



**WTTC India Initiative
Travel & Tourism Issues presented at the
National Tourism Advisory Council Meeting on 15th December 2008.**

Introduction:

As a result of the financial crisis and global meltdown there has been a slowdown in all the verticals of the travel and tourism industry. With the dastardly terror attacks in Mumbai this week, tourism is one of the sectors that will be worst hit in the long run. Already the immediate effects in terms of cancellations of bookings, tours and issue of travel advisories is being felt.

The travel & tourism industry in India accounts for a significant share of the GDP and employs millions of people. Any loss to the industry will impact revenues, employment and the economy as a whole. The projected estimates for the tourism sector with reference to contribution to GDP, employment, and exports by WTTC in early 2008 is attached as Annexure 1. This growth projection will be impacted by the current global situation and the recent attacks in Mumbai. It is very important that the Ministry of Tourism takes up the issue of Tax and other Fiscal benefits with the Ministry of Finance to keep the sector growing in this crisis situation.

We would appreciate your kind consideration of such support at least through FY 2009 – 2010.

1. Sectoral Concessions & incentives - Bail out packages

A. General

1. Relief in the areas of Service Tax, Vat payments and export incentives must be considered as a support to the industry.
2. Revival of Section 80 HHD of Income Tax Act:- Section 80 HHD be revived for the tourism industry in its original form with all tax benefits and under this tour operators and travel agents be allowed to transfer part of their profit to Tourism Development Reserves for investment in tourism related projects like hotels, resorts, convention centers, restaurants and guest house and import of vehicles and adventure, sports & camping equipments such as tents, rafts, etc.
3. Export Industry Status to Tourism Industry:- Tour Operators as service providers are the deemed exporters as per the foreign trade policy but they are not being treated at par with other exporters. Tourism industry should also be treated at par with other exporters on the basis of their foreign exchange earnings and all benefits, incentives, concessions and tax relief etc. as are being

given to other exporters from time to time be extended to the tourism industry. For the service providers to take benefit as exporters, there should not be any minimum cap of turn over so that small tour operators are also benefited.

4. Monuments Entry Fee:- Monuments entry fee for the foreign visitors is very high and need to be reduced by 50%. If required the Ministry of Tourism should subsidize this amount to the Department of Culture.

This is real need of the hour to encourage the tourism industry which is badly suffering so that inbound tourism to the country can be sustained and there is no job cut in the tourism industry.

B. State Taxes:

1. Request to take up the issue of lowering of State taxes that impact the travel & tourism sector such as luxury tax, transport tax and ATF. The current varying levels be reduced to a 4% uniformly across the country. Some states charge on the actual rate, and some on rack rates (published rate) of the hotel. Each state has it's own criteria. In the bargain, the tourism industry suffers.

We also request that all States should charge luxury tax on the actual rate paid and not the published tariff.

2. State Transport Taxes:- Adhoc Taxation is levied on Transport sector by each state. Tax on vehicles of home state and visiting vehicles from other states vary from state to state. There is an urgent need of rationalization and uniform taxes need to be adopted. Road Tax should not be on the number of seats in the bus but the actual number of passengers in the bus. Also there should be single tax collection point for the inter-state tourist vehicles moving from one state to another to avoid un-necessary harassment and delay to the tourists. There is a need for seamless travel with a National Tourist Transport permit system.
3. The Ministry must effect a rationalization of all State Taxes so that the overall tax percentage can be limited in order to achieve international competitive standards for our tourism industry.

C. Hotels:

1. Restore the "set off" norms under Service Tax as were applicable until March 31, 2008 and thus withdrawal of the new "Set Off" norms introduced in the last Finance Bill.
2. Income Tax – Sec 80-ID - Benefit under this section is restricted to hotels located in National capital territory and the districts of Faridabad, Gurgaon,

Gautam Budh Nagar and Ghaziabad. The deduction under this section is available for 5 years only. Considering the tourism potential in India it is suggested to extend benefit to cover hotel projects located in metro cities. The deduction should be given for 10 years as the gestation period of new hotels itself is around 4-5 years.

3. Income-Tax – Sec 80-IA/IB (Infrastructure Status)- Hotels not granted infrastructure status. Benefit u/s 80 IB was restricted to hotels located in hilly area/rural area, etc and the hotels located in the metro cities were not covered. Further this benefit was not extended beyond 31-3-01. Request to grant infrastructure status to hotels so as to give the benefits as prescribed in section 80IA. This would be in sync with the amendments made previously to include hotel for benefit u/s 10(23G) and Section 72A. Given the acute shortage of quality hotel rooms to keep pace with economic growth, hotel industry be granted infrastructure status. Suggested course is to extend benefit to tourism sector is to cover hotel projects located in metro cities.
4. The Reserve Bank of India regulations as far as eligibility of earnings for EPCG and other export oriented schemes should be followed. As per Reserve Bank of India regulations, a foreigner can pay his bill in Indian Rupees and if he settles his account in Indian Rupees, then the hotel cannot count this as their foreign exchange earnings. Moreover, there are foreign clients, who stay in hotels who have been booked by foreign tour operators, who settle their bills in Indian Rupees, as the foreign tour operator has either a subsidiary in India or availability of Rupee funds. These receipts of hoteliers are also being questioned by the DGFT if they are foreign exchange earnings for the hotel. This situation is getting more serious, as many hotels have started to publish their rates only in Indian Rupees due to the fluctuations in the value of US Dollar. To further add to the confusion, Indian tour operators are refusing to give Form 10 CCEA along with their payments to the hotels, as a result of which these earnings are likely to be denied as the foreign exchange earnings of the hoteliers unless a clarification is issued to this effect to the Director General of Foreign Trade.

This issue needs to be resolved.

D. Airlines:

1. ATF to be put under the 'Declared Goods' category to bring uniformity in levy of sales tax.
2. Reduce the high airport charges. Airport charges levied by the Indian airports are highest amongst the Asian and the Gulf countries.

3. Create immediately an 'aviation sustainability fund' to help airlines access funds at attractive interest rates. The biggest issue facing airlines at present is lack of fund raising capability. This fund could be structured as a part of the PMs economic stimulus package.
4. Allow foreign airlines to invest in the Indian airline companies.
5. Allow more domestic airlines to fly on International routes by scrapping the 5 year/ 20 aircraft rule.

E. Travel Services:

1. Exemption of Service Tax on Tour Operators:- Government has announced exemption of service tax on the foreign exchange earning by the exporters (in the form of refund). Similarly, service tax on the tour operators should also be exempted on their foreign exchange earnings.
2. Marketing Development Scheme:- The markets will be in recession for the next one to two years. It is difficult to predict when stability will return to the markets. This is the time to be more aggressive in our marketing efforts and spread into various growing markets.

We have been pleading for an increase in the limit for grants for participating in international exhibitions, marketing and sales tours and printing of brochures to cover the cost under Ministry of Tourism, MDA Scheme. It is requested that the scheme be recast to reach out to more beneficiaries.

2. Security

1. Security is of immense concern to tourists and travelers. The confidence of both the international and domestic traveler have taken a hit with terror incident in Mumbai and other incidents which have taken place in the past. Security measures at monuments, hotels and popular destinations must be beefed up. Authorities managing them must be addressed.
2. A security checklist may be made available to the tourist once they check into the hotels by the hotel management, with dos and donts and precautions they need to take during their stay. Hotels in all tourist and other popular destinations be addressed.
3. Local police authorities be more cooperative with travelers and assistance booths be set up in popular locations. State Governments should be addressed in this regard.

4. Case study of New York (9/11), Bali, London and Madrid be taken up to learn from their experience and action to deal with our situations.
5. A Crisis Management Team be set up which should meet as soon as there is any major crisis.

The tourism crisis management effort should take center stage as tourism organizations seek to maintain business continuity in today's unpredictable environment. Conducting an assessment of crisis management planning will enable tourism organizations to react quickly and safely when challenged with threats like:

- Natural Calamities (Tsunami/Earthquakes etc)
- Public health issues (SARS/Bird Flu etc)
- Terrorism
- Plane crashes
- Crime

It is necessary to consider steps such as:

1. Establishing an institutional mechanism for quick, coordinated and effective management of disasters/crises within the Tourism industry under the Ministry of Tourism.
2. Identifying persons, agencies and resources required for effective response to the crisis management needs of the industry.
3. Defining and delineating the roles and responsibilities of the various parties involved in crisis management.

3. Media

The role of media must be introspected during crisis situations. Media has to play a positive role. Tourism thrives on transparent and effective communication. The media is an essential partner in this and so are the communications professionals, who work in the tourism industry. Media must help in:

- Tourism awareness programmes to the population at large.
- Press coverage and special campaigns to promote responsible tourism initiatives.
- Promotion of domestic tourism through press reports on different destinations.
- Provide an important link to the national public relations efforts in overseas markets.



Public Relations:

- Government/Ministry of Tourism should engage in more PR activities with other countries. Media and tour operators must be invited in more numbers to popularize Indian destinations.
- Build positive relationships with Tourism Ministries/Boards of other countries encouraging tourist inflow.
- The foreign offices need to be more active in a crisis situation.
- Foreign offices need to be staffed with efficient personnel. Vacant positions must be filled in urgently.

