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Budget costs travel dearly

TRAVTALK brings to you the reactions and resentment of the key travel trade associations and the strategic manoeuvres they are attempting to cull out to press the Government for relief to prevent the industry from another crisis.

TT BUREAU

Pessimism prevails throughout different value chains in the travel trade, when budget is announced, as more often than

not none of the demands of the travel industry gets any heed. But, the levy of service tax on hotels, hospitals, restaurants and the additional levying of service tax on domestic and international travels in the

Union Budget have come like a bolt from the blue.

The setback for the travel industry will jack up prices, when destination India already suffers an expensive destina-

tion tag. It is also likely to cost at least five per cent of business opportunity loss, when destination India has just managed to come out of the global economic downturn.

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AssociationsTalk

The key associations shared their views on Union Budget 2011. These include IATO, WTTCTI, PATA, TAAI, TAFI, FHRAI, HAI and ADTOI.

CrisisTalk
Yes to voting rights but no fresh audit: TAAI

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Zora vows a tourism turnaround in the state

Complete story on page 32 ▶

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COVER STORY

Budget brings resentment among the travel trade

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IATO



Vijay Thakur
President, IATO

IATO knocks the doors of Finance Ministry

In a strategic endeavour to guard the interest of its members against the setback suffered in the budget, the Indian Association of Tour Operators (IATO) has decided to press the Ministry of Finance for relief. "None of our demands have been met and instead the travel industry has been further loaded with levying of service tax on hotels, hospitals, restaurants etc which were free from such service tax earlier. Similarly, the air travel will cost more with additional levying of service tax on domestic and international travels. Already, the air travel is costing more due to higher tax on air turbine fuel," said Vijay Thakur, President, IATO. "Our preliminary projections suggest that in addition to long term loss of reputation as an expensive destination in the year 2011, our members will lose up to five per cent of business. We will also take a hit on our earlier commitments with our overseas counterpart. We under the leadership of the additional secretary ministry of tourism will meet Finance Minister to push for our demands," he added.

In fact, during their monthly meet organised on 5 March, IATO members condemned the incidence of higher taxes. They all brainstormed on the best possible strategy to take on the ramifications of the budgetary announcements, while the core team strives for complete or partial relief from said announcements.

WTTCTI



Vivek Nair
Chairman, (WTTCTI)

Tax incidents may jump up to 23%

World Tourism & Travel Council, India Initiative (WTTCTI) feels that the budget proposals will be a retrograde step and would keep foreign tourists away from India.

"The State Governments levy a luxury tax on room charges which is as high as 12.5 per cent in states like Kerala and Goa. The proposal to impose the service tax on the room charges would amount to a multiplicity of tax as both the proposed service taxes (levied by the Central Government) and luxury tax (levied by the State Government) will on the same base amount. Thus, in Kerala and Goa, the total amount of tax on the room charges would amount to 17.5 per cent. Further more States like Delhi & Tamil Nadu, which impose luxury tax of 10 per cent and 12.5 per cent on the published rate instead of the actual rate results in increase to the total tax amount to almost 23 per cent," said Vivek Nair, Chairman, (WTTCTI).

"Incidence of tax in our context will be at least six times higher as compared to 3 per cent GST charged by our competitive tourist destinations like Malaysia, Singapore, Indonesia, Thailand etc. Further, the 3 per cent service tax on air-conditioned restaurants that have license to serve liquor, which has been imposed for the first time, will affect over 30 million restaurants in India," he added.

PATA INDIA CHAPTER



Arjun Sharma, Vice Chairman,
PATA India Chapter

Tourism should get an industry status

Introduction of service tax on hotel stay for short-term accommodation is a cause of big worry as it will make India, as a destination more expensive, and may turn away prospective visitors. Thus, this move may prove to be a dampener in the growth of inbound as well as domestic tourism. "The service tax introduced on services provided by air conditioned restaurants, in relation to serving food/beverages, holding a license to serve alcoholic beverage will further increase the cost of dining which is already expensive. Further, the increase in service tax on air travel again has increased the cost of air tickets and will discourage air travel. In view of above there is little to cheer for travel industry," says Arjun Sharma, Vice Chairman, PATA India Chapter.

He further says that tourism has always been neglected by the Union Government and once again union budget 2011 is in that direction. According to Sharma, "Tourism is one of the biggest contributors both to the GDP and employment generation. Still it fails to find favour with the government. It is high time that tourism is given a status of industry. There is a huge hidden potential in this sector which remains untapped. Right steps with focussed approach can go a long way in development of this sector. Only silver lining which can be drawn is that approximately 48% of planned expenditure is allocated towards infrastructure development which in turn will lead growth of inbound and domestic tourism."



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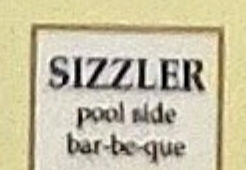
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TAFI



Ajay Prakash
President, TAFI

Prakash laments increase in service tax on air tickets

It's sad that there's been no rationalisation of tax on ATF and it's regrettable that there's been an increase in the service tax on air tickets yet again. The issue of dual service tax on tickets issued through agents has been neglected completely. It's disappointing that travel and tourism continues to be ignored and treated as a lightweight in spite of its contribution to GDP and in spite of the fact that it employs lakhs of people. It is also true that tourism does not happen in a vacuum. So if the overall infrastructure and hygiene is improved, it will have an automatic positive impact on the tourism industry.

Being one of the leading travel trade associations, we are going to take this matter to the Finance Ministry. "This industry is huge and needs its due share of importance. We, as an association along with other trade associations, are coming together on a single platform to raise a single and strong voice," says Ajay Prakash, President, TAFI.

FHRAI



MD Kapoor
Secretary General, FHRAI

'The levying of additional service tax will tantamount to double taxation'

The budget seems to have completely ignored their legitimate concerns and aspirations. On the contrary, it has proposed the imposition of service tax on hotel accommodation and restaurants and an increase in the tax charged on domestic and international air travel. "We believe that while the incremental revenue generated by the government from these new taxes will only be modest, they will have an incalculable long-term and cascading negative impact on the entire hospitality and tourism sector," says MD Kapoor, Secretary General, Federation of Hotel & Restaurant Associations of India

The purpose of Service Tax is to bring into tax net the services which are not taxed. However, the State governments are already levying a luxury tax on hotel rooms, which is as high as 12.5 percent and VAT on restaurants which ranges between 12.5 - 32.5%. He points out that this additional Service Tax will tantamount to double taxation. The resultant impact on room tariffs will put India at a distinct competitive disadvantage as a tourist destination vis-a-vis its Southeast Asian peers. He further adds, "These proposals, if implemented, will deal a serious setback to the Ministry of Tourism's ambitious target of attracting 10 million foreign tourists annually by the year 2020."