

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
LOK SABHA
UNSTARRED QUESTION NO. 3781**

**TO BE ANSWERED ON MONDAY, MARCH 16, 2026/ PHALGUNA 25, 1947
(SAKA)**

Impact of GST Rationalisation for Hospitality Industry

3781. SHRI DUSHYANT SINGH :

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has undertaken any assessment to evaluate the impact of the Goods and Services Tax (GST) rationalisation for hospitality industry, particularly the reduction of GST to 5 per cent without Input Tax Credit for room tariffs up to Rs. 7,500, in terms of occupancy, revenue patterns and affordability, if so, the details thereof;**
- (b) whether any representations have been received from stakeholders regarding challenges in availing Input Tax Credit, especially for hotels operating in budget and premium categories and undertaking proportionate Input Tax Credit (ITC) reversal under Rule 42 of the CGST Rules, if so, the details thereof;**
- (c) whether the Government proposes to further streamline the Input Tax Credit framework applicable to the hospitality sector to enhance ease of compliance while ensuring revenue neutrality and supporting growth, if so, the details thereof; and**
- (d) whether any comprehensive study has been conducted to assess the impact of GST rationalisation on tourism growth, investment in Tier-II and Tier-III cities and employment generation in the hospitality industry, if so, the details thereof?**

ANSWER

**MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)**

(a) to (d) : GST rates and exemptions on any supply of goods and services are prescribed on the recommendations of the GST Council, which is a Constitutional body comprising members from both the Union and State/UT Governments. Based on the Group of Ministers (GoM) Report on Rate Rationalization, the GST Council in its 56th meeting held on 03.09.2025, recommended to reduce the GST rate from 12% with ITC to 5% without ITC on supply of “hotel accommodation” services where the transaction value is Rs 7500/- or less per day.

The rate rationalisation exercise was undertaken to simplify and bring the two-rate tax structure to this sector. Further, the reduction in tax burden is expected to lower the transaction costs, improve affordability, and stimulate consumption demand. Lowering of GST rates is expected to enhance trade competitiveness and support industry as it is likely to reduce transaction costs, thereby encourage small businesses to enter the formal sector and supporting greater formalisation with widening of the tax base. Although no assessment has been undertaken to evaluate the impact of the Goods and Services Tax (GST) rationalisation for hospitality industry, it is expected that these measures are likely to boost growth by stimulating consumption, demand and investments and also promoting job creation. Further, by keeping the output tax rate low (5%), the overall cost of services for the end-consumer will become affordable, even if the supplier does not claim credit for taxes paid on inputs.

No such representation has been received from stakeholders regarding challenges in availing Input Tax Credit, for hotels operating in budget and premium categories and undertaking proportionate Input Tax Credit (ITC) reversal.

No proposal to amend the ITC provisions for hospitality sector is pending with the GST Council.
