



Chandrawat
& Partners

TOURISM INDUSTRY IN INDIA

A brief guide on Tourism Industry in India.





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Introduction



India has a diverse ecology, geography, and sites of natural beauty distributed throughout its 3,287,263 sq. km. total territory, which stretches from the snow-covered Himalayan heights to the tropical rain forests in the south. This offers a crucial chance to fully realize the tourism industry's potential.

India's illustrious history and extensive cultural legacy are strongly tied to the growth of the travel industry. International travellers have been drawn to it by its exceptional natural riches, fascinating heritage, and mystique-filled culture, as well as its music, dance, paintings, customs, and languages.

India has a sizable market for both domestic and international travel. The industry plays a significant role as an economic multiplier, which becomes critical since India has to grow at faster rates and create jobs. India offers geographical diversity, world heritage sites, and niche tourism products like cruises, adventures, medical tourism, eco-tourism, etc.

Due to the great services offered to tourists, there is a growth in the number of foreign tourists. A better service offered to visitors draws their attention and increases the number of visitors. The potential for domestic tourism has significantly increased over the past few years with the rise in income levels and the establishment of a strong middle class.



In 2021, the travel and tourism industry in India contributed around 178 billion U.S. dollars to the country's GDP. International tourist arrivals are expected to reach 30.5 billion by 2028, generating over \$59 billion in revenue.

It is essential to fulfil the national goals of fostering national integration and social and cultural harmony. It generates a significant number of jobs. The economy of India depends heavily on tourism, which is expanding quickly.

However, domestic tourists are expected to drive the growth, post-pandemic. International hotel chains are increasing their presence in the country, and they have account for around 50% of the tourism and hospitality sector in India for the year 2022. India aims to increase cruise passenger traffic from 0.4 million at present to 4 million. In the coming years, the economic potential of cruise tourism is expected to grow from \$110 million to \$5.5 billion.

Tourism tends to encourage the development of multiple-use infrastructure, including hotels, resorts, and restaurants; transport infrastructure (aviation, roads, shipping, and railways); and healthcare facilities. India is currently ranked 54th in the World Economic Forum's Travel and Tourism Development Index for 2021. By 2030, India is expected to be among the top five business travel markets.

In 2021–22, the total number of domestic visitors recorded a 98 percent year-on-year growth. However, due to the ongoing pandemic, the total number of foreign visitors to the country fell by 23.4 percent during the same period.

Economic aspects

Every year, the Ministry of Tourism publishes an annual publication titled "India Tourism Statistics" with statistics on domestic and international travel, as well as information on hotels that have been classified.

According to the publication, following are the statistics that have been gathered for the year 2021:

In India, the industry's direct contribution to the GDP is expected to record an annual growth rate of 10.35% by 2028.

Foreign Tourist Arrivals ("FTAs") during the period January-May, 2022 were 1,601,381 as compared to 437,225 in May 2021 registering a positive growth of 266.3%.

The Ministry of Tourism approved 76 projects under the Swadesh Darshan Scheme for the development of tourism infrastructure in the country in August 2022.

The government is working to achieve a 2% share of the world's international tourist by 2025.

In the Union Budget 2022-23, Rs. 2,400 crore (US\$ 309.13 million) has been allocated to the Ministry of Tourism, which is 18.42 % higher than the allocation for Financial Year ("FY") 2021-22, Rs. 1,181.30 crore (US\$ 152.16 million) is allocated for the Swadesh Darshan Scheme; and, Rs. 235 crore (US\$ 30.27 million) for the Pilgrimage Rejuvenation and Spiritual and Heritage Augmentation Drive (PRASHAD) Scheme.

E-Visa facilities were offered to 171 countries as of March 2021. The government introduced a scheme to boost the tourism sector by providing a one-month free tourist visa to 5 lakh tourists until March 31, 2022.

In June 2022, the Ministry of Tourism along with the Association of Indian Universities (AIU) initiated a 12 episode webinar series under 'Azadi Ka Amrit Mahotsav' (AKAM) to engage and expose young minds to the rich and diverse heritage.

Government initiatives

The Indian Government has realised the country's potential in the tourism industry and has taken several steps to make India a global tourism hub. Some of the major initiatives planned by the Government of India to boost the tourism and hospitality sectors of India are as follows:

1. In the Union Budget 2022–23: Rs. 2,400 crore (US\$ 309.13 million) has been allocated to the Ministry of Tourism, which is 18.42 % higher than the allocation for Financial Year 2021–22.
2. By the end of June 2022, a total of 142 Dekho Apna Desh webinars were organised by the Ministry of Tourism.
3. The Ministry of Tourism has launched the National Strategy for Sustainable Tourism and the Responsible Traveler Campaign in June 2022.
4. In November 15, 2021, fully vaccinated foreign tourists were allowed to visit India, which helped revive the Indian travel and hospitality sectors.
5. The Ministry of Road Transport and Highways has introduced a new scheme called "All India Tourist Vehicles Authorization and Permit Rules, 2021," in which a tourist vehicle operator can register online for an All India Tourist Authorization or permit. This permit will be issued within 30 days of submitting the application.
6. The Indian Railway Catering and Tourism Corporation ("IRCTC") runs a series of Bharat Darshan tourist trains aimed at taking people to various pilgrimages across the country.
7. Under the Swadesh Darshan and PRASHAD schemes, the Ministry of Tourism sanctioned 18 projects totaling Rs. 1,456 crore (\$211.35 million) to develop and promote tourism in the region.

Role and development

Tourism is a major source of revenue for nations and communities all around the world. This sector currently contributes billions of dollars to the country's economy every year as a result of its expanding economy and efforts to market itself as a diversified and culturally rich country. The increase in cross-country travel for pilgrimage, wildlife, sightseeing, photography, and adventure sports vacations was the main driver of the growth. Other reasons include the country's overall economic growth, increased disposable incomes, formal employment with benefits like paid time off, etc.

Foreign direct investment ("FDI") inflows into the tourism and hospitality sectors totaled US\$ 16.38 billion until March 2022. A total of 46,873 accommodation units (both classified and unclassified) have been registered on the National Integrated Database of Hospitality Industry ("NIDHI") portal, and 11,140 units have self-certified for SAATHI standards. Increased marketing initiatives through television commercials, tour operators, and agents of various states promoting the greatest travel experiences on offer contributed to a surge in domestic tourism as well.

Not only is tourism a development engine, but it also creates jobs. According to the Economic Survey, the industry has the potential to generate significant amounts of direct and indirect employment for a variety of social groups, ranging from highly specialised to unskilled labor. According to the World Tourism Organization of the UN, the industry generates 6–7% of all jobs worldwide directly and millions more indirectly as a result of the multiplier effect. By 2028, Indian tourism and hospitality are expected to earn \$50.9 billion in visitor exports.

It is irrefutable that the tourism industry is becoming a more significant economic force and has the potential to be used as a tool for development. The tourism industry not only drives growth but also raises people's living standards by providing a large number of diverse employment opportunities.

Legal Framework

When it comes to foreigners visiting India, there are broadly 3 laws that one needs to comply with:

1. The Passport (Entry Into India) Act, 1920
2. The Registration of Foreigners Act, 1939
3. The Foreigners Act, 1946

Section 14 of Registration of Foreigners Act provides that a foreign national must disclose his/her name, nationality and documents such as passport, ID proof etc. along with his signature to the hotel or guest house where he's staying. The management of the hotel/guest house must inform the police of the said arrival within 24 hours.

To stay in a hotel, foreign nationalists also need to keep copies of Form C and Form F of the Registration of Foreigners Act. These can be obtained from the Foreigners Registration Office or downloaded online.

Foreign nationalists are not allowed to visit places marked as protected areas or restricted areas unless they are in possession of a permit by the concerned authority. The request for such permission must be made at least eight weeks in advance & must be substantiated by an extra-ordinary reason to visit the said places.

International tourists must keep their passport on them at all times. If they choose to drive during their journey, they must have an international driving permit as well as a helmet in case of riding a two-wheeler. Foreign nationalists should not engage in public nudity unless they are within an area that is dedicated for the purpose, like the Nude Beach in Goa.



Regulations and compliances

People who work in the tourism industry should be familiar with all the legal and fictitious rules that apply to it. A tourist who is travelling is subject to the laws and ordinances in effect in the nation he is visiting.

Passport and Visa Requirements:

Before entering Indian Territory by land, sea, or air, it is crucial for all foreign visitors to have a passport that is currently valid and issued by their respective governments.

For all visitors to India, regardless of nationality, a visa is a necessity. Foreign nationals can obtain the following several categories of visas:

- Entry visa
- Tourist visa
- Business visa
- Long-term visa (maximum duration of 5 years)
- Collective Landing Permit (group tourists from abroad).

Indian visas are issued by consular offices for India abroad. The maximum period of time that tourist visas can be obtained is 180 days. The supply of passport photos is necessary. Additionally, a clause for visa extensions longer than 30 days is present.

The Foreigner Registration Office ("FRO") or Foreigner Regional Registration Office ("FRRO") is responsible for handling all immigration-related issues, including visa extensions. The visa extension processing time is usually 7-10 days after the form submission and payment are done. The FRRO/FRO visa officers request that foreign nationals apply for the extension at least 60 days before the expiration date.



Special permits:

Normally, both Indian and international nationals are free to move around India. Visitors need a special authorization to enter the North eastern states and the Andaman and Lakshadweep Islands.

North-East India comprises eight states: Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura. Indians require Inner Line Permits (ILPs) for only three out of eight states: Arunachal Pradesh, Nagaland, and Mizoram. On the other hand, foreigners (including Overseas Citizens of India or OCI card holders) require Protected Area Permits (PAPs) for only Arunachal Pradesh and Sikkim.

Foreigners are not required to obtain a restricted area permit to visit the following islands: (1) East Island; (2) North Andaman; (3) Smith Island; (4) Curfew Island; (5) Stewart Island; (6) Landfall Island; (7) Ayes Island; (8) Middle Andaman; (9) Long Island; (10) Strait Island; (11) North Passage; (12) Baratang; (13) South Andaman; (14) Swaraj Dweep; (15) Shaheed Dweep; (16) Flat Bay (17) North Sentinel Island (18) Little Andaman (19) Chowra (20) Tilang Chong Island (21) Teressa (22) Katchal (23) Nancowry (24) Kamorta (25) Pulomilo (26) Great Nicobar (27) Little Nicobar (28) Narcondum Island (29) Interview Island & (30) Wiper Island (Day visit only).

An entry permit to visit the Lakshadweep Islands in India is a must for everyone. It does not matter if the tourist is an Indian national or a foreign tourist. Obtaining the necessary entry permit is an absolute obligation. Indians are permitted to travel to Bangaram, Kadmat, Kavaratti, Kalpeni, and Minicoy.

Foreign tourists having a valid passport and an Indian tourist visa only for visiting India can visit the islands of Kadmat, Minicoy, and Thinnakara with the permission of the administrator.



Customs Regulations:

The usual duty-free regulations of one bottle of liquor apply in India. If a tourist brings more than \$1,000 in cash or traveler's checks, it must be declared. A tourist can clear goods worth up to Rs. 2,400 duty free. Any goods brought in excess of this amount are subject to duty under current law.

Economic Regulations:

Both inbound and outbound tourists must follow the following economic regulations:

(a) Currency: A person coming into India can bring with him foreign exchange without any limit. However, if the aggregate value of the foreign exchange in the form of currency notes, bank notes, or travelers' checks brought in exceeds \$10,000 or its equivalent, and/or the value of the foreign currency alone exceeds \$5,000 or its equivalent, it should be declared at Customs on the Currency Declaration Form ("CDF") on arrival.

A resident of India who leaves the country on a temporary visit (other than to Nepal or Bhutan) may bring back currency notes worth up to Rs 25,000.

(b) Tax: Section 15 of the Integrated Goods and Service Tax ("IGST") Act deals with a refund of integrated tax paid on the supply of goods to tourists leaving India. According to Section 15 of the IGST Act, "Refund applies to the integrated tax paid by foreign tourists leaving India on any supply of goods taken out of India." The refund of the integrated tax applies to the purchase made by the foreign tourist leaving India as per the conditions prescribed in the IGST Act.



Taxation

In the recent 47th meeting of the Goods and Service Tax ("GST") Council, which was held in Chandigarh on the 28th and 29th of June 2022, it was decided to change the GST rates on hotel rooms and on other accommodations according to their tariffs. The changed GST rate structure is given below.

- GST rates on hotel rooms ranging from Rs 0 to Rs 1,000 per day are exempt until July 17; after that, 12% GST will be applied.
- On room rent from Rs. 1001 to Rs. 2499 per day, 12% of the GST rate will be applied with full Input Tax Credit ("ITC").
- On room rents from Rs 2500 to Rs 4999 per day, 18% of the GST rate will be applied with the full ITC.
- On room rent of Rs 5000 and above per day, 28% of the GST rate will be applied with the full ITC.

Since July 2022, budget holidays have become 12% more expensive. Service supplies such as hotel accommodations are subject to G.S.T. at 12% or 18% (S.A.C. Code 9963). This means hotels will have to pay GST on all room rates, including the rate of Rs 1000. It is a big change for the hotel and tourism industries in India.

As of 2022, the government has directly taxed the lowest class of room rents by imposing a hefty 12% general sales tax on those rooms that are exempt from taxes. The GST Council has withdrawn various tax exemptions from India's tourism industry. The most important withdrawal is the exemption of GST on hotel rooms up to Rs 1,000 per night. However, the global pandemic of Covid-19 has put the maximum dent in this sector, leading to significant losses and downfalls that have not been seen in decades preceding this year.



The tourism sector is of substantial and vital importance and utility, both to people and the economy of any country, developing or developed.

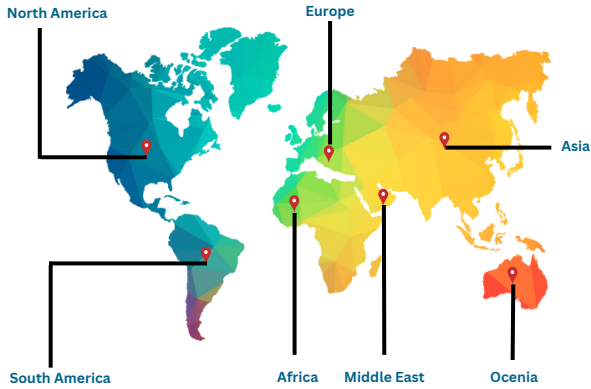
Our reliable and responsible tourism law services are highly profitable to all individuals, companies, agents, and organisations involved in the tourism and related sectors.

At the national and international levels, our specialised team of attorneys provides advice and representation to small businesses, medium-sized organisations, and bigger operations, including private and public investors in the hospitality, tourist accommodation, and restaurant industries.

Our legal services for the tourism sector cover the following services:

- complete all mandatory and regulatory requirements.
- furnishing all requisite contracts, agreements, and approvals.
- dispute resolution and litigation.
- all necessary licensing.

SERVING CLIENTS WORLDWIDE



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