GST Reforms and Sectoral Transformation: An Assessment of India’s Hospitality, Tourism and Travel Industries

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Abstract

The introduction of the Goods and Services Tax (GST) in India has brought significant changes to the taxation system by replacing multiple indirect taxes with a unified tax structure. The hotel, tourism, and travel industries are among the major sectors affected by the implementation of GST due to their strong contribution to the Indian economy and employment generation. This study examines the impact of GST on the hotel industry, tourism sector, and travel services in terms of pricing, tax structure, customer demand, operational efficiency, and overall business growth. The research highlights how GST has simplified the taxation process by eliminating cascading taxes and improving transparency in transactions. At the same time, varying GST rates on hotel tariffs, restaurant services, transport facilities, and tour packages have influenced consumer spending patterns and business profitability. The study also analyzes the advantages and challenges faced by hotels, travel agencies, tour operators, and tourists after GST implementation. Findings indicate that GST has contributed to better tax compliance and organized business practices, while higher tax slabs on luxury services have affected affordability and customer preferences. Overall, the study concludes that GST has had both positive and negative impacts on the hospitality and tourism sectors, with long-term benefits depending on policy reforms, industry adaptation, and effective tax management practices.

Keywords: Goods and Services Tax (GST), Hotel Industry, Tourism Sector, Travel Services, Hospitality Industry, Tax Reforms, Indirect Taxation, Customer Demand, Business Growth, Tax Compliance, Operational Efficiency, Tourism Development, Travel Agencies, Tour Operators, Consumer Spending, Economic Impact.

I. Introduction

The Goods and Services Tax (GST) introduced in India marked a major transformation in the country’s indirect taxation system. By replacing multiple indirect taxes with a more unified tax structure, GST was intended to simplify compliance, improve transparency, reduce cascading taxation, and create a common national market. These changes are particularly relevant to service-oriented sectors such as hospitality, tourism, and travel, where taxation directly influences pricing, operating costs, consumer spending, and business performance. The hotel and tourism industries are closely interconnected with transportation, food services, accommodation, and destination-based activities, making them important contributors to economic activity and employment. Therefore, changes in the tax structure can have wider implications for the overall tourism ecosystem [1], [2].

The implementation of GST has attracted considerable attention because of its potential influence on the performance of hotel and tourism businesses. Gupta et al. examined the effect of GST on the sales performance of BSE-listed hotel and tourism companies and highlighted the importance of evaluating business outcomes before and after GST implementation [1]. Similarly, Abraham and Venkataramanaiah investigated GST in the context of India's hospitality and tourism sector, emphasizing its implications for sectoral development and business operations [2]. These studies indicate that GST should not be viewed merely as a taxation reform but also as a factor capable of influencing the financial and operational environment in which tourism-related enterprises function.

The hotel industry has experienced particular relevance under the GST framework because taxation can affect room prices, food and beverage services, input costs, and customer demand. Jain et al. studied the implementation of GST in the hotel industry from the perspective of accounting professionals, providing insights into how taxation changes were perceived by industry stakeholders [5]. Jadav et al. further examined tourist hotel stays by comparing conditions before and after GST implementation in Ahmedabad, demonstrating the importance of examining GST in relation to accommodation prices and tourist behaviour [7]. These findings suggest that the consequences of GST extend beyond accounting procedures and may influence the affordability and attractiveness of hotel services.

GST also has implications for the broader tourism economy. Modi and Garg explored the relationship between public investment, GST, and India's tourism sector, highlighting the interaction between taxation and tourism-sector development [3]. Badoni and Daimari examined tourism under the GST framework in Garhwal, with particular reference to Mussoorie, thereby providing a destination-level perspective on how taxation can influence tourism activities [4]. Such regional studies are important because the effect of taxation may vary according to destination characteristics, tourist demand, infrastructure, local business conditions, and the level of dependence on tourism.

The travel and tourism industry is also influenced by taxation through changes in the cost structure of related services and the spending decisions of tourists. International research on tourism taxation shows that tax-related changes can affect tourist demand, expenditure allocation, destination competitiveness, and the revenues of tourism businesses [11]–[15]. Durbarry examined the implications of tourism taxes for tourism demand, while Song et al. investigated how tourism taxation can influence tourists' budget allocation [12], [13]. Adedoyin et al. also examined the relationship between tourism taxation and international tourist arrivals, indicating that taxation can potentially affect destination demand [14]. Descals-Tormo and Ruiz-Tamarit further considered the effect of tourist taxation on producers' revenues and competitive tourism markets [15].

Another important dimension of GST is its influence on business supply chains. Hospitality and tourism businesses depend on a wide network of suppliers providing food, beverages, transportation, maintenance, accommodation-related products, and other services. Dhar and Khandelwal examined GST and supply-chain management, emphasizing the importance of taxation in shaping business processes and supply-chain efficiency [9]. Similarly, Sharma et al. investigated the effects of GST implementation on the food industry and reported changes associated with the post-GST taxation environment [8]. These aspects are particularly relevant to hotels and tourism businesses because changes in input taxation and tax-credit mechanisms can ultimately influence operating costs and final consumer prices.

The relationship between taxation and tourism is therefore multidimensional. While GST can provide advantages through greater tax uniformity, improved transparency, and potentially streamlined business transactions, its effects may differ across firms and subsectors. Large organized hotels, small accommodation providers, travel agencies, tour operators, restaurants, and destination-based businesses may experience GST differently because of differences in scale, compliance capacity, input structures, and customer profiles. Consequently, assessing GST only through tax revenue or compliance indicators may provide an incomplete understanding of its broader economic impact.

Against this background, the present study titled "GST Reforms and Sectoral Transformation: An Assessment of India's Hospitality, Tourism and Travel Industries" focuses on understanding how GST has influenced these interconnected sectors. The study considers its implications for business performance, pricing, tourism demand, operational efficiency, and the overall development of the hospitality and travel ecosystem. By bringing together perspectives from hotel businesses, tourism activities, and travel services, the study seeks to provide a broader assessment of the post-GST environment in India. The existing literature provides a foundation for this investigation, while also indicating the need for continued sector-specific assessment of GST and its long-term implications for India's tourism economy [1]–[15].

II. Research Objective

- To study the concept and structure of Goods and Services Tax (GST) in India.
- To analyze the impact of GST on the hotel industry.
- To examine the effect of GST on tourism activities and tourism growth.
- To evaluate the influence of GST on the travel and transportation sector.
- To identify the benefits and challenges faced by hotels, travel agencies, and tourism businesses after the implementation of GST.
- To study the changes in pricing, tax burden, and customer demand due to GST.
- To examine the level of customer satisfaction regarding GST rates on hotel and travel services.
- To analyze the role of GST in improving transparency and tax compliance in the hospitality and tourism sectors.
- To suggest measures for improving GST policies for the growth of the hotel, tourism, and travel industries.

III. Research Methodology

- Descriptive research design was used for the study.
- Both primary and secondary data were collected.
- Primary data was collected through questionnaires and surveys.
- Secondary data was collected from journals, books, websites, and government reports.
- Convenience sampling method was adopted.
- The sample size of the study was 100 respondents.
- The study focused on the hotel, tourism, and travel industry in India.
- Percentage analysis and graphical methods were used for data analysis.
- Variables such as customer satisfaction, GST awareness, pricing, and business performance were analyzed.
- The methodology aimed to study the impact of GST on the hospitality and tourism sectors.

IV. Review Of Literature

Gupta, Saini, Sharma and Gulia (2023)
Gupta, Saini, Sharma, and Gulia (2023) examined the effect of GST on the sales performance of hotel and tourism companies listed on the Bombay Stock Exchange. The researchers selected 34 companies and used net sales data obtained from the Prowess IQ database. Independent and dependent t-tests were applied to determine whether GST implementation created significant changes in company-level and industry-level sales. The study found that GST had a statistically significant effect on the net sales of six companies, as well as on the hotel and tourism industry as a whole. The authors concluded that GST represented an important factor influencing business performance and provided useful implications for industry managers, policymakers, and investors.

Venkataramanaiah and Abraham (2020) Venkataramanaiah and Abraham (2020) investigated the influence of GST on the development of India's hospitality and tourism sector. Their study focused on the expected effects of GST rate rationalization on tourism businesses, transaction costs, customer costs, employment, and sectoral growth. The authors argued that the unified taxation structure could reduce the complexities associated with the earlier indirect tax system. They further suggested that reductions in GST rates could encourage tourism activity and create additional employment opportunities. The study presents GST as a significant policy reform capable of influencing the competitiveness and future development of India's hospitality and tourism industry.

Jain, Sharma, Saxena and Gupta (2024) Jain, Sharma, Saxena, and Gupta (2024) studied GST implementation in the hotel industry from the perspective of accounting professionals. Data were collected through a structured questionnaire from 76 professionals comprising Chartered Accountants, Company Secretaries, and Cost and Management Accountants. The study used One-Way ANOVA to examine perceptions regarding taxation before and after GST implementation. The findings indicated that GST had several positive outcomes, including expansion of the tax base and improvements in government and hotel revenues. At the same time, the study identified difficulties associated with administrative procedures, compliance requirements, penalties for delayed returns, and increased salary-related costs. The research therefore highlights that GST generated both opportunities and operational challenges for hotel businesses.

Badoni and Daimari (2025) Badoni and Daimari (2025) examined the influence of GST on tourism in the Garhwal region, with Mussoorie selected as the study location. The researchers analyzed different tourism subsectors, GST rates, tourist spending patterns, and tourists' choices regarding services. Primary information was obtained from ten five-star hotels and 60 tourists, while secondary sources were also incorporated. The study used descriptive statistics and content analysis. Its findings suggest that GST contributed to greater tax simplification, transparency, and compliance while reducing opportunities for tax evasion. However, seasonal tourism created compliance difficulties, particularly for smaller enterprises and luxury hotels. The authors also emphasized the importance of Input Tax Credit in reducing tax burdens and encouraging formalization within the tourism sector.

Sharma, Arora and Sharma (2022) Sharma, Arora, and Sharma (2022) investigated the experience of the food industry following GST implementation. Their study is relevant to the hospitality sector because restaurants and food-service operations form an important component of hotels and tourism businesses. The research examined the changes associated with GST and identified the industry's experience with the new taxation structure. The findings indicated positive developments following GST implementation, particularly in relation to taxation and business operations. The study demonstrates that GST's effects can extend beyond accommodation services to interconnected activities such as food and restaurant operations, thereby influencing the wider hospitality value chain.

Dhar and Khandelwal (2022) Dhar and Khandelwal (2022) examined the influence of GST on supply-chain management. Their study is particularly relevant to hotels, travel businesses, and tourism enterprises because these industries depend heavily on suppliers, intermediaries, transportation providers, food vendors, and service partners. The research highlights the importance of taxation in determining the efficiency and coordination of supply-chain activities. From the perspective of the hospitality and tourism sector, the findings suggest that GST can influence business processes beyond direct taxation by affecting procurement, documentation, tax credits, and the movement of goods and services.

Biagi, Brandano and Pulina (2017) Biagi, Brandano, and Pulina (2017) examined tourism taxation using a synthetic control

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method for policy evaluation. Their work provides an empirical perspective on how tourism-related taxation can affect destination performance. The study is important for the present research because taxation can influence tourist behaviour, destination competitiveness, and the financial performance of tourism-related businesses. Their approach demonstrates the value of comparing tourism outcomes before and after taxation-related policy changes. The research therefore provides a methodological foundation for assessing the broader consequences of tax reforms on tourism destinations.

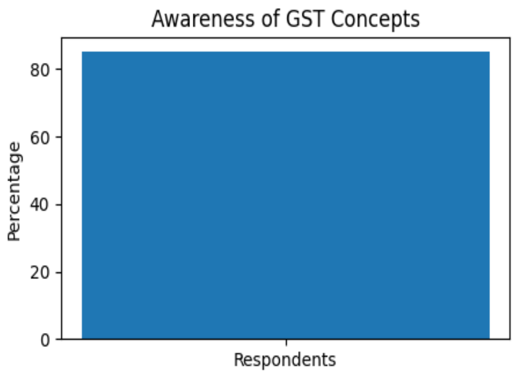
Durbarry (2008) Durbarry (2008) investigated the implications of tourism taxation for tourism demand in the United Kingdom. The study explored the relationship between tax-related measures and tourists' demand decisions. Its findings provide evidence that taxation can influence the cost of tourism and subsequently affect demand. Although the study was conducted outside India, its conclusions are relevant to the present research because GST can similarly affect the prices of accommodation, travel, food, and other tourism services. The study reinforces the importance of considering consumer responses when evaluating the consequences of tourism taxation.

Song, Seetaram and Ye (2019) Song, Seetaram, and Ye (2019) examined the effect of tourism taxation on tourists' allocation of expenditure. Their research focused on how taxation can influence the way tourists distribute their budgets across different tourism-related goods and services. The study is relevant to the Indian GST context because changes in taxation may influence tourist spending on accommodation, transportation, food, entertainment, and other activities. The research indicates that taxation should be examined not only from the perspective of government revenue but also in terms of its potential influence on tourist consumption behaviour.

Adedoyin, Seetaram, Disegna and Filis (2023) Adedoyin, Seetaram, Disegna, and Filis (2023) investigated the relationship between tourism taxation and international tourist arrivals in a small tourism-dependent economy. Their study emphasizes the potential connection between tax policy and international tourism demand. The research is significant for the present study because India's tourism industry depends partly on international visitors, whose travel decisions may respond to changes in the overall cost of tourism services. The study provides a useful international perspective for understanding how taxation can affect destination attractiveness and tourist inflows.

V. Data Analysis & Interpretation

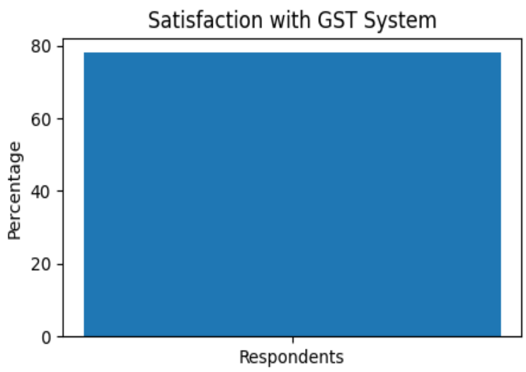
1. Awareness of GST Concepts



Interpretation

Most respondents are aware of GST concepts and their importance in the hotel, tourism, and travel industry. This indicates increasing awareness regarding taxation reforms and their impact on business operations.

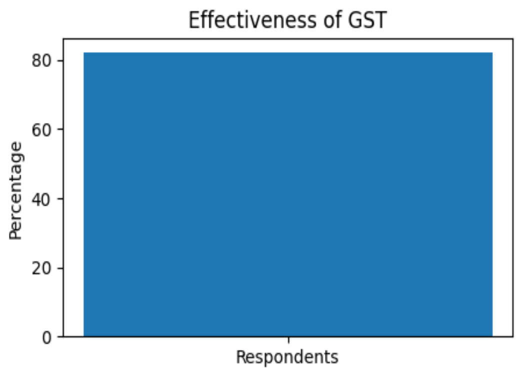
2. Satisfaction with GST System



Interpretation

Most respondents expressed satisfaction with the GST system implemented in the hospitality and tourism sectors. They believe GST has simplified taxation procedures and improved transparency.

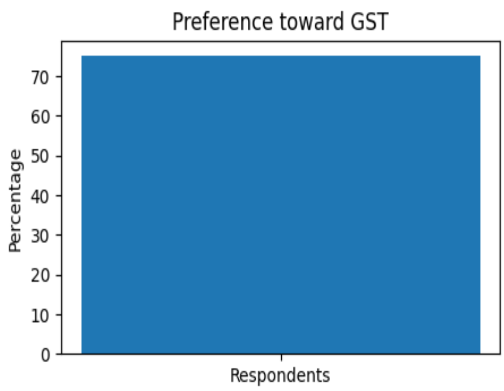
3. Effectiveness of GST



Interpretation

Respondents believe that GST has positively contributed to operational efficiency and tax management in the hotel and travel industry. Proper implementation of GST supports business growth and compliance.

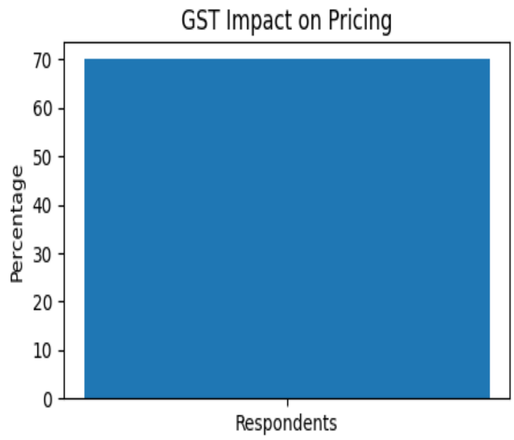
4. Preference toward GST



Interpretation

Most respondents prefer GST as a unified tax system for the hospitality and tourism industry. GST is viewed as an effective taxation reform that reduces multiple tax burdens.

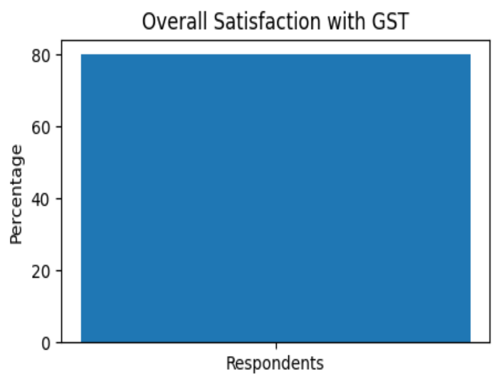
5. GST Impact on Pricing



Interpretation

Respondents believe that GST has influenced pricing of hotel services, tour packages, and travel expenses. They are aware that GST rates affect customer spending and tourism demand.

6. Overall Satisfaction with GST



Interpretation

Most respondents expressed overall satisfaction with GST practices followed in the hotel, tourism, and travel industry. Proper tax management and compliance contribute to organizational growth and customer confidence.

VI. Findings

- Most respondents are aware of GST concepts and their impact on the hotel, tourism, and travel industry.
- Respondents believe that GST has simplified the indirect taxation system by replacing multiple taxes.

- Most participants expressed satisfaction with GST implementation in hospitality and tourism sectors.
- GST has improved transparency and tax compliance among hotels, travel agencies, and tourism businesses.
- Respondents believe that GST has positively influenced operational efficiency and financial management.
- Higher GST rates on luxury hotels and certain travel services have increased customer expenses.
- GST has affected pricing of hotel services, tour packages, and transportation facilities.
- Many respondents believe that GST supports organized business practices and reduces tax-related confusion.
- Some businesses initially faced challenges in adapting to GST filing procedures and digital compliance systems.
- Overall, respondents are satisfied with GST practices and believe that GST contributes to long-term growth of the hotel, tourism, and travel industry.

VII. Conclusion

The implementation of Goods and Services Tax (GST) has brought significant changes to the hotel, tourism, and travel industry in India. GST has simplified the indirect taxation system by replacing multiple taxes with a single unified tax structure, thereby improving transparency, tax compliance, and operational efficiency. The study reveals that most respondents are aware of GST concepts and are generally satisfied with its impact on the hospitality and tourism sectors. GST has helped businesses maintain better financial management and organized tax practices. However, higher GST rates on luxury hotels and certain travel services have increased service costs and affected customer spending patterns. Despite initial challenges related to GST compliance and digital filing systems, the overall impact of GST on the hotel, tourism, and travel industry is positive. The study concludes that GST has the potential to support long-term growth, business expansion, and sustainable development in the hospitality and tourism sectors through effective implementation and continuous policy improvements.

VIII. Future Scope

The future scope of the study "GST Reforms and Sectoral Transformation: An Assessment of India's Hospitality, Tourism and Travel Industries" is extensive, as taxation policies continue to influence the structure and performance of tourism-related businesses. Future researchers can examine the long-term effects of GST reforms on hotel occupancy, room prices, revenue, profitability, tourist arrivals, travel expenditure, and overall industry growth. A comparative analysis of pre- and post-GST periods can provide stronger evidence regarding whether changes in taxation have produced sustained improvements in the hospitality and tourism sector.

Future studies can also focus on the impact of GST on small and medium-sized hotels, homestays, restaurants, travel agencies, and local tour operators. These businesses may experience taxation differently from large organised companies because of differences in compliance capabilities, operating costs, access to professional accounting services, and customer profiles. Research at the state and regional levels can further identify differences in GST outcomes across major tourism destinations such as Kerala, Goa, Rajasthan, Himachal Pradesh, Uttarakhand, Tamil Nadu, Telangana, and Andhra Pradesh.

Another important area for future research is the relationship between GST and tourist behaviour. Researchers can investigate whether changes in tax rates influence destination selection, hotel category preferences, length of stay, travel frequency, and tourist spending patterns. Studies can also examine whether GST reductions are passed on to tourists through lower room rates and travel costs or whether businesses retain part of the benefit through improved profit margins. Such research would help determine the actual consumer-level impact of GST reforms.

Future research can also examine GST's influence on international tourism competitiveness by comparing India's taxation structure with competing destinations such as Thailand, Malaysia, Singapore, Indonesia, and the Maldives. Such comparative studies can determine whether India's GST framework makes tourism packages more competitive in the international market. Researchers may also examine the relationship between GST, foreign tourist arrivals, destination attractiveness, and investment in tourism infrastructure.

There is considerable scope to study the relationship between GST and employment and investment in the hospitality and tourism industries. Future research can determine whether tax reforms encourage hotels, restaurants, travel companies, and transportation operators to expand their operations, invest in new facilities, create employment, and enter emerging tourism destinations. Particular attention can be given to Tier-II and Tier-III cities, rural tourism areas, heritage destinations, and eco-tourism locations where tourism investment can contribute to regional economic development.

The role of digitalisation in GST compliance is another promising research area. Future studies can assess how e-invoicing, digital accounting systems, automated billing, online GST filing, and data analytics affect compliance costs and operational efficiency in hotels and travel businesses. Researchers can also investigate whether increased digitalisation improves tax transparency and reduces administrative difficulties, particularly for smaller tourism enterprises.

Future studies can specifically examine the effect of Input Tax Credit and GST rate changes on hotel profitability. This is particularly important when different GST rates are associated with different ITC conditions. Researchers can analyse how such changes affect procurement costs, pricing decisions, profit margins, investment decisions, and customer demand. A detailed financial analysis of hotel companies before and after major GST changes could provide valuable evidence for both industry managers and policymakers.

There is also scope to connect GST reforms with sustainable tourism development. Future research can investigate whether taxation policies encourage investment in environmentally friendly hotels, sustainable transportation, eco-tourism, rural tourism, and heritage conservation. Researchers can explore whether GST-related incentives or rationalisation can support India's objective of developing tourism while maintaining environmental and social sustainability.

Finally, future researchers can develop an integrated GST–hospitality–tourism–travel framework rather than studying individual sectors separately. Advanced statistical techniques such as panel-data regression, Difference-in-Differences, Structural Equation Modelling, ARIMA, and Synthetic Control Methods can be used to establish stronger relationships between GST reforms and industry outcomes. Longitudinal studies covering several years would also help distinguish temporary changes from long-term structural transformation. Overall, future research can provide more comprehensive evidence on how GST reforms influence pricing, profitability, tourist demand, employment, investment, competitiveness, digital compliance, and sustainable growth across India's interconnected hospitality, tourism, and travel industries.

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