

**GOVERNMENT OF INDIA
TOURISM
LOK SABHA**

UNSTARRED QUESTION NO:7126
ANSWERED ON:18.05.2012
TAXATION STRUCTURE HURDLING TOURISM SECTOR
Dias Dr. Charles

Will the Minister of TOURISM be pleased to state:

- (a) whether the Government has taken note of the biggest hurdles facing the Indian Tourism sector viz. relating to taxation structure;
- (b) if so, the details thereof;
- (c) the remedial measures taken by the Government to reduce the taxation structure; and
- (d) the directions issued by the Union Government to the State Governments in this regard alongwith co-operation/response of the States thereto?

Answer

MINISTER OF STATE IN THE MINISTRY OF TOURISM (SHRI SULTAN AHMED)

(a) to (d): The Ministry of Tourism has advised the State Governments/Union Territory Administrations to follow tourism friendly policies like allotting land sites on revenue sharing basis, granting extra Floor Space Index (FSI)/Floor Area Ratio (FAR) for Hotels, Creation of Land Banks, Single Window approach for promoting Hotel Projects, Rationalization of Taxes etc., for the growth of tourism sector in the country.

To encourage the growth of hotels, the following incentives, inter alia, have been announced:

- (i) Five Year Tax Holiday for 2, 3 & 4 star category new hotels located in all UNESCO declared 'World Heritage Sites;' (Except Mumbai and Delhi) which start operating between 01.04.2008 to 31.03.2013.
- (ii) An investment linked deduction under Section 35 AD of the Income Tax Act extended for new hotels of 2-Star Category and above anywhere in India to facilitate the growth of tourist accommodation in the country.
- (iii) The Reserve Bank of India (RBI) has de-linked credit for hotel projects from Commercial Real Estate (CRE), thereby enabling Hotel Projects to avail credit at relaxed norms and reduced interest rates.
- (iv) External Commercial Borrowing (ECB) norms relaxed by the Ministry of Finance to solve the liquidity crunch being faced by the hotel industry for setting up new hotel projects.