

**GOVERNMENT OF INDIA
TOURISM AND CULTURE
LOK SABHA**

UNSTARRED QUESTION NO:3437
ANSWERED ON:15.04.2002
REDUCTION OF TAX ON TOURISTS
VILAS BABURAO MUTTEMWAR

Will the Minister of TOURISM AND CULTURE be pleased to state:

- (a) whether a recent study conducted by Federation of Indian Chambers of Commerce and Industry (FICCI) showed that lowering of tax could lead to increased tourists in the country;
- (b) if so, whether the Government have examined this aspect of reducing the tax on tourists, and
- (c) if so, the details thereof and the action taken, if any, thereon?

Answer

MINISTER OF TOURISM & CULTURE (SHRI JAGMOHAN)

(a): Yes, Sir.

(b)&(c) : From time to time Department of Tourism has been taking up the matter regarding reduction of taxes on facilities & services availed of by tourists with the Ministry of Finance. In the Budget Speech of the Hon'ble Minister of Finance - 2002 the following incentives have been provided for the tourism industry in respect of taxes:-

- Exemption of Air Travel Tax on air travel from and to North East.
- Service tax exemption given earlier to be extended for one more year: In cases of functions and banquets where the entire bill is for catering services no service tax would be charged.
- Expenditure Tax on hotels henceforth to apply only to room charges :(Earlier Expenditure Tax was charged on room charges as well as other services). Henceforth it shall be levied only on the room charges.
- Threshold on room tariff of Rs.2000 raised to Rs.3000 for levy of Expenditure Tax.
- Disparities between section 80 HHC and 80 HHD removed: (Under Section 80 HHC the exemption is for 100% of the total foreign exchange earnings. But for hotels under 80 HHD it was 50% and the balance 50% was exempted if it was kept in a reserve and used for specified purposes. Now this disparity stands removed.) Also the phasing out of the benefits was inferior for the hotel industry as compared to other exporter units under 80 HHC.
- Deduction of 50% of profits earned by units setting up convention centres will be allowed for 5 years under section 80 IB: This will help in those entrepreneurs who are setting up new convention centres.
- Customs Duty on imported liquor reduced from 210% to 182%.
- TDS under Section 194 H reduced from 10% to 5%: This would benefit the hotels as well as travel and tour operators.