

UNIT – VI
ROLE OF GOVERNMENT
AGENCIES

OBJECTIVES

- Organizations – esp. directly associated to hospitality industry
- Star rating system – Committees and recommendations
- Taxes applicable to hotel industry

DIFFERENT ORGANIZATIONS

- FHRAI : Federation of Hotel and Restaurant Association of India
- HRANI: Hotel and Restaurant Association of Northern India
- HRAEI: Hotel and Restaurant Association of Eastern India

CLASSIFICATION BASED ON STAR RATINGS

- Star Hotels:- 5 Star Deluxe, 5 Star, 4 Star, 3 Star, 2 Star & 1 Star
- Heritage Hotels:- Heritage Grand, Heritage Classic & Heritage

HRACC

For classification and project approvals in the 5 Star Deluxe, 5 Star, 4 Star and all the three Heritage categories the applications along with the requisite fees may be sent to :-

- Member Secretary (HRACC)/Hotel and Restaurants Division,
- Department of Tourism, Government of India,
- C-1 Hutments, Dalhousie Road, New Delhi 110011.

HRACC

For classifications and project approvals in the 3 Star, 2 Star and 1 Star categories the applications along with the requisite fees maybe sent to the Regional Director, India tourism Office in whose region the hotel/project is located.

APPROVAL AT PROJECT LEVEL

The Department of Tourism approves hotels at project stage based on documentation, which enables the hotels to get certain benefits from the govt. as announced from time to time. The documents required for project approvals are listed below.

APPROVAL AT PROJECT LEVEL

- Project approvals are valid for 5 years. Project approvals of the Govt. of India, Department of Tourism cease 3 months from the date that the hotel becomes operational even if all its rooms are not ready. The hotel must apply for classification within these 3 months.
- The Department of Tourism, Govt. India reserves the right to modify the guidelines/terms and conditions from time to time
- Application form

APPROVAL AT PROJECT LEVEL

- In the event of any changes in the project plans, the approval must be sought afresh.
- Authorized officers of the Department of Tourism should be allowed free access to inspect the premises from time to time without prior notice
- The hotel must immediately inform the Department of the date from which the hotel becomes operational and apply for classification within 3 months of this date.

APPROVAL AT PROJECT LEVEL

- The fees payable for the project approval and subsequent extension, if required are as follows. The demand draft maybe payable to ‘ Pay & Accounts Officer, Department of Tourism, New Delhi` .
- The promoters must forward regular progress reports for each quarter failing which the project approval would be considered withdrawn.

APPROVAL AT PROJECT LEVEL

- All documents must be valid at the time of application and a Gazetted officer or Notary must duly certify copies furnished to the Department. Documents in local languages should be accompanied by a translation in English/official language and be duly certified.
- Projects, where it is proposed to let out part or whole of the hotel on time share basis will not be eligible for approval.
- For any change in the category the promoters must apply afresh with a fresh application form and requisite fees for the category applied for.

APPROVAL AT PROJECT LEVEL

- Any changes in the project plans or management should be informed to the, Department of Tourism/Regional Directors Office (For 3, 2 & 1 Star categories) (for 5-D, 5, 4 Star and Heritage categories) within 30 days otherwise the approval will stand withdrawn/terminated.
- Applicants are requested to go through the checklist of facilities & services contained in this document before applying.
- Incomplete applications will not be accepted.
- The Govt. of India, Ministry of Tourism reserves the right to modify the guidelines/terms and conditions from time to time.

HOTEL CLASSIFICATION **OR RECLASSIFICATION**

- Classification for newly operational hotels must be sought within 3 months of completion of approved hotel projects. Operating hotels may opt for classification at any stage. However, hotels seeking re-classification should apply for reclassification one year prior to the expiry of the current period of classification.
- If the hotel fails to reapply 1 year before the expiry of the classification order, the application will be treated as a fresh classification case.

HOTEL CLASSIFICATION OR RECLASSIFICATION

- Once a hotel applies for classification/ re-classification, it should be ready at all times for inspection by the HRACC. No requests for deferment of inspection will be entertained.
- Classification will be valid for 5 (Five) years from the date of issue of orders or in case of reclassification from the date of expiry of the last classification provided. Incomplete applications will not be accepted.

HOTEL CLASSIFICATION OR RECLASSIFICATION

- Hotels which propose to let out part of or all its rooms on time-share basis are not eligible to be classified
- Hotels applying for classification must provide the documentation.
- All applications for classification or re-classification must be complete in all respects – application form, application fee, prescribed clearances, NOCs, certificates etc. - incomplete application is liable to be rejected.

HOTEL CLASSIFICATION OR RECLASSIFICATION

- Hotels will qualify for classification as Heritage hotels provided a minimum 50% of the floor area was built before 1935 and no substantial change has been made in the facade. Hotels, which have been classified/, re-classified under Heritage categories prior to issue of these Guidelines will continue under Heritage categories even if they were built between 1935-1950.
- The application fees payable for classification/reclassification are as follows. The demand draft maybe payable to “Pay & Accounts Officer, Department of Tourism, New Delhi”.

HOTEL CLASSIFICATION OR RECLASSIFICATION

- The classification committee will consist as follows
- For 4*, 5* and 5* Deluxe and Heritage category - Chaired by Chairman (HRACC) or his representative. Representatives from FHRAI/ HAI/ IATO/ TAAI/ IHM /RD/ local India tourism office/Director(T) of the concerned State Govt. Gazetted or his representative(who should be a officer) /Member Secretary will constitute the other members of the Committee. In case of Heritage category, a representative of IHHA will be a member of the committee.

HOTEL CLASSIFICATION OR RECLASSIFICATION

- For 1*, 2* & 3*, the committee will be Chaired by Secretary (T) of the concerned State Govt. or his nominee who should not be below the rank of a Deputy Secretary to the Government of India. In his absence the Regional Director, India tourism who is also Member Secretary, Regional HRACC will chair the committee. The recommendations will be sent to HRACC Division (Department of Tourism, Government of India) within 3 weeks. Other members will be representatives from FHRAI/ IATO/ TAAI/ IHM.

HOTEL CLASSIFICATION OR RECLASSIFICATION

- The Chairman and any 3 members will constitute a quorum
- The minutes will be approved by the Chairman (HRACC).
- In case of any dissatisfaction with the decision of HRACC the hotels may appeal to Secretary (T), Government of India for review and reconsideration within 30 days of receiving the communication regarding classification/reclassification. No requests will be entertained beyond this period.

TAXES APPLICABLE IN THE HOTEL INDUSTRY

- **On purchase property tax:** Stamp duty or the value of property as per state act based on stamp duty act to be paid at the time of registration of property.
- **Annual Lease:** In case of Lease Hold property to be paid annually.
- **Sale Tax / VAT :** Local : As applicable in the state.
- Central: 10% or 4% against C-form.
- To be paid monthly or quarterly as per the schedule prescribed at the time of Sales tax registration.

TAXES APPLICABLE IN THE HOTEL INDUSTRY

- **Income Tax:** This is applicable as per business constitution. As per slab and rate announced at the time of annual budget. To be paid annually or advance tax (twice) as per category of tax payee.
- **T.D.S.:** Tax Deducted at Source by the employee/owner.
- **Entertainment Tax:** To be paid before organizing any event of major nature like New Year Eve etc.
- **Expenditure Tax:** To be paid as per schedule.
- **Luxury Tax:** 10% to be levied at the time of final billing on check-out.

TAXES APPLICABLE IN THE HOTEL INDUSTRY

- **Service Charge:** 10% to be retained by the management and appropriated between management & employee's welfare schemes.
- **Employment Benefits Statutory or mandatory:** These are deducted at the prescribe percentage from the employee's salary and employer's contribution made as per prescribed percentage and deposited accordingly as per given time schedule with respective authorities.
 - E.P.F./C.P.F Contribution
 - E.S.I. Contribution
 - Bonus Provision
 - Leave Encashment

TAXES APPLICABLE IN THE HOTEL INDUSTRY

- **Excise under Liquor Laws:**
- License fees on initial application fee Bar License.
- Monthly Excise as per Literage of Liquor (B.W.S.) consumed/sold.
- Corkage in case of guests, bring their own B.W.S.
- **Professional Tax:** Paid by professional as per prescribed rate to be deducted at source every month.
- **Education cess:** To be paid by the consumer as per prescribed rate.
- **Property / House Tax:** To be paid annually as the ratable value fixed by MCD.



Gautam Singh , Hospitality Trainer , 07830294949