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OFFICIAL STATEMENT FROM HOTEL ASSOCIATION OF INDIA

HOSPITALITY STILL AWAITS PRAGMATIC GST REFORMS

~ SECTOR – A KEY PILLAR OF THE ECONOMY – UNHEARD AGAIN ~

~ REMOVAL OF ITC BENEFITS MAY HURT INDUSTRY ~

The structural reforms including reduction of the number of slabs were a need of the hour and are welcome. The rate on hotel accommodation priced at ₹7,500 and below from 12% to 5% may provide some relief only to the travellers. Removal of **ITC may in fact prove detrimental for hotel companies** operating in the segment and may act as a disincentive for much needed investment and expansion in the category; the full impact on hotel operators will depend on the effects of the ITC reduction, which experts will need to assess further. **It would prove to be beneficial to retain the rate at 5% whilst allowing ITC, and we urge the Finance Minister to consider this progressively.**

Budget and mid-scale hotels are likely to benefit thereby providing for cheaper hotel rooms for consumers and provide a timely boost to domestic tourism as we approach the festive season, we are of the belief that an **upward adjustment of the slab could have generated more demand**, more investment and increased revenues for the government.

Hotels are providers of essential infrastructure for tourism that has been identified as a key pillar of the economy and India's realisation of its vision for 2047. Hotels generate jobs, add to the socioeconomic fabric of the region and have the highest multiplier effect. It is unfortunate therefore that **the industry has yet again been** left wanting, as compared to other consumption-based sectors. Hotel restaurants remain at existing rates, so the overall change for the sector is limited.

Against this backdrop, one positive development is that the savings on essentials may increase discretionary spending in leisure and hospitality, supporting broader economic growth.

As the hon'ble Prime Minister highlighted, the objective of this exercise is to boost consumption expenditure on items that affect the common person. **The broader impact of the cuts will certainly have a positive impact on the economy thereby proving beneficial to the nation.** However, **addressing industry specific concerns is crucial** to ensure that the sector grows holistically across categories and continues attract investment and contribute meaningfully to India's GDP, Jobs and global competitiveness as a tourist destination especially for MICE.

HAI remains committed to continued engagement with the government to rationalise GST structure across all hotel categories and hopes that the sector will be accorded the correct position in the economy given its key role and not be viewed as a luxury or elite sector.

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