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MARKET REPORT

HVS Monday Musings: Indian Hotel Sector's Wish List for the Union Budget, 2022-23

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This article highlights a few recommendations that India's Union Budget 2022-23 can focus on to help the Indian travel and hospitality sector during these trying times.

COVID-19 and the ensuing travel restrictions have wreaked havoc on the travel and hospitality industries all over the world. To mitigate the impact, governments around the world have taken a variety of measures over the last two years, ranging from prioritizing vaccination for tourism employees to providing financial and liquidity support as well as making policy changes to aid the recovery of their respective travel and hospitality sectors. In fact, with low international travel demand, governments in some countries like Singapore, Hong Kong, Slovenia, Switzerland, and Thailand, have even introduced incentives and refunds to encourage citizens to travel within their own country.

Closer to home, the Indian central and state governments have also announced certain initiatives in the last two years, supporting the sector with liquidity and fiscal measures as well as restoring traveler confidence in the country, and we are optimistic that the upcoming budget would continue to lend a hand in the sector's recovery. In this article, we have highlighted a few recommendations that the Union Budget 2022-23 can focus on to help the Indian travel and hospitality sector during these trying times.

Source: Freepik

The sector’s long-standing request for infrastructure lending status for the Indian hospitality sector, regardless of project cost, is first and foremost on our wish list. The infrastructure-lending status will allow for longer repayment tenure and lower borrowing rates which will not only go a very long way in improving the health of the sector but also in attracting substantial fresh investments. This will encourage hotel development, particularly in several off-beat leisure destinations and Tier 2 and 3 cities across the country, where growing travel demand is hampered by a lack of adequate good quality hotel supply. Creating a single-window approval system for all hospitality projects across the country, as well as providing guidelines to reduce the disparity in regulatory processes across states will also make hotel development in India easier.

Secondly, conferring industry status to the sector will help hospitality establishments to take advantage of certain benefits such as reduced electricity and water charges, lower property and development tax, among other things. This will help in reducing operating costs for hospitality players, as industrial tariffs are substantially lower than the commercial tariffs that these companies currently pay.

In the absence of inbound travel, domestic tourism has been driving the sector's recovery and will continue to do so for some time, therefore the government should consider strategies to incentivize domestic travel. Tax exemptions and a lower GST rate on hotel tariffs will help boost domestic travel in India, making the sector more competitive with Asian peers like Singapore and Thailand in the long run. Extending the credit guarantee scheme and implementing a uniform national travel guideline will also help the sector weather the tsunami that is still causing damage.