

# 18% GST instead of 5% to be charged on dining in a hotel if room rent per night is above this; know how much more it will cost?

By Neelanjit Das, ET Online • Last Updated: Apr 10, 2025, 10:06:00 AM IST



FOLLOW US



SHARE



FONT SIZE



SAVE



PRINT



COMMENT

3

**Business meetings, conferences, and events in hotel's restaurants may incur higher costs, even if a single unit of the hotel was priced above Rs 7,500 in the previous year**

Sivakumar Ramjee, Executive Director- Indirect Tax, Nangia Andersen LLP, explains the impact on consumers:

- Higher dining costs: Consumers dining in restaurants located in such hotels will be charged 18% GST, instead of the usual 5%.
- Increased event cost: Business meetings, conferences, or events hosted in such restaurants will become more expensive due to the higher GST.
- Clarity for pricing strategy: Hotels may plan their room tariffs more carefully, knowing that even a single unit priced above Rs 7,500 in the previous year can impact the GST rate applicable to their restaurant services in the current year.

Table showing how the impact will be felt

Scenario	Room tariff (previous financial year)	Restaurant GST rate	Input tax credit available?
Hotel A	Rs 8000	18%	Yes
Hotel B	Rs 7,400	5%	No
Hotel C	Rs 7,800 (new declare)	18%	Yes
Hotel D (Fluctuated below Rs 7,500)	Rs 7,200	5%	No

Source: *Nangia Andersen LLP*

Hotels need to carefully plan their operations to minimise the impact of higher GST on consumers

Ramjee says: Consumers in these hotels' restaurants will pay 18% GST instead of 5%, leading to higher dining bills.



## **Hotels need to evaluate their operating situation to decide whether to go for 18% GST or 5%**

Ramjee says: before a hotel decides whether to adjust its pricing to stay below the Rs 7,500 threshold or accept the 'specified premises' classification, it should consider:

- Room Revenue vs Restaurant Impact – If high room rates are crucial for revenue, lowering them to avoid 18% GST on dining may not be viable.
- Customer Profile – Luxury/business travellers may not mind 18% GST on dining, but mid-range guests might.
- Competition & Market Positioning – Competing hotels with similar services but lower GST on dining (5%) might attract price-sensitive customers.
- Corporate and Event Bookings – Higher GST on dining could impact banquet and conference bookings.
- Operational Strategy – Offering food-inclusive room packages or adjusting menu pricing to absorb some of the GST impact.
- Tax Planning and ITC Utilisation – Hotels classified as 'specified premises' can claim Input Tax Credit (ITC), which may offset the higher GST.