

**GOVERNMENT OF INDIA
TOURISM
LOK SABHA**

UNSTARRED QUESTION NO:3170
ANSWERED ON:16.03.2015
TAX REBATE FOR TOURISM INDUSTRY
Nimmala Shri Kristappa

Will the Minister of TOURISM be pleased to state:

- (a) whether the tourism industry has sought various relaxations including tax rebate and infrastructural development for its sustenance;
- (b) if so, the details thereof along with the action taken by the Government thereon; and
- (c) the other initiatives taken or proposed to be taken to boost hospitality education and improvement in tourist facilities in the country along with the funds earmarked therefor?

Answer

MINISTER OF STATE FOR TOURISM (INDEPENDENT CHARGE) (DR. MAHESH SHARMA)

(a) & (b): The Tourism Industry has requested the Government of India for the following fiscal benefits including tax rebate and relaxations:

- i) Inclusion of tourism infrastructure like hotels/ resorts/tourist lodges/banquet halls/convention and exhibition centres etc. for benefits of Section 32 AC of Income Tax Act 1961 by lowering the minimum threshold investment limit to Rs.5.00 crores.
- ii) Extension of benefits under Section 35 AD of Income Tax Act 1961 to business concerns who are making capital investment in setting up of smaller category of hotels/guest houses/dharamsalas/tourist hostels/motels/ wellness facilities/medical facilities and other associated infrastructure like installation of house boats/adventure and leisure tourism facilities.
- iii) Waived deduction of 200% in line with Research & Development sectors in India for expenditure incurred towards marketing and promotional activities of the country as inbound tourism destination.
- iv) Establishment of special tourism zones in India.
- v) Lower withholding of tax and interest paid to foreign banks or financial institutions for loan taken in tourism sector.
- vi) Deduction in respect of profit and gains from taxable income for business of hotels, convention centres and other tourism specific infrastructure.
- vii) Foreign exchange earning linked deduction on profits for Income Tax computation.
- viii) Exemption on Service Tax from Heritage Hotels and Heritage Trains.
- ix) Exemption on Service Tax on room tariff to be increased. x) Service Tax to be exempted for unit to be set up within special tourism zones.
- xi) Exemption on Service Tax on all the incidental activities or services like hotel stay, Rent a Cab, Tour Operators etc. if the main event is exempted by Government from the ambit of Service Tax.
- xii) Extend CENVAT credit on the entire tourism components of Travel intermediaries on abated value (tour operators, travel agents, rent a cab operators) as against just on the same line of business.
- xiii) Commissioning of a study of taxes levied on tourism sector visvis export sector.

(c): The Initiatives to boost Hospitality Education include:

Central financial assistance to State Governments/Union Territory Administration for establishment of an Institute of Hotel Management (IHM)/ Food Craft Institute (FCI) and for broad-basing of hospitality education. There are 36 Institutes of Hotel Management (IHMs), comprising 21 Central IHMs and 15 State IHMs, and 7 Food Craft Institutes (FCIs), which have come up with the support of the Ministry.

Setting up an Indian Culinary Institute at Tirupati and Noida.

Signing of a MOU with the Lausanne Hospitality Consulting SA (LHC), Lausanne, Switzerland by the National Council for Hotel Management and Catering Technology to review the existing curriculum, identify knowledge and skill gaps specific to the requirement of the market and recommend new inputs; provide faculty development on the new inputs including inculcating global standards of academic delivery; and conduct regular academic audits.

Rs.137.00 crores have earmarked during the current financial year for strengthening of IHMs/FCIs/IITM/ICI/ NCHMCT imparting Hospitality Education.

The Major initiatives for improvement of Tourist facilities in the country include:

(i) Product/Infrastructure Development for Destinations and Circuits scheme: The objective of the scheme is to identify tourist circuits and destinations in the country and develop them to international standards. Efforts are made to provide all infrastructure facilities required by the tourists within these circuits and destinations. An allocation of Rs.496.00 crore has been made under Revised Estimates for current financial year for this scheme.

(ii) Launch of Integrated Development of Tourist Circuits around Specific Themes Swadesh Darshan with allocation of Rs.500.00 crore.

(iii) Launch of National Mission on Pilgrimage Rejuvenation and Spiritual Augmentation Drive (PRASAD) with allocation of Rs.100.00 crore.

(iv) Launch of scheme for development of Heritage City National Heritage City Development & Augmentation Yojana (HRIDAY) a Central Sector Scheme launched by the Ministry of Urban Development.

(v) Upgradation of 24 Railway Stations of touristic importance undertaken on 50:50 sharing with Ministry of Railways at total cost of Rs.240.00 Crores.