GST may make international travel expensive

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Writte by

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GST may make international travel expensive

Despite a lower tax rate under goods and services tax (GST), outbound international travel will cost more than in the previous regime, say tour operators. Also, a levy of 12% on currency is also expected to add to customers' burden.

"The tax rate under GST (5%) is lower than what it was for service tax (9%). But input credit to tour operators under GST; this will cause us to work at a higher base cost and make travel service tax, we were allowed input tax credit so the final impact on the costing was nil," co-founder of Mumbai-based Nirvana Excursions.

Iqbal Mulla, chairman, Global Tourism Council said the increase in the cost of travelling will be productive for the industry as most of the tour operators in India now deal with international tourism. The government should rethink their decision and make things easier for the industry, he said.

Industry insiders claim the problem has been compounded with reports that purchases from banks could attract IGST of 12%, making the notes costlier for the outbound travellers. Clarification from the government on the issue as a notification under GST has exempted RBI but not by banks.

Nishant Shah, partner, economic laws practice, said, "The levy of 5% GST on tour operators considering that most of these services would be in the B2C stream and therefore a reclassification to 5% GST will facilitate the consumers of these services. However, the restriction on procurement will increase the overall tax costs on account of GST in the hands of input services will be charged GST @ 18% as compared to the erstwhile service tax rate of 12%.

The government could have facilitated by allowing credits in the hand of tour operators to specific input services which are directly related to the outward supply made by such operators.

With regard to GST notification on the import of foreign currencies, Shah said there is no clarification from the government.

According to India Brand Equity Foundation, a Trust set up by the Ministry of Commerce and Industry, India emerged as the world's fastest-growing outbound market. The number of Indians travelling abroad increased from around 15 million today to 50 million by 2020.
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An Amadeus-Frost & Sullivan report said that Indians travelling to Asia-Pacific spent $57 billion on travel in 2017 and is set to rise to $91 billion by 2030, making Indians second-biggest spenders after China.

A levy of 12% on currency is also expected to add to customers’ burden. Government should rethink their decision and make things easier, say experts.

Nishant Shah
Global Tourism Council

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