



NATIONAL RESTAURANT ASSOCIATION OF INDIA

NRAI / 1-12 (1)

15 June 2020

Dr. T.M. Thomas Isaac

Hon'ble Finance Minister

Government of Kerala

Thiruvananthapuram

Kerala – 695001

Email: min.fin@kerala.gov.in

Subject: Request to streamline the GST in Restaurant Sector by providing option of two GST rates to the restaurant service i.e existing 5% without Input Tax Credit (ITC) and also new rate of 12% with ITC

Hon'ble Minister,

1. Greetings from National Restaurant Association of India. NRAI is the Indian Restaurant Industry's leading Association. Founded in 1982 and headquartered in Delhi, we are the Voice of the Restaurant Industry representing the interests of 5,00,000+ restaurants pan India. The restaurant industry, with an annual turnover of ~ INR 4 Lakh Crore is the third largest after retail and insurance in the service segment, providing direct employment to over 7 million Indians.
2. At the outset, I would like to draw your attention to the fact that GST in restaurants/eateries was reduced to 5% without ITC in the GST Council meeting held at Guwahati in 2017.
3. This decision adversely impacted several restaurants, primarily those who operate on leased premises in larger cities. It may kindly be noted that these are all from the organised sector who contribute taxes to the state exchequer.
4. This denial of ITC also results in additional capital outlay of up to 20% on every new project, which in turn adversely impacts the investment sentiments in the sector.
5. However, we cannot deny that this also helps small family-run businesses with no substantial growth plans, especially those restaurants that are operated by premise owners themselves. This must continue.
6. The food service sector is estimated to be at Rs.4,23,865 Crore in FY 2018-19. Total GST contribution of the sector is Rs.14,865 Crore, all contributed from the organized sector. If the unorganized sector is taken into the tax regime, there is potential for Rs.13,776 Crore additional tax contribution.

ANURAG KATRIARExecutive Director & CEO
deGustibus Hospitality
Pvt. Ltd.**President****KABIR SURI**Co-Founder & Director
Azure Hospitality Pvt. Ltd.**Vice President****PRATIK POTA**CEO
Jubilant FoodWorks Ltd.**Hony. Secretary****NITIN SALUJA**Founder Chaayos
Sunshine Teahouse
Pvt. Ltd.**Hony. Jt. Secretary****MANPREET SINGH**Director
K S Hotels Pvt. Ltd.**Hony. Treasurer****PRAKUL KUMAR****Secretary General**



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7. Therefore, in order to secure the interests of both small and large-sized companies, we request for a dual tax structure for the sector. Which is as under:

- a. **Companies with annual turnover up to Rs. 6 Crores to continue with the current rate of 5% without Input Tax Credit.**
- b. **Companies with annual turnover in excess of Rs. 6 Crores to charge 12% GST and they can avail of the full Input Tax Credit.**

8. Sir, the ongoing unprecedented crisis created by COVID-19 has had the most severe impact on our sector. We are currently facing an existential crisis and one of the most important aspects of surviving this phase of subdued business sentiment is to bring down the expenses as much as we can. Getting input tax credit will reduce our capital as well as revenue expenditures.

Sir, you are an extremely important voice in the GST Council meeting and I sincerely hope to get the support of an important voice like yours in bailing us out of this crisis.

I hope to hear from you soon.

Thanking you,

Yours sincerely,

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President

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