

HRA welcomes the Central Government's initiative to lease out land to private hotel developers

New Hotels may be built on revenue share model; Maharashtra State has 200 hotels with 18,000 rooms in classified sector

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The Hotel & Restaurant Association (Western India), the voice of Hotel & restaurant industry appreciated the Centre Government's initiative to lease out land to private hotel developer and enter into revenue-sharing agreement. The bidder who offers the government highest ratio will bag the project. However before finalizing the project, the Centre would discuss it with the states as land is a state subject. The revenue share arrangement will also depend on the location of the project and may range from 20-30 years depending on the project.

Speaking about the initiative; Mr.Dinesh Khanna, President-HRA said that, "Tourism sector has immense growth potential and the major hindrance to the inbound tourist besides the lack of infrastructure is the insufficient hotel rooms. This initiative of the Centre Government will not just give room for 5 star projects but also to mid-segment Hotels. He further added that the Centre and the State government should make the policy foolproof and mark the auction land exclusively for the Hotel developers. Mr. Dinesh Khanna also pointed out five major challenges faced by the Hospitality Industry.

A] Creating additional Rooms stock to cater to the increasing demand.

B] Planning for manning the Hotels and Restaurants and to increase productivity and skills of employees.

C] Facing the challenges of increasing power and fuel cost.

D] Realignment in the market place, with the growing interest of International Hotel chains in India; and

E] Prevailing upon the Government to introduce a user friendly and rational tax and licensing structure.

HRA also appreciated the State Government's initiative to reduce the state excise license fee to Rs.3 lakh. But its planning to appeal to the Government to rationalize this fee structure, since according to the revised structure the beer bar license fee is Rs.1,60,100 which is more than the permit room Licence Fee of Rs.1.00.000/- at places with a population upto 3,00,000. VAT: Since the introduction of VAT, Maharashtra State has adopted the uniform rate of 12.5% on F&B turnover and 20% on liquor turnover; with a rate at 8% on Food and Beverage turnover under the composition scheme. The rate under the composition scheme in the other states is 4%. HRA had requested the Finance Minister of Maharashtra that in sync with the rate prevailing in neighbouring States of Gujarat, Madhya Pradesh, Chattisgarh, Maharashtra should adopt the rate of 4% instead of 8% Vat on the Food and Beverage turnover under the composition scheme, as it's the common man who bears the Vat burden and the F&B product is for mass consumption.

ELECTRICITY DUTY: At present, Hotels and Restaurants are levied an Electricity Duty at 13%, inspite of the fact that Hotels have been notified since April 1999 as an Industry. In terms of the MERC tariff, Hotels and Restaurants, who are mainly L.T. consumers, are charged with a tariff of Rs.8.32 per unit as against Rs.6.57 per unit applicable to an H.T. consumer. It is estimated that the State is earning over Rs.100 crores by way of Electricity Duty levied on Hotels and Restaurants at the commercial rate of 13%. The Association has requested that all Hotels and Restaurants be charged Electricity Duty at the industrial rate of 6% with immediate effect. There is a discrepancy already in place, in that new Hotel projects are granted, under the Package Scheme of incentives, as defined in the New Tourism Policy, 2006, a rate of Electricity Duty is equal to industrial rate of 6%. It is therefore necessary that the existing Hotels would be levied the industrial rate of 6%.

- END -ABOUT HOTEL AND RESTURANT ASSOCIATION (WESTERN INDIA): HRA(WI) was incorporated 3rd February 1951 with the primary objective to serve the interest of the hotel and restaurant industry. The Association over the last several years has taken major effective steps to encourage, promote and protect the interest of member establishments. It has been rendering professional advice and assistance from tome to time to all its members, on the topic of vital importance. The Association admits and assists members operating in the Western India Region viz. in State of Maharashtra, Gujarat, Goa, Chhatishgarh, Madhya Pradesh and the Union Territories of daman, Diu and Dadra and Nagar - Haveli. The Association renders assistance during promotion and operation of any hotel and/or restaurant. The Secretariat of the Association manned by professionals & equipped with facilities required by the industry, provides to the members, information on various aspects such as applicability of law, tax matters, labour, liaison with tourism department, foreign exchange and import licensing etc. The Association issues from time to time circulars clarifying matters concerning the hotel and restaurant industry and brings out a monthly bulletin NEWS & VIEWS. It holds periodical meetings on subjects of topical interest to the industry and convenes Regional and National convention to deliberate upon matters affecting the industry.

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