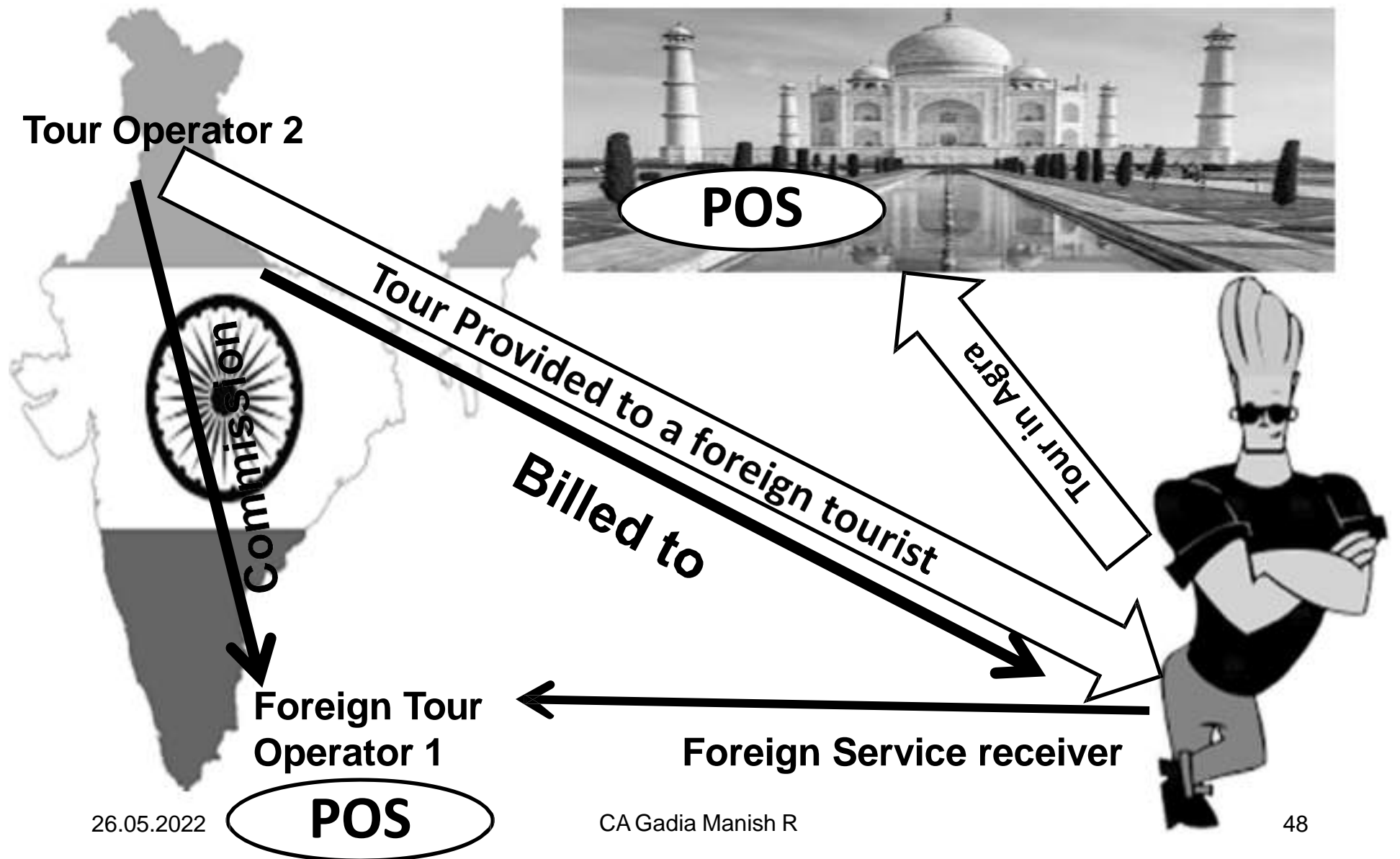
Or as per the Terms of Agreement or Contract

Or as may be Prescribed

Place of Tour	Amount Collected	POS
Jaipur	Rs, 35,000	Jaipur
Delhi	Rs. 30,000	Delhi
Agra	Rs. 35,000	Agra

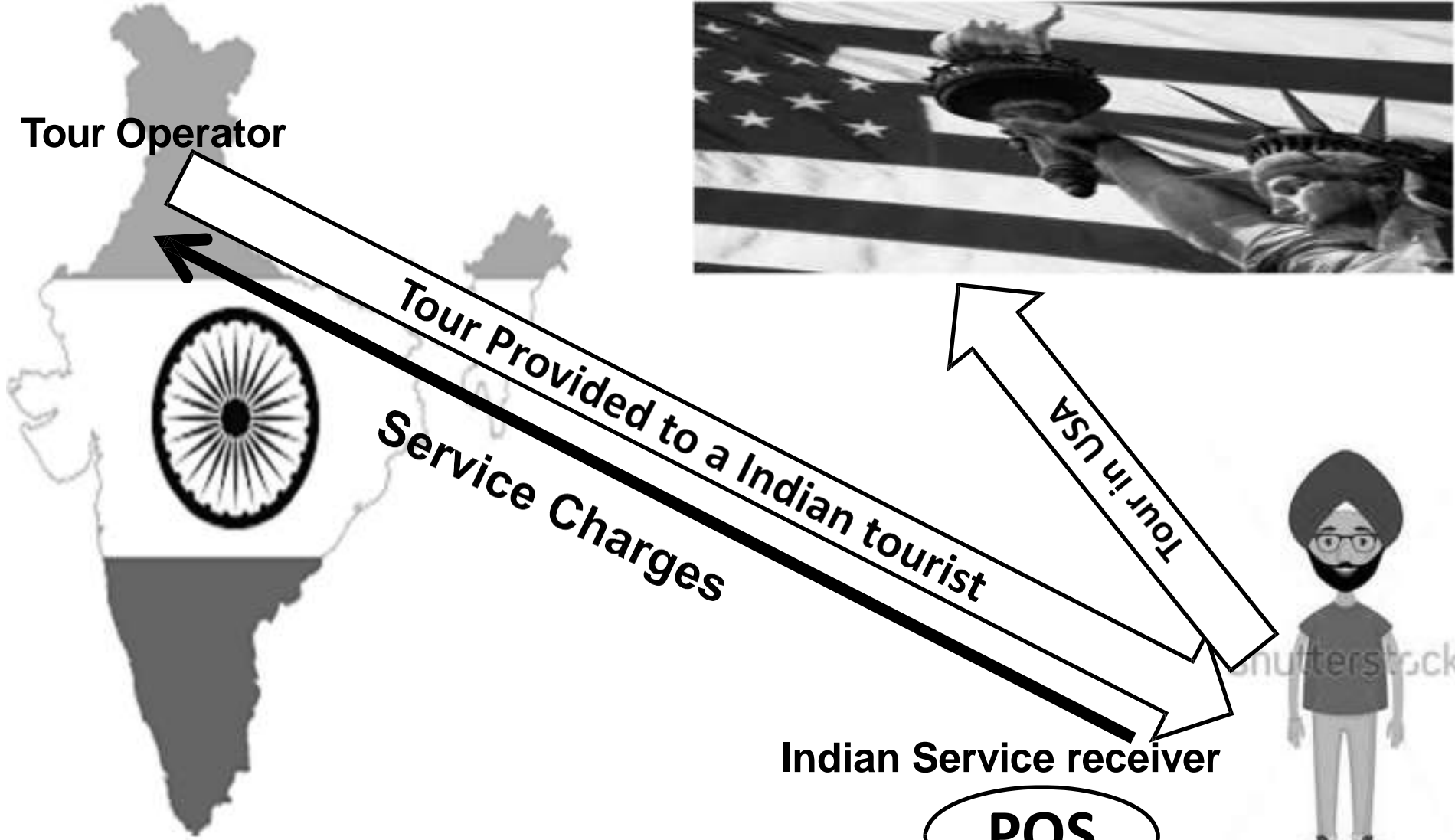
The tour operator will issue separate invoice for all the 3 place of supply

# Intermediary Services – Inbound Tour





# Outbound Tour



Tour Operator

Tour Provided to a Indian tourist

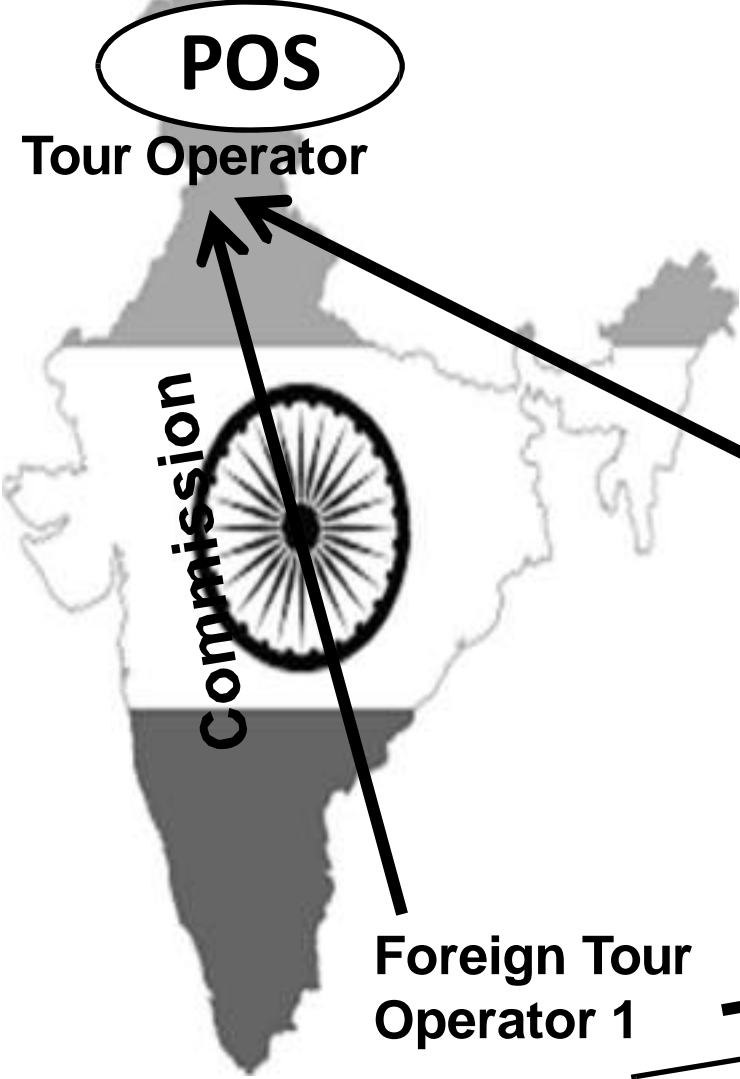
Service Charges

Tour in USA

Indian Service receiver

**POS**

# Intermediary Services – Outbound Tour



Tour Operator

Commission

Foreign Tour Operator 1

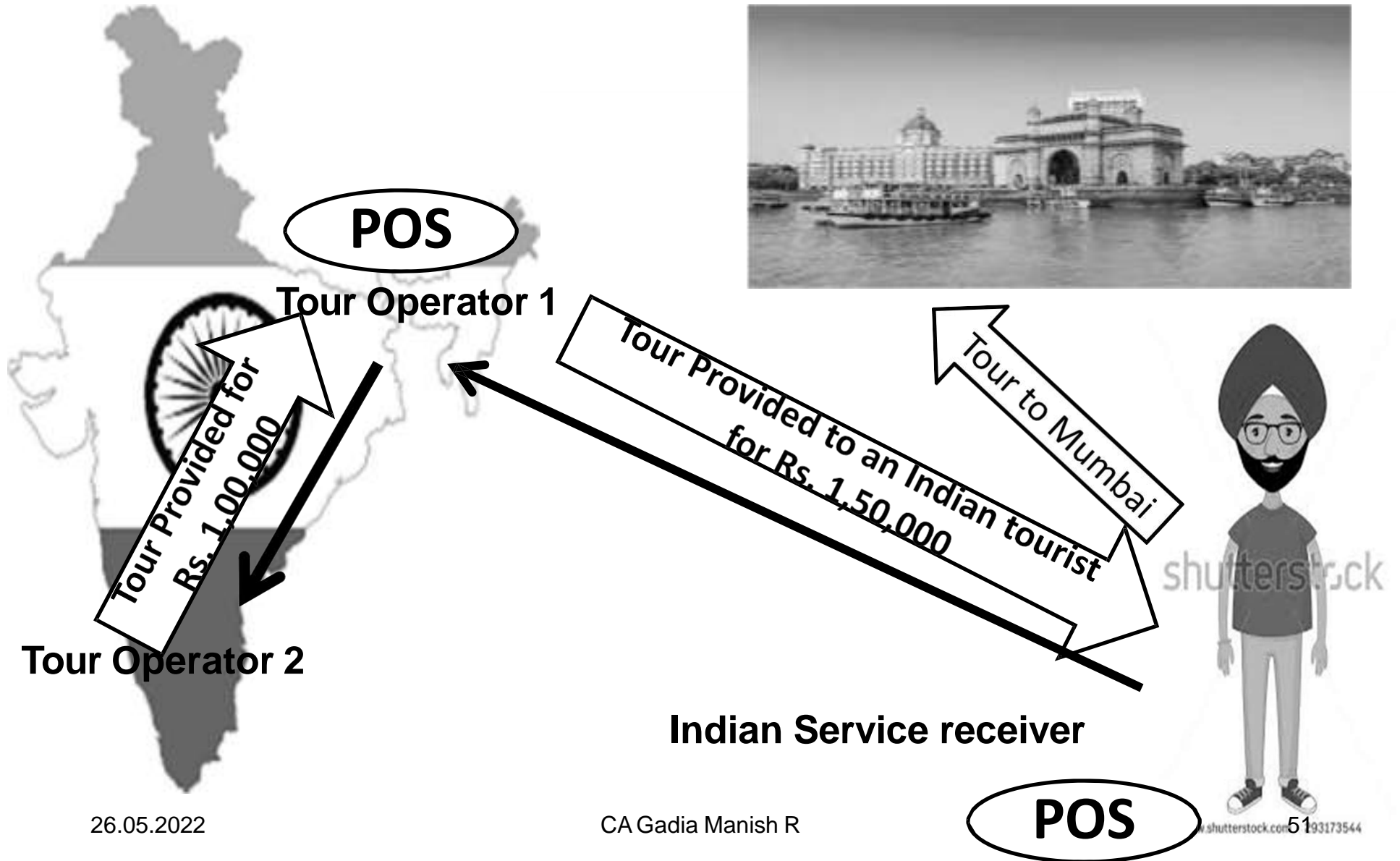
Tour in USA

Billed to

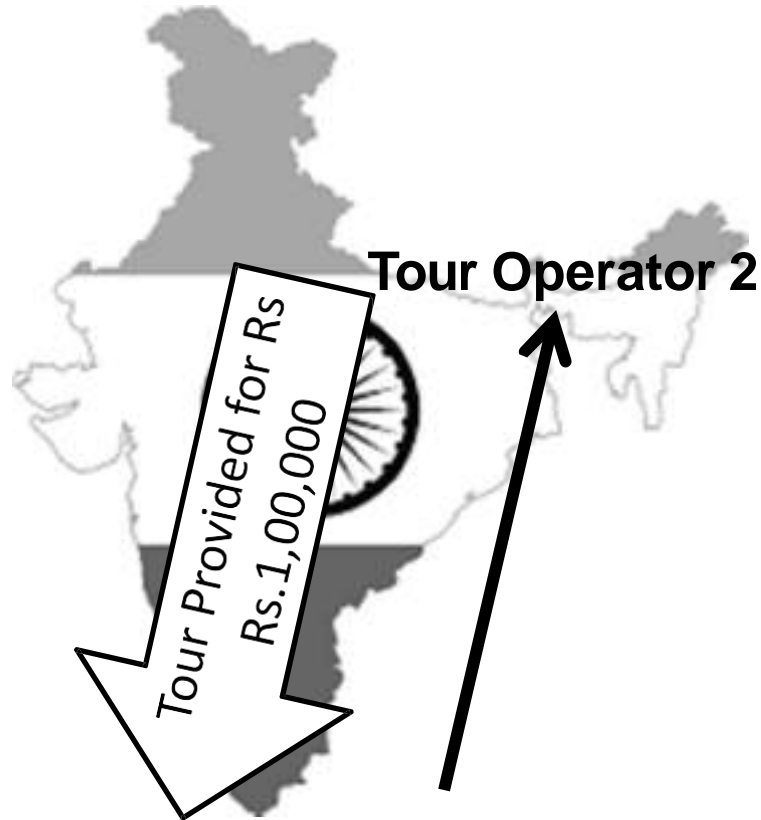
Tour Provided to an Indian tourist



# Tour on Principal Basis- In India



# Principal Basis – Outside India



**Tour Operator 2**

Tour Provided for Rs  
Rs.1,00,000

**NO  
GST**

Tour to Agra



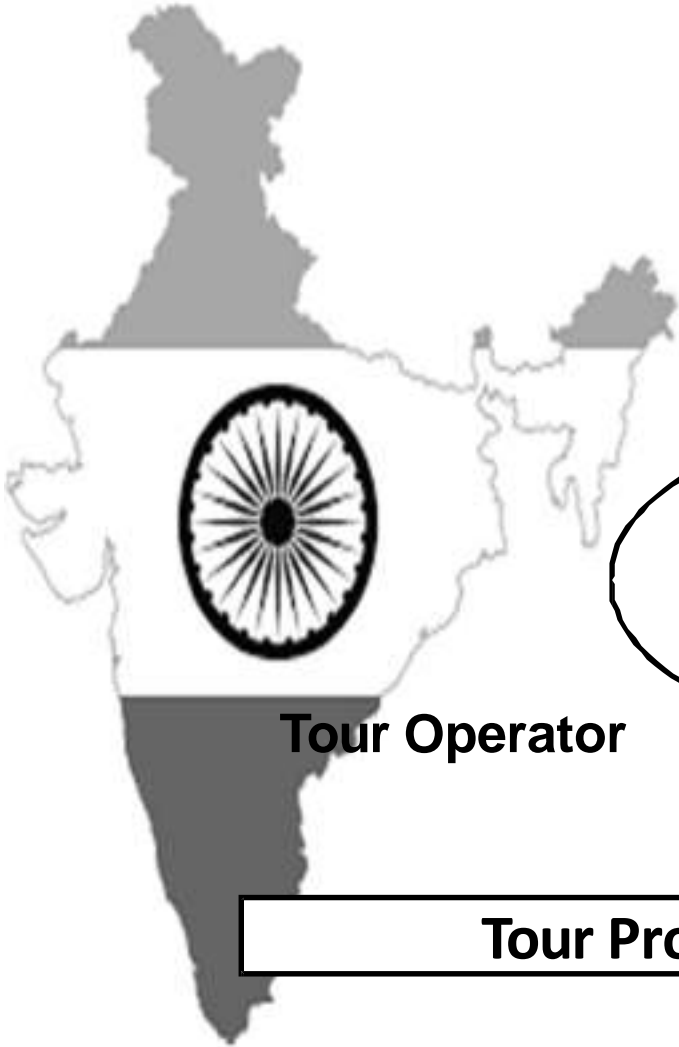
**Tour Operator 1**

Tour Provided to a foreign tourist  
for Rs. 1,50,000



**Foreign Service receiver**

# Exemption under Entry no. 54

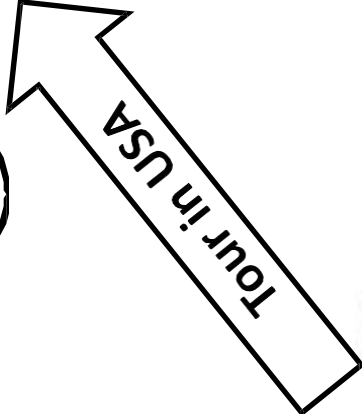


**Tour Operator**

**NO GST**

**Tour Provided to a foreign tourist**

**Foreign Service receiver**



**Tour in USA**



# E-commerce operator – Pure agent

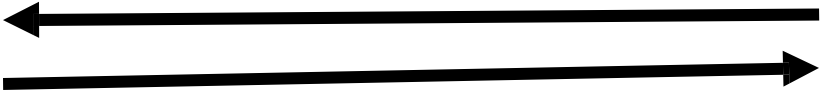
Tour Operator



After the E-Commerce Operator Files the return Credit for the TCS deducted can be claimed



Payment after deducting upto 1% TCS



PAYMENT

Payment of TCS Deducted to the government and return to be filed by 10<sup>th</sup> of the next month

Discloses details of hotel or airlines on the website



# E-commerce

Tour Operator

Buys from hotel for Rs. 1,00,000



Discloses details of hotel on the website

Sells to the customer for Rs. 1,50,000

No need to deduct TCS

Where the tour operator sells its services through its website, he will not be termed as an Electronic Commerce Operator



# Major Expenses and Credit Available to Tour Operators

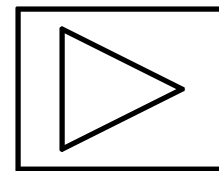
## Air Tickets

Credit Will not be available if the Invoice will be in the name of the Passenger

## Rent A Cab Service

**Credit Available**

## Hotel Accommodation / Admission





# Tour Operator



**State A**

Place of Supply  
Location of Hotel – NO ITC



**State B**



**GMJ & Co**

**Customer  
State C**

Place of Supply  
Location of Customer



**State A**

Place of Supply  
Location of Hotel  
ITC available to  
State A operator



**State A**



Place of  
Supply  
State B



**State B**

**GMJ & Co**

**Customer  
State C**

Place of  
Supply  
Location  
of Customer



**Opinions or views  
are like wrist  
watches.**

**Every watch shows  
different time from  
others.**

**But every one  
believes that their  
time is right!**



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