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A Study on the Impact of GST on the Hotel Industry: Pre-GST and Post-GST Analysis with Special Reference to NCR

Prof (Dr.) Monica Sharma, Mr. Aditya Sharma
[1]Professor MMH College (GZB)
[2]Research Scholar CCS university, Meerut

Abstract

The Goods and Services Tax (GST), implemented in India on 1 July 2017, unified a fragmented system of central and state levies (service tax, VAT, luxury tax, etc.) under "One Nation, One Tax, One Market". The hotel industry, a key pillar of tourism, has been deeply affected. Previously, hotels faced multiple cascading taxes varying by state, creating compliance burdens and opaque pricing. The National Capital Region (NCR) — encompassing Delhi, Gurugram, Noida, Ghaziabad, Faridabad — is a major hub for business and leisure travel, hosting diverse hotel properties, making the impact of GST on NCR hotels a critical subject for investigation.

Objective: *This study systematically analyses the pre-GST tax structure for hotels, traces the evolution of GST rates for accommodation and restaurant services, and assesses the effects on key performance indicators: occupancy rates, average daily rates (ADR), revenue per available room (RevPAR), and profitability. Special focus is placed on the NCR, where high operational costs and intense competition amplify tax policy consequences.*

Methodology: *Using a systematic literature review, this paper synthesises legislative notifications, CBIC circulars, industry reports (FHRAI, HAI), financial analyses of hotel chains, and peer-reviewed studies (2015–2026). The comparison covers pre-GST vs. post-GST tax burdens, rate evolution, and financial trajectories of NCR hotels.*

Key Findings: *GST has streamlined India's indirect tax system. The 56th GST Council decision (effective 22 September 2025) is the most significant revision: hotel rooms with tariff up to Rs. 7,500 per night now attract 5% GST without input tax credit (ITC) (down from 12% with ITC); rooms above Rs. 7,500 remain at 18% with full ITC. While the rate cut reduces consumer costs and is expected to boost domestic tourism, ITC removal for budget and mid-market hotels challenges profitability. Critics note the Rs. 7,500 threshold is outdated due to inflation (should be Rs. 10,000–12,000). FHRAI and HAI advocate for uniform 12% GST with ITC. In the NCR (average occupancy 72.9% in 2024), the 5% slab will likely stimulate mid-market demand, but hoteliers must strategically manage ITC loss.*

Implications: *The study provides policymakers a synthesised framework for tax reforms that foster industry growth, offers practitioners evidence-based guidance for financial planning and pricing, and identifies structural inequities requiring regulatory attention.*

Keywords: *GST, Hotel Industry, NCR, Pre-GST, Post-GST, Input Tax Credit (ITC), Hospitality Sector, Tourism, Tax Reform, Occupancy Rates, RevPAR.*

1. Introduction

In the evolving landscape of Indian taxation, few reforms have generated as much discourse, strategic recalibration, and practical consequence as the Goods and Services Tax (GST) . Implemented on 1 July 2017, the GST subsumed a multiplicity of indirect taxes that had long fragmented the Indian market into thirty-one distinct tax territories. For the hotel industry—a diverse sector ranging from luxury five-star properties in metropolitan hubs to modest lodges in tier-II and tier-III cities—the transition has been particularly transformative. The hotel industry in India contributes significantly to employment, foreign exchange earnings, and infrastructure development. According to a report by Horwath HTL (as cited in BW Hotelier, 2025), India's branded hotel supply reached 196,464 rooms across 2,008 hotels in 337 locations during the 2024-25 fiscal year, with a recorded occupancy of 68% . In 2024, the national occupancy rate was 63.9% , with an average daily rate (ADR) of Rs. 7,951 and a revenue per available room (RevPAR) of Rs. 5,000 , marking the first time since 2008 that RevPAR crossed the Rs. 5,000 threshold, with 10.7% year-on-year growth (Horwath HTL, 2025).

Before 2017, hotels were subject to a convoluted tax structure that varied significantly across states. A hotel room with a declared tariff exceeding Rs. 1,000 per night was liable for service tax at an effective rate of approximately 9% after availing a 40% abatement on the tariff value. This was compounded by state-specific VAT (ranging from 12% to 14.5%) and varying luxury tax rates (from 5% to 15% based on the state's declared tariff brackets). This fragmentation often made Indian hotel stays opaque and more expensive compared to competing destinations in Southeast Asia or the Middle East. The GST was therefore welcomed by large sections of the industry as a mechanism to eliminate cascading taxes, improve transparency, and boost competitiveness on the global stage.

The National Capital Region (NCR) , encompassing Delhi, Gurugram, Noida, Ghaziabad, Faridabad, and nearby areas, serves as a primary economic and tourism gateway. It hosts internationally renowned hotel chains such as The Leela, Oberoi, ITC Maurya, Hyatt, Marriott, and Accor, and also serves as the headquarters for several major industry associations including FHRAI and HAI. In 2024, the average occupancy in Delhi's hotel market was approximately 72.9% with an ADR of nearly Rs. 10,273 , driven by strong corporate travel, diplomatic events, and MICE tourism (Meetings, Incentives, Conferences, Exhibitions) (JLL, 2024). The new GST rate of 5% for rooms below Rs. 7,500 per night directly reduces the cost of hotel stays in NCR for domestic tourists and business travellers, but the withdrawal of input tax credit poses a dilemma for mid-market hotel operators who must now absorb input taxes on linens, food ingredients, utilities, and commissions.

1.2 Definition of GST and Subsumed Taxes

The Goods and Services Tax (GST) is a comprehensive, multi-stage, destination-based tax levied on every supply of goods and services except a few exempted items. It is governed by the Central Goods and Services Tax Act (CGST) , the State Goods and Services Tax Act (SGST) , and the Integrated Goods and Services Tax Act (IGST) for inter-state supplies. For the hotel industry, the major taxes subsumed under the GST included the following.

Table 1.1: Major Pre-GST Taxes Subsumed in the Hotel Industry

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Tax Component	Levying Authority	Typical Rate / Mechanism	Impact on Hotels
Service Tax	Central Government	15% on declared tariff with 40% abatement → effective ~9%	Levied on room rent
Value Added Tax (VAT)	State Governments	12% – 14.5% on food, beverages, and goods sold	Added to F&B bills
Luxury Tax	State Governments	5% – 15% depending on state and tariff bracket	Directly on room tariff
Central Excise	Central Government	Variable on manufactured goods (e.g., bakery items)	Embedded in kitchen costs
Entertainment Tax	State Governments	10% – 30% on amusement parks, cultural shows	Affected bundled packages
Octroi / Entry Tax	Local Bodies	1% – 5% on entry of goods into municipal limits	Increased procurement costs

By subsuming all these levies into a single tax with uniform rules, the GST aimed to reduce compliance costs, eliminate the cascading effect of tax-on-tax, and create a seamless national market.

2 Literature Review and Theoretical Foundations

2.1 Evolution of Tax Structure in the Indian Hospitality Sector

The Pre-GST Regime (Prior to July 2017)

Before July 2017, the Indian hospitality sector operated under a **fragmented**, **multi-layered tax architecture** that levied both central and state taxes on the same transaction, often leading to a **cascading effect**. The **service tax** on hotel accommodation was levied at 15% on the declared tariff, but hotels were allowed an **abatement of 40%** , meaning that service tax was effectively payable on only 60% of the tariff, resulting in an **effective rate of 9%** . This abatement was intended to recognise that a portion of the room tariff covered the value of goods and services other than the accommodation itself, such as food, beverages, and electricity. However, this abatement also meant that hotels could not claim credit for the tax paid on inputs used to provide those goods and services, creating a hidden burden.

In addition to service tax, state governments levied **luxury tax** on accommodation. The rates varied widely: for example, Delhi levied a luxury tax of 15% on rooms with a tariff above a certain threshold, while Himachal Pradesh levied between 5% and 10%, and Rajasthan had a tiered system up to 12%. **VAT** was applied on food and beverages served in hotel restaurants, typically at rates of 12% to 14.5%, depending on the state. Furthermore, hotels selling packaged goods, souvenirs, or alcohol were subject to additional VAT or excise duties.

Table 2.1: Pre-GST Tax Structure for Hotel Accommodation (Illustrative for a Rs. 5,000 Room)

Tax Component	Rate	Calculated Amount (Rs.)	Remarks
Service Tax (Central)	15% on 60% of tariff (abatement)	5,000 × 60% = 3,000; 15% of 3,000 = 450	Effective rate 9%
Luxury Tax (State, assumed)	10% on full tariff	500	Varies by state
VAT on F&B (assumed Rs. 4,000 spend)	12.5%	500	On restaurant bill
Total Tax		**1,450**	29% of room tariff
Effective Tax Burden			**29%** (excluding octroi, etc.)

This multiplicity of taxes not only increased **compliance costs**—requiring multiple registrations, returns, and audits—but also made hotel bills confusing for guests, who often could not understand why the final amount differed so markedly from the published room tariff. From a policy perspective, the pre-GST regime suffered from a **lack of uniformity**, causing **competitive disadvantages** for hotels located near state borders, where guests could drive a few kilometres to a lower-tax jurisdiction.

2.2 Critical Industry Voices: FHRAI and HAI

The **Federation of Hotel & Restaurant Associations of India (FHRAI)** represents over **one lakh hotels** and **five lakh restaurants** across the country. In its official representations to the GST Council and the Ministry of Finance, FHRAI has consistently highlighted several concerns. First, FHRAI points out that approximately **90% of India's hotels** operate with room tariffs below Rs. 7,500 and are therefore now subject to **5% GST without ITC** . For these hotels, the loss of ITC on expenses such as **housekeeping supplies**, **food ingredients**, **uniforms**, **linen**, **laundry services**, **utilities** (electricity, water), and **commissions paid to online travel agencies (OTAs)** becomes a direct addition to costs. Since these hotels cannot increase room tariffs arbitrarily due to price sensitivity in the budget segment, their **profit margins are squeezed**.

Table 2.3: FHRAI's Key Demands and Government's Stated Position

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FHRAI Demand	Government's Position	Current Status (2026)
Restore ITC for hotels in 5% slab	ITC not feasible at 5% rate; would reduce revenue	Under discussion
Raise threshold from Rs. 7,500 to Rs. 10,000–12,000	Inflation adjustment under review	Likely in next Council meeting
Uniform 12% GST with ITC across all hotels	Would increase tax on budget segment	Not accepted yet
Separate GST treatment for F&B in hotels	Complex to implement; under examination	No decision

The **Hotel Association of India (HAI)** , which represents larger hotel chains and luxury properties, has taken a slightly different stance. HAI has consistently advocated for a **uniform 12% GST rate** across all hotel categories, with **full ITC** . According to HAI, a single moderate rate would **simplify compliance**, **eliminate the threshold distortion** (where a room priced just above the limit bears a much higher effective tax burden after ITC considerations), and allow all hotels to compete on an equal footing. HAI notes that under the current dual regime, a luxury hotel charging Rs. 8,000 per night pays 18% GST but can claim ITC on all its inputs, while a mid-market hotel charging Rs. 7,500 pays only 5% but loses ITC. When the **effective tax burden** is calculated after adjusting for ITC, the difference may not be as large as the nominal rates suggest, and in some cases the 5% slab could be more burdensome. Empirical studies cited by industry bodies suggest that for a typical mid-market hotel, input taxes on goods and services amount to between **8% and 12% of revenue** . Without ITC, these become an additional cost, turning the 5% GST into an **effective total tax burden of 13%–17%** , which is not necessarily lower than the 18% with ITC that luxury hotels pay.

Table 2.4: Comparison of Effective Tax Burden Under Different Regimes (Illustrative for Rs. 5,000 room)

Regime	Output GST Rate	ITC Available	Input Tax as % of Revenue	Net Effective Tax Burden	Consumer Pays
Pre-GST (2016)	Multiple taxes 29%	Limited	8% (estimated)	29% (cascading)	Rs. 6,450
GST 12% with ITC (pre-Sept 2025)	12%	Yes (10% of revenue)	10%	12% – 10% = 2% net GST outflow	Rs. 5,600

Regime	Output GST Rate	ITC Available	Input Tax as % of Revenue	Net Effective Tax Burden	Consumer Pays
GST 5% without ITC (post-Sept 2025)	5%	No	10% (becomes cost)	5% + 10% = 15% effective	Rs. 5,250

As Table 2.4 shows, the **net effective tax burden** for the hotel can increase from 2% to 15% under the new regime, even though the guest pays less. This is the core of the industry's grievance.

2.3 Theoretical Frameworks for Analysing Tax Impact

To understand how a tax reform such as GST affects the hotel industry, several theoretical frameworks are useful.

Theory of Tax Incidence (public finance) examines how the burden of a tax is distributed between consumers and producers. In a competitive market, a tax on hotel accommodation can be **passed forward** to guests in the form of higher prices, or **borne backward** by hoteliers in the form of lower profits, depending on the **price elasticity of demand** . For budget and mid-market hotels catering to price-sensitive domestic tourists, demand is likely to be **elastic**, meaning that a reduction in tax (from 12% to 5%) should lead to a substantial increase in quantity demanded (occupancy). However, the withdrawal of ITC increases the hotel's cost of inputs, which may partially offset the benefit of the lower output tax. The **net effect** on prices and profits depends on the relative magnitude of these two effects.

Optimal Commodity Tax Theory (Ramsey, 1927) suggests that goods and services with more elastic demand should be taxed at lower rates to minimise **deadweight loss**. Tourism and hotel stays are generally considered to have relatively elastic demand, especially in the domestic leisure segment, supporting the case for a lower GST rate.

Cascading vs. Non-Cascading Taxation is central to GST design. By allowing ITC on inputs, a **VAT (or GST)** eliminates the cascading effect. The removal of ITC for the 5% slab **reintroduces a cascading element**, albeit on a smaller scale. This theoretical trade-off between a very low output rate and the denial of ITC is at the heart of the current policy debate.

3.0 Research Methodology

3.1 Research Design

This study employs a **qualitative**, **exploratory**, and **descriptive** methodology through a **systematic literature review**. A systematic literature review is appropriate when the research aim is to synthesise diverse information from legal statutes, policy documents, industry reports, financial disclosures, and academic studies to understand the impact of a complex regulatory change such as GST. The review follows established guidelines for systematic reviews in social sciences, including a transparent search strategy, inclusion and exclusion criteria, thematic synthesis, and framework development.

3.2 Data Collection

Data for this study are drawn from three primary sources.

- **Legislative and policy documents**: Official notifications, circulars, and press releases from the **Central Board of Indirect Taxes and Customs (CBIC)** , the **GST Council Secretariat** , and the **Press Information Bureau (PIB)** of India. These documents provide the precise legal rates, effective dates, and procedural rules.
- **Industry and market reports**: Reports from recognised bodies such as **FHRAI**, **HAI**, **Horwath HTL**, **JLL**, **ICRA**, **KPMG**, **EY**, **Statista**, and **Hotelivate**. These reports offer aggregated performance data (occupancy, ADR, RevPAR) and qualitative assessments of industry sentiment.
- **Peer-reviewed academic literature and working papers**: From repositories such as **SSRN**, **Emerald**, **Elsevier**, **Taylor & Francis**, and **Thomson Reuters**. The search was conducted for the period from **2015 to 2026** to cover both pre-GST and post-GST eras.

Table 3.1: Summary of Data Sources and Types

Source Category	Examples	Type of Data	Use in This Study
Government / Legal	CBIC notifications, GST Council resolutions	Tax rates, rules, effective dates	Establish factual tax structure
Industry Associations	FHRAI, HAI representations	Position papers, demands, impact assessments	Understand stakeholder perspective
Consulting / Research	Horwath HTL, JLL, ICRA reports	Occupancy, ADR, RevPAR, investment trends	Quantify industry performance
Academic Literature	SSRN, Emerald, Elsevier journals	Theoretical frameworks, empirical analyses	Provide scholarly grounding

3.3 Thematic Analysis Framework

The analysis is structured around **three thematic pillars**.

- **Tax Structure Mapping**: Detailed comparison of the pre-GST tax components (service tax, VAT, luxury tax, etc.) with the evolving GST rate slabs, highlighting differences in base, rate, and ITC rules.
- **Financial Performance Metrics**: Examination of trends in occupancy, ADR, RevPAR, and profit margins for the hotel industry nationally and for the NCR region specifically, using secondary data from industry reports.
- **Stakeholder Response**: Analysis of the representations made by FHRAI, HAI, and individual hotel companies to the GST Council, as well as media coverage and policy debates, to understand the perceived impact and demanded changes.

Table 3.2: Thematic Coding Structure

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Theme	Sub-themes	Key Variables
Tax Structure	Pre-GST complexity, GST rate evolution, ITC rules	Tax rates, thresholds, abatements, ITC availability
Financial Impact	Occupancy, ADR, RevPAR, profit margins	Percentage changes, absolute values
Stakeholder Response	Industry demands, government position, media coverage	Policy recommendations, adoption strategies

4.0 Findings and Analysis

4.1 Comparative Tax Burden: Pre-GST versus Post-GST

A direct comparison of the tax burden under the pre-GST regime and the current GST regime (post-September 2025) reveals significant simplification and, for most categories, a reduction in the nominal tax rate. However, the effective burden after considering ITC is more nuanced.

Table 4.1: Comparative Tax Burden for Different Hotel Segments (Illustrative)

Hotel Segment	Room Tariff (Rs.)	Pre-GST Effective Tax Rate	GST Regime (pre-Sept 2025)	GST Regime (post-Sept 2025)
Budget	2,000	22% (service tax + luxury tax + VAT)	12% with ITC	5% without ITC
Mid-Market	5,000	25%	12% with ITC	5% without ITC
Upper Mid-Market	7,200	25%	12% with ITC	5% without ITC
Luxury	10,000	25%	18% with ITC	18% with ITC

For a **luxury hotel room** priced at Rs. 8,000 per night, the pre-GST tax components included service tax at an effective 9% (Rs. 720), luxury tax at an assumed 10% (Rs. 800), and VAT on food and beverages estimated at Rs. 500 for a Rs. 4,000 food spend, totalling approximately Rs. 2,020, which represented about **25.2% of the room tariff** . Under the post-GST regime (September 2025 onwards), the same room is subject to **18% GST** on the entire Rs. 8,000, amounting to Rs. 1,440. Additionally, the hotel can claim ITC on its inputs, further reducing the effective tax burden. Therefore, the luxury segment has clearly benefited from both a lower nominal rate and the retention of ITC.

For a **mid-market hotel room** priced at Rs. 5,000 per night, the pre-GST burden included service tax (9% after abatement: Rs. 450), luxury tax (say 8%: Rs. 400), and VAT on limited food and beverage (say Rs. 300), totalling approximately Rs. 1,150, or **23% of tariff** . Under the pre-September-2025 GST regime (12% with ITC), the GST would have been Rs. 600, and ITC would have reduced the net cost. Under the post-September-2025 regime (5% without ITC), the output GST is only Rs. 250, a nominal reduction of Rs. 350. However, the hotel now loses the ability to claim ITC on its inputs. For a typical mid-market hotel, input taxes on purchased goods and services (housekeeping, food ingredients, utilities, commissions) might amount to **8–10% of room revenue** . Without ITC, these become a cost. Therefore, while the guest pays less, the hotel's net profit margin may decline unless it can increase other revenues or reduce costs.

4.2 The Input Tax Credit Dispute: Quantitative Illustration

The removal of ITC for the 5% slab has become the most contentious aspect of the September 2025 reform. To understand the magnitude of the impact, consider the following detailed illustrative calculation for a mid-market hotel in Noida with an average room tariff of Rs. 5,000 and an annual occupancy of 70%.

Table 4.2: Net GST Outflow Comparison (Per Room Night, Rs. 5,000 Tariff)

Particulars	Pre-Sept 2025 (12% with ITC)	Post-Sept 2025 (5% without ITC)	Change
Output GST (on room)	12% of 5,000 = Rs. 600	5% of 5,000 = Rs. 250	-Rs. 350
Input Tax Eligible for ITC (estimated 10% of revenue)	Rs. 500	Not applicable (ITC denied)	-
Net GST Outflow to Government	Rs. 600 – Rs. 500 = Rs. 100	Rs. 250 – Rs. 0 = Rs. 250	**+Rs. 150**
Effective Tax Burden on Hotel	2%	15% (5% output + 10% sunk input tax)	+13 percentage points

As Table 4.2 shows, the **net tax outflow from the hotel to the government increases by Rs. 150 per room night**, even though the guest pays Rs. 350 less in GST. This counter-intuitive result is what FHRAI and HAI have been highlighting. For a hotel with 100 rooms and 70% occupancy (70 rooms sold per night), this translates to an **additional net tax cost of Rs. 10,500 per day**, or approximately **Rs. 3.8 million per year** . This will directly reduce net profit.

Table 4.3: Annualised Impact for a 100-Room Mid-Market Hotel in NCR (70% Occupancy)

Metric	Value
Rooms sold per night	70
Additional net GST outflow per room night	Rs. 150

Metric	Value
Additional net GST outflow per day	Rs. 10,500
Additional net GST outflow per year (365 days)	Rs. 3,832,500
Typical net profit margin before tax (20% of revenue)	Assume Rs. 5,000 × 70 × 365 × 20% = Rs. 25.55 million
Reduction in net profit due to ITC loss	Rs. 3.83 million (15% reduction)

This magnitude of profit reduction is significant and explains why industry bodies are demanding urgent remedial action.

5.0 Discussion

5.1 Theoretical Contributions and Implications

This study contributes to the literature on **tax incidence in service industries** by highlighting a unique case where a reduction in the nominal output tax is accompanied by the **withdrawal of input tax credits**, leading to potentially perverse effects on net tax burdens for formal sector firms. The experience of the Indian hotel industry under the September 2025 GST reforms offers a valuable lesson for other countries considering similar dual-rate VAT systems. The theoretical prediction that a lower VAT rate should always reduce the effective tax burden on a formal firm depends critically on the **retention of full input tax credit** . When ITC is removed, the firm's effective tax burden becomes the **output tax rate plus the embedded input taxes** that can no longer be credited. This embedded rate can be substantial in service industries that purchase many taxable inputs. Therefore, from a theoretical standpoint, the optimal design for a reduced VAT rate on a service should involve either a **moderate rate with ITC** (e.g., 12% with ITC) or a **very low rate** (e.g., 5%) only for sectors where most participants are informal and are not claiming ITC anyway. Applying the 5% without ITC to organised, formal sector hotels creates a **distortion that penalises formality and compliance**.

5.2 Practical Implications for Hoteliers in NCR

For hotel operators in the NCR, several practical strategies emerge from the analysis.

Strategic Option 1 – Price Optimisation: Hotels in the mid-market segment should conduct a detailed analysis of their input tax profile to quantify the exact impact of ITC withdrawal. If the loss of ITC is substantial, they may consider raising their room tariffs slightly (by, say, 2–3%) to partially offset the margin erosion, while still offering a net reduction to guests because the GST rate has dropped from 12% to 5%. For example, a hotel could raise its base tariff from Rs. 5,000 to Rs. 5,150. The GST at 5% would be Rs. 257.50, making the total Rs. 5,407.50, compared to the previous total of Rs. 5,600. The guest still saves Rs. 192.50 (3.4%), and the hotel recovers some of the lost ITC.

Strategic Option 2 – Bundling and Packaging: Hotels can explore bundling strategies. By packaging the room with a breakfast or dinner that is billed as part of the accommodation, the hotel may be able to shift a portion of the value

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into the F&B category. However, care must be taken to comply with GST rules on bundled services (the "principle of composite supply" under GST law).

Strategic Option 3 – Cost Reduction and Efficiency: Hotels should invest in energy efficiency, waste reduction, and supply chain optimisation to reduce the absolute value of inputs, thereby reducing the magnitude of uncredited input taxes. For example, switching to LED lighting, installing solar panels, and negotiating bulk purchase discounts can lower input costs.

Strategic Option 4 – Upgrading to Higher Tariff Bracket: For hotels that can justify it, upgrading to a higher tariff bracket (above Rs. 7,500) may be advantageous, especially if they can command a premium for superior amenities. This requires capital investment and a strong brand position. In NCR, several mid-market hotels have already initiated refurbishment programmes to move into the "upper mid-market" segment with ADR above Rs. 7,500.

6.0 Conclusion and Recommendations for Future Research

6.1 Summary of Key Insights

The introduction of GST has been a **game-changer** for the Indian hotel industry, eliminating the cascading effect of multiple taxes and providing a unified national market. The **September 2025 rate rationalisation** , which slashed the GST rate for hotel rooms up to Rs. 7,500 from 12% to 5%, is a progressive step that will **boost domestic tourism**, **benefit consumers**, and **encourage formalisation** of the economy. However, the simultaneous **withdrawal of input tax credit** for the same category has created an unintended burden on organised mid-market hotels, potentially **squeezing profit margins** and **discouraging investment** in the very segment that serves the mass domestic tourist.

For the **NCR region**, which enjoys high occupancy but also faces high operational costs, the net effect of the reform is likely to be **positive for demand** (higher occupancy) but **negative for hotel profitability** in the short to medium term, unless mitigating strategies are implemented. The study's findings support the need for a **uniform 12% GST with ITC** across all hotel categories, as advocated by the Hotel Association of India.

Table 6.1: Final Summary of Findings and Implications for NCR

Aspect	Finding	Implication for NCR Hotels
Tax Rate	5% for rooms ≤ Rs. 7,500; 18% for > Rs. 7,500	Mid-market hotels get lower output rate
ITC	Denied for 5% slab	Margin squeeze; need cost optimisation
Occupancy	Expected to rise 5–10%	Benefit for RevPAR
Profit Margin	Expected to fall 2–5 percentage points	Need price adjustments or upgrades

Aspect	Finding	Implication for NCR Hotels
Consumer Benefit	Lower final bill	Increased demand, but hotels may not fully retain revenue

6.2 Recommendations for Future Research

Further empirical research is urgently needed to quantify the actual impact of the September 2025 changes on hotel financial statements. The following specific research directions are proposed.

- **Longitudinal Empirical Study:** A difference-in-differences approach comparing hotels in the 5% slab with those in the 18% slab, tracking monthly occupancy, ADR, RevPAR, and profit margins from 2024 to 2027.
- **Consumer Behaviour Study:** Examine how the reduced tax on hotel stays influences domestic travel decisions, price sensitivity, and brand loyalty among Indian tourists, particularly for NCR as a destination.
- **Cross-Regional Comparative Study:** Compare NCR with other major hotel markets such as Mumbai, Bengaluru, Kolkata, and Hyderabad to assess whether the impact of the 5% slab varies by region due to differences in cost structures and competition.
- **Qualitative Study on Coping Strategies:** Interview hotel managers and owners in NCR to document the specific strategies they are adopting to mitigate the loss of ITC, and evaluate the effectiveness of those strategies.
- **Policy Simulation Study:** Using a partial equilibrium model, simulate the revenue and welfare effects of alternative policy options (e.g., 5% with ITC, 8% with ITC, uniform 12% with ITC) under different demand elasticity assumptions.

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