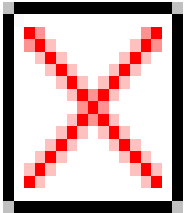


## GST on Tour & Travel Industry - some nagging issues

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**GST**

on Tour & Travel Industry has never really been free of doubts. With 4 years plus into GST, there are still multiple issues that lack clarity.

It is about time that the GST Council pays attention to these issues which, otherwise, may land up opening a pandoras box of litigation!

This article attempts to sum up a few such burning issues concerning the Tour & Travel industry at large.

| Nature of Service | Provision under GST Law | Issues |
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|------------------|----------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Air Ticketing    | Rule 32(3) of CGST Rules ('Rules')                                         | <p>Does Rule 32(3) cover all income arising out of booking a ticket? The use of the term 'in relation to' implies such. An air travel agent may earn income from two sources while booking a ticket, 1) commission from airlines, 2) service charge from customer 3) commission from CRS companies for selling tickets from their inventory listing. If the answer to this is in affirmative, then irrespective of the service charge charged by the agent, the GST remains the same as it is paid on base fare of the said ticket.</p> <p>Reference Rule 32(1) of the Rules, Rule 32(3) is optional. The use of word 'shall' in the Rule may hence be reconsidered.</p> <p>If an air travel agent (booking ticket for passengers directly through airlines) not to follow Rule 32(3), what other options are available to it? If it charges GST @ 18% on the service charge only, (no GST on the ticket price), it does so in capacity as a pure agent of the end user. However, the conditions prescribed under Rule 33 are never fulfilled by such an air travel agent. Stating name of passenger ticket will suffice for purposes of rule 33 and explanation in rule 33 may state this as an exception.</p> <p>Is an air travel agent permitted to purchase the air tickets from the airlines, avail ITC charged by the airlines and subsequently sell the tickets by charging GST on full value @18% to its customers? In other words, is an air travel agent within the ambit of the GST law, when it trades in air tickets? Government has permitted dual method of valuation in case of advertisement published in print media.</p> <p><a href="https://cbic-gst.gov.in/pdf/press-release/Selling-Space-advertisement-print-media.pdf">https://cbic-gst.gov.in/pdf/press-release/Selling-Space-advertisement-print-media.pdf</a></p> <p>Â</p> |
| Cruise Booking   | Â                                                                          | <p>The tour operators are charging GST on the service charge earned from the end user and the commission earned from the vendor. This is largely on the premise that they are acting as pure agents to the end user.</p> <p>However, the conditions prescribed under Rule 33 are not fulfilled. May be stated in explanation to rule 33 as exception that specifying name of guest satisfies the requirement in case of tour operators.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Package Services | Serial no. 23(i) and 23(iii) of notification <a href="#">11/2017-CT(R)</a> | <p>The rate of GST on tour operator services is 5% subject to the fulfillment of following conditions: 1) bill of travel should include accommodation &amp; transport, 2) ITC is restricted except that flowing from another tour operator in same line of business.</p> <p>If a tour operator provides services of hotel booking only, will the rate of 18% apply?</p> <p>If a tour operator charges 5% (subject to fulfillment of all conditions), is it allowed to avail ITC flowing in from another tour operator (charging GST @ 18%)?</p> <p>For all other services, e.g. visa, insurance, rail tickets, will the rate of 18% apply on service charge? If yes, the tour operator will be functioning as a pure agent, without satisfying the conditions provided under Rule 33 of the Rules.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

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| GST on Advance received | Time of Supply for services | It is a well-established law that GST is payable on receipt of advance towards services. Many a times, travel agents receive voluminous advances towards supply of service. However, at the time of receipt or shortly thereafter, they are in no position to determine as to which supply will be made by them against the said advance. It may be towards tour operator services, or towards cruise bookings or towards air ticketing each of which come under a different SAC and attract different rates of GST. Until actual reservations are issued in name of passenger, amounts received are in the nature of refundable deposits and not advances. |
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We hope and pray that the GST statute has some solutions to offer to these very basic but significant issues that the industry is facing at large.

**[The views expressed are strictly personal.]**

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