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POLICY REFORMS: A ROADMAP TO BOOST THE INDIAN TOURISM INDUSTRY

WORLD TRAVEL & TOURISM COUNCIL
INDIA INITIATIVE

HOTELIVATE
ELEVATION THROUGH INNOVATION

The Oberoi New Delhi

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EXECUTIVE SUMMARY

India has one of the fastest growing travel & tourism economies in the world owing to its diverse landscape, rich heritage, and cultural diversity. This industry is an important contributor to India's overall economy:

- According to World Travel & Tourism Council's 2022 Annual Research, the Travel & Tourism industry in India contributed 5.8% of the country's GDP in 2021 (despite COVID-19), accounting for 7% of the total employment generated in that year and providing employment to around 32.1 million people.

- India ranked 6th in terms of Travel & Tourism total contribution to its GDP.

- Post the global pandemic, the tourism industry has witnessed an extraordinary year in terms of performance, driven by an increase in domestic traffic; however, international tourism has still not recovered.

- While the country has a strong global presence in tourism, India still lacks the required hospitality infrastructure to boost future tourism demand in the country.

- India cumulatively has a total of only ~1,60,000 branded hotel rooms in the organised sector, far fewer compared to its peers in Asia considering the country's population and its demographic profile. For instance, China, its closest comparison in total population, has ~9 times more organised hotel supply.

- India's three key cities, Delhi, Mumbai, and Bengaluru are the most mature hotel markets in the country, yet their branded inventory is less than that of Singapore's 63,000 rooms.

- **The country's slow development of hospitality infrastructure results from a range of challenges posed by inefficient policies & regulations and inconsistent norms & restrictions.**

- **These inefficiencies end up increasing the development cost of a hotel by 20-30%, thereby lowering the project returns and acting as deterrent for investors.**

There is an urgency to fine-tune policies and norms in the hospitality sector to bring in consistencies across hotel categories from a development and operational point of view. **These structural reforms, policy tweaks and revisions are the need of the hour to ensure that the Hotel and Hospitality sector grows and contributes to the economy, while continuing to attract investors and owners.**

The reforms mentioned in this whitepaper will be crucial for India's Travel & Tourism industry and without any negative financial implication to the exchequer. As the hospitality sector of India moves on to a new growth curve after the global pandemic, a parity of laws and frameworks across the States and Union Territories is a much-needed reform that will not only boost investor confidence but will also facilitate employment generation.

The 'Policy Reforms: A Roadmap to Boost to the Indian Tourism Industry' whitepaper attempts to highlight relevant subjects requiring the attention of the Government of India or State Governments, depending on the topic. We have also attempted to provide an in-depth comparison with international markets that are competitive with Indian Tourism in the South Asian, Southeast Asian and Middle Eastern regions. Furthermore, in each chapter we have highlighted best practices implemented by the Indian States.

We would also like to thank InterGlobe Hotels for sharing insights into challenges faced in the development and operational phase, as well as providing supporting data points to recommend the best way forward.

By way of this whitepaper, we urge the Government of India, States and Union Territories to join hands and make the Hotel and Hospitality Sector best in class, with competitive hospitality infrastructure, encouraging domestic and international footfall, enabling local jobs, creating employment and increasing Travel & Tourism's contribution towards the economic growth.


LemonTree Premier Rishikesh

FLOOR SPACE INDEX (FSI) / FLOOR AREA RATIO (FAR) AND SETBACK NORMS

Key Issues

- While some States in India either allow higher FSI or have a separate permissible FSI for hotel projects *(for example, in Mumbai, hotels are allowed a higher FSI than their commercial counterparts)*, many other states include hotels under commercial establishments.

- The above-mentioned practice is not ideal, especially for hotels in the Budget to Midmarket segments that try to maximise inventory to offset a lower average room rate and could benefit from a higher FSI.

- Permissible FSI ratios vary among States ranging from as low as 0.33 in Goa, to as high as 6.00 in Mumbai.

- Moreover, building height norms, which are governed by the open spaces (setback areas) that are left unbuilt around the building, restrict the possibility of going vertical and utilising the full FSI potential of the plot.

- While stilt and podium parking are allowed, it gets added to the total height of the building, thereby requiring more setback area to be left all around the building.

Figure 1: FSI/ FAR and Setback Norms | Indian States

INDIAN STATE	FSI/ FAR	SETBACK NORMS
Andhra Pradesh	1.00 - 3.00	12m - 30m depending on the location
Goa	0.33 - 0.80	3m - 6m depending on the height of the building
Gujarat	2.00 - 2.25	7.5m - 37m in the front depending on the type of road adjoining the land parcel
Himachal Pradesh	2.00	N/A
Karnataka	1.75 - 3.35	20% of the land parcel
Kerala	2.50 - 4.00	1.5m
Madhya Pradesh	1.20 - 2.50	6m on all sides
Mumbai	1.00 - 6.00	4.5m to 6m in the front, 6m to 9m in the rear and back
New Delhi	1.20 - 2.25	4.5m – 60m in the front depending on the type of road adjoining the land parcel and the height of the building
Odisha	1.50 - 2.00	2m - 6m in the front, 1m - 3m on the sides and rear
Punjab	2.00 - 3.00	2m on the sides, 3m at the rear
Tamil Nadu	2.00 - 3.25	7m – 20m on all sides depending on the height of the building
Telangana	2.00 - 3.00	12m - 30m depending on the location
West Bengal	1.75 - 3.00	6m in the front

Source: State Building Bye Laws and Hotelivate Research


IBIS Vikroli

BEST PRACTICE - MAHARASHTRA

On the lines of the Ease of Doing Business initiative, Maharashtra has put in place the Unified Development Control and Promotion Regulations (UDCPR) to stimulate real estate growth. UDCPR will be applicable to all planning authorities across the state except the following regions: Mumbai, other special planning authorities like MIDC, Navi Mumbai Airport Influence Notified Area (NAINA), Jawaharlal Nehru Port Trust (JNPT), hill station municipal councils and the authorities of eco-sensitive zones are also exempt.

UDCPR has helped to clear any ambiguity in FSI and setback norms. It has helped improve and accelerate the process of building hotels in Maharashtra, thus boosting the state's tourism. We recommend other states of India to follow the same path and clear the ambiguity regarding permissible FSI and set back norm.

Figure 2: FSI/ FAR and Setback Norms | Competitive International Markets

COUNTRY	FSI/ FAR	SETBACK NORMS
Thailand	Not specified	3m on all sides
Singapore	As stipulated in the Singapore Master Plan	3m – 15m in front, depending on the width of the adjoining road
Bangladesh	9.5 or more depending on the width of the road	1.5m along the front, 3m on the sides and rear
Sri Lanka	1.5 – 12 depending on the size of the land parcel, unlimited FSI for a land parcel above 3,000 sq. m	Front setback depends on the street masterplan, 3m – 9m on the sides depending on the height of the building, 4m at the rear
Dubai	Not specified	40% of the land parcel except in the SZR zone where setback is 0%

Source: Hotelivate Research

BEST PRACTICE - SRI LANKA

Sri Lanka offers one of the most clearly defined sets of building norms with up to 12 FSI depending on the size of the plot and can go up to unlimited FSI for plots sized above 3,000 sq. m. Additionally, setback norms (see bullet points below) complement the permissible FSI allocation making built-up areas easy and straightforward to achieve.

- Front setback depends on the street master plan.
- 3m to 9m on the sides.

RECOMMENDATIONS

- **Hotel projects must be considered separately from Commercial projects when awarding FSI/ FAR.**
- **Permissible FSI norms combined with setback norms and height restrictions often limits the built-up area that can be achieved. To increase the achievable built-up area for hotel projects, competitive norms must be developed that take into consideration all three factors: FSI norms, setback norms and height restrictions.**
- **We recommend the following setback norms:**
  - Building setback norms should be governed by abutting road widths.
  - Front setback area should be minimum if situated on a wide road.
  - Side setbacks should be adjusted for corner plots. In these cases, most of the health and public safety services can be handled from abutting roads. This removes the need to create setback roads within the plot. Many foreign cities permit curb-side high-rise buildings as they are situated on main roads.
- **The height of the building should exclude stilt or podium that is used only for parking while calculating mandatory setback areas.**

PARKING NORMS

Key Issues

- Hotels have to adhere to stringent parking requirements because they are categorised under commercial developments.

- In most cities, the current parking requirement is determined by either room count in the hotel or the total built-up area of the hotel. This has proven to be ineffective and expensive for hotel developers in many cases, especially for Budget & Midmarket category hotels.

- Recently, the Urban and Housing Department in Tamil Nadu published an amendment stating that for every car parking space in a Hotel/ Lodge, a dormitory with 1 bed space and for every 8 beds a separate bathroom is required. Such amendments will not only consume the already limited FSI ratios for hotel developments but also increase the project's construction cost.

- **Higher number of parking space requirements results in substantially increasing the development cost, due to the following:**

  - **requirement for a larger land parcel (a scarce and expensive resource)**
  - **need to build more basements (expensive to build and maintain)**
  - **building stilt parking above ground counts towards the height of the building (impacting setback requirements and height restrictions).**

Figure 3: **India Case Study – Shows number of Parking Spaces required as per different State/ City norms for a typical hotel on the same plot size with same built-up area across different hotel categories:**

SPACE PARAMETER	HOTEL CATEGORY			
	Three-Star	Four-Star	Five-Star	Five-Star Deluxe
Typical Room Size (sq. m.)	18	25	32	42
Plot Size	1 Acre	1 Acre	1 Acre	1 Acre
Number of Rooms	253	141	112	84
Number of Car Parks City-wise				
Bengaluru	139	99	110	103
Pune	255	225	272	275
Mumbai	88	88	88	88
Thane	293	201	202	184
Delhi	240	240	240	240
Gurugram	107	107	107	107
Jaipur	133	133	133	133
Kolkata	96	96	96	96
Hyderabad	88	88	88	88
Chennai	71	57	67	66
Goa	50	50	40	27

Source: White Paper Policy Reforms for Hotels and Hospitality Sector of India, InterGlobe Hotels Pvt. Ltd

- As evident in the case study on the previous page, parking numbers are inconsistent, illogical and vary widely by city.
- Because the parking norms are linked either to the number of rooms or to built-up space, most hotel developments end up having large unutilised parking and basement spaces thereby increasing the development cost.
- For hotels with large-scale banqueting facilities (wherein parking is crucial), having parking norms as a function of room count is irrelevant.

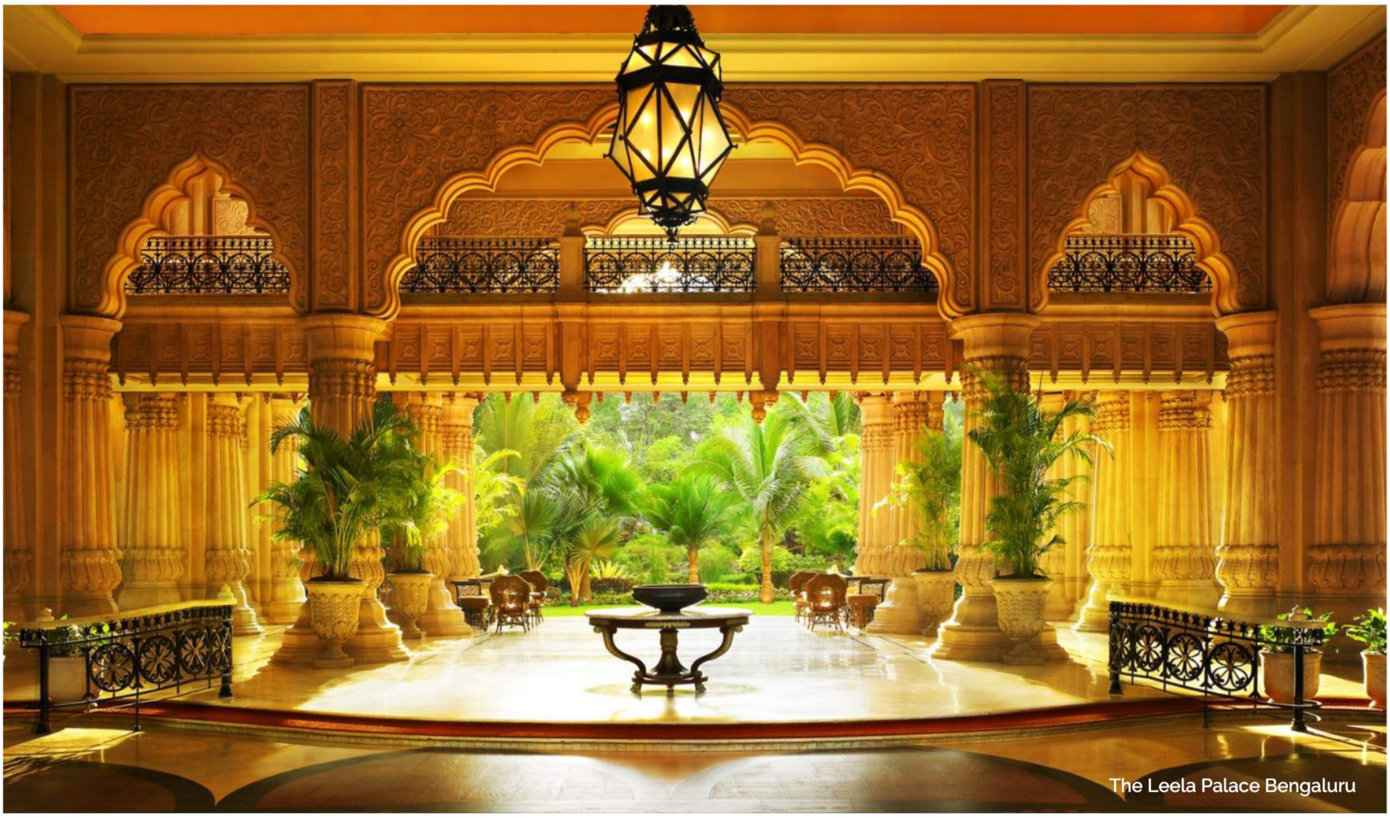

The Leela Palace Bengaluru

Figure 4: Number of Parking Spaces | Competitive International Markets

COUNTRY	NUMBER OF PARKING SPACES
Thailand	10 spaces for the first 30 rooms, 1 space for every 5 rooms up to the next 70 rooms and 1 space for every 10 rooms after hotel inventory crosses 100 rooms
Singapore	1 space for every 530 sq. m. of development
Indonesia	10% of room inventory
Vietnam	1 space for every 4 rooms
Bangladesh	1 space for every 5 rooms and 1 space for every 200 sq. m. of non-room area subject to minimum benchmarks depending on the type/ category of hotel
Sri Lanka	1 space for every 5 rooms, 1 space for every 2 suites, 1 space for every 5 pax at banquets and 1 space for every 10 covers at the restaurants
Dubai	1 space for every 5 rooms, 1 space for every 2 suites, 1 space for every apartment of 150 sq. m. or less, 2 spaces for every apartment larger than 150 sq. m., 1 space for every hotel room including a kitchen or pantry, 1 space for every 46.5 sq. m. of restaurant area and 1 space for every 500 sq. m. of public area, 1 space for every 46.5 sq. m. of hotel offices and retail outlets.

Source: Hotelivate Research

BEST PRACTICE - SINGAPORE

Singapore's parking requirement is not only linked to the project's total built-up area but also has an upper and lower limit of car parks depending on the respective zone. This effective technique indirectly considers the location, services, and placement of the hotel. Adopting this standard would be beneficial for Indian States since it would serve as a solid benchmark for ensuring sustainable use of the allowed built-up area.

Singapore has created zones from 1 to 3 (mentioned below in Figure 5) with Zone 1 being a highly congested area and Zone 3 being the least. These zones determine the upper and lower limit of number of parking spaces that can be built based on the built-up area. This also encourages citizens to use the public transport and helps in reducing congestion and pollution significantly.

Figure 5: Singapore's Parking Norms

		Lower Bound			Upper Bound		
Uses	Lot Types	Zone 1	Zone 2	Zone 3	Zone 1	Zone 2	Zone 3
Hotels and residential clubs (including rooms, lobby, shop, restaurant, swimming pool, gymnasium and other related uses)	Car	1 lot per 530 sq. m.	1 lot per 530 sq. m.	1 lot per 260 sq. m.	1 lot per 330 sq. m.	1 lot per 260 sq. m.	1 lot per 210 sq. m.
	M/cycle	1 lot per 10,000 sq. m.	1 lot per 10,000 sq. m.	1 lot per 5,000 sq. m.	1 lot for the 1st 330 sq. m. & 1 lot per subsequent 6,250 sq. m.	1 lot per 5,000 sq. m.	1 lot per 4,000 sq. m.
	HV	1 loading and unloading bay per 8,000 sq. m. For hotels, 1 coach lot per 90 rooms.			No Upper Bound		

Source: Hotelivate Research

Figure 6: Number of Parking Spaces | Indian States

INDIAN STATE	NUMBER OF PARKING SPACES
Andhra Pradesh	25% to 30% of the total built-up area depending on the location
Goa	1 space for 2 – 4 rooms depending on the type/category of hotel
Gujarat	30% of the maximum permissible FSI
Kerala	1 space for every 60 – 90 sq. m of built-up area depending on total built-up area
Maharashtra	5 – 7 spaces for every 5 rooms depending on the locations
New Delhi	3 spaces for every 100 sq. m. of floor area
Odisha	1 space for every 6 rooms
Punjab	2 spaces for every 100 sq. m. of the total built-up area
Tamil Nadu	1 space for every 4 – 10 rooms and 1 space for every 100 sq. m. of non-room floor area depending on the type/category of hotel
Telangana	25% to 30% of the total built-up area depending on the location
West Bengal	1 space for every 50 sq. m. of built-up area

Source: State Building Bye Laws and Hotelivate Research

RECOMMENDATIONS

→ **Parking spaces should not only be linked to the number of rooms in a hotel.**

> Budget and Midmarket hotels having higher room inventory end up with high car park requirements as compared to a higher category hotel with lesser number of rooms in the same plot size.

→ **Parking requirement for hotels should be defined with the combination of built-up area used for public spaces in the hotel as well as a graded parking requirement on the room count (please see table below*). With this method, the hotel category & positioning, number of guests visiting the hotel and facilities like banqueting get automatically incorporated into the calculation.**

→ **Since basement parking is much more expensive to build, States should allow parking spaces to be accommodated over stilt floors above ground without increasing the setback requirement owing to increased height.**

*The following is a suggested example in line with our recommendation:

- Parking spaces linked to number of rooms:
  - Minimum 15 parking spaces up to 50 rooms
  - Additional 5 parking spaces for every additional 25 rooms up to 150 rooms
  - Additional 3 parking spaces for every additional 25 rooms over 150 rooms
- Parking spaces linked to the public areas in the hotel:
  - 1 parking space for every 50 sq. m. of public areas

(Public areas to include restaurants/ eating outlets, banquet/ conference space and guest lounges).


The Park Hotel, Hyderabad

INDUSTRY STATUS

- A state providing industry status to the tourism industry signifies the importance of the industry and the impact it has on the on the overall growth and development of the state.
- The Government of Maharashtra had awarded Industry status to the hospitality sector (which includes hotels resorts, restaurants and other establishments providing lodging, food, and beverage services) in April 1999; however, that remained only on paper until 2020.
- Currently, Andhra Pradesh, Gujarat, Haryana, Karnataka, Rajasthan and recently Assam have also granted industry status to the hospitality sector.
- The three main incentives provided by the government are electricity and water at subsidised rates and reduction in property tax.

Key Issues

- **While most of the incentives are approved and granted by the government, they are not implemented in practice. *For example, other than the State of Rajasthan, special electricity rates for hotels under 'Industry Status' are yet to be made applicable in any of the States.* This is because the CERC's (Central Electricity Regulatory Commission) tariff order, which governs the same, has not yet provided any direction to that effect.**
- **While awarding Industry Status to the hospitality sector is an essential step for a state, it is also important to ensure the benefits provided by the status are effectively being carried out. Once these practices are implemented, it will only help the industry grow and unlock its true potential to make significant contributions to the state GDP and employment.**

BEST PRACTICE - RAJASTHAN

The Rajasthan Government, in its state budget of FY'23, awarded Industry Status to the Tourism and Hospitality Sector. Accordingly, government tariffs as per industrial norms of the state would be applicable to all the eligible hotels. Hotels can apply online for an "entitlement certificate" to avail the benefits such as concession on electricity charges and property tax and the reduced rates are applicable immediately. Some other key benefits/highlights of the policy include:

- **Single Window Platform:** One stop interface for obtaining various online approvals / permissions /renewals.
- **Property Tax (Urban Development Tax):**

Category	Charges on built-up area	Charges on open area
Heritage Hotels	UDT charged on residential rates	No UDT on open area
Budget, 1 to 3 star hotels	UDT charged on residential rates	UDT at 50% of residential rates on open area
4 & 5 star	UDT charged on double of residential rates	UDT at 50% of residential rates on open area

- **Stamp Duty Exemption for M.I.C.E. Facilities Setups:** New hotels with more than 2,00,000 sq. ft. carpet area including convention centre, exhibition rooms will be exempted from stamp duty.
- **New Development:**

  1) Projects above ₹25 crore investment are eligible for capital subsidy.

  2) No fee is charged for change in land use for conversion of residential land and heritage properties into hotels; other tourism units shall be charged.
- **Time Period of Operating Licences**: Duration of annual licences required to operate hotels and other tourism units to be for a period of ten years in the first instance itself.

Source: Rajasthan Tourism Website, Rajasthan Tourism Policy 2020

RECOMMENDATIONS

- In line with the Prime Minister's directive to enhance tourism, the Central Government should call upon the Chief Secretaries with time specific goals for implementation of such policy benefits like Industry Status.

- We recommend creating a joint ministerial committee at a central level to monitor the implementation and progress of the Industry Status incentives.

- The States awarding Industry Status to the Tourism industry should be incentivised by the Central Government which will also encourage other states to practice the same.

Andaz Delhi

INFRASTRUCTURE STATUS

Key Issues

- In 2013, the Department of Economic Affairs bestowed Infrastructure Status upon the Hotel and Hospitality sector. However, this benefit was only available for hotels with project costs north of ₹200 crore rupees (excluding land cost), convention centres with project costs north of ₹300 crore or limited to 3 star & higher category classified hotels located outside cities with a population of more than 1 million people. Barring a small percentage of developments, hotel projects in India typically have project costs between ₹20 and ₹50 crore (excluding land cost).

- Of all projects active at that time (in 2013), only 15% met the requirements for reduced lending rates and longer repayment tenures from 7-10 years to ~15 years.

- The Government of India later moved a proposal to give infrastructure status to hotel projects worth ₹50 crore, although a decision on that is still pending.

- The Government of India and RBI should consider reducing this criterion to ₹25 crore, thereby extending the benefits to the majority of upcoming hotels and helping expand hotel infrastructure in the country.

RECOMMENDATIONS

- **We recommend Infrastructure Status for hotels built at a project cost of ₹25 crore and above; this has long been demanded by the ASSOCHAM, CII, FICCI, Hotel Association of India (HAI), Federation of Hotels and Restaurants Association of India (FHRAI) and World Travel & Tourism Council, India Initiative (WTTCII).**

- **Infrastructure Status should be awarded irrespective of the city's population.**

- **We recommend the Tourism Ministry and NITI Aayog to advocate this to Ministry of Finance.**

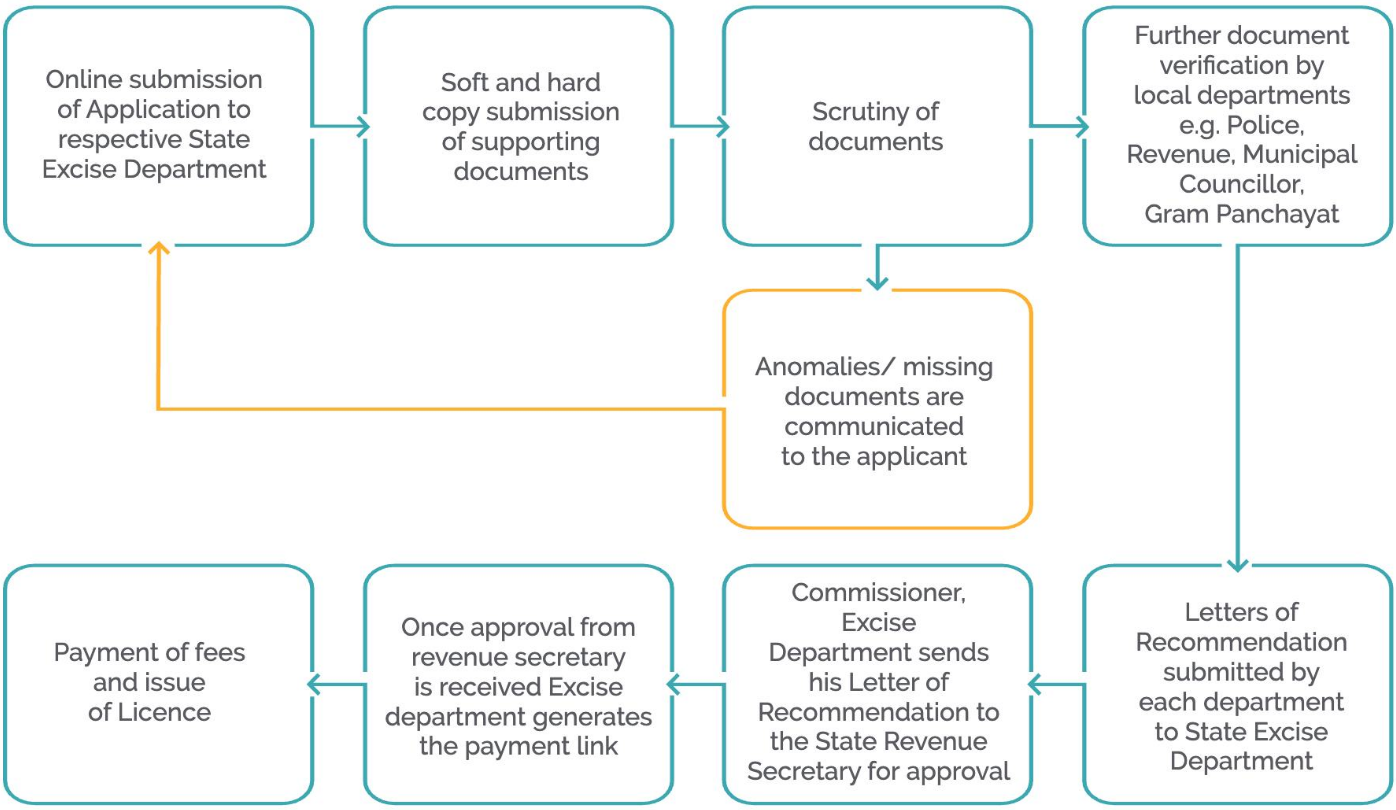
Club Mahindra Assonora Goa

LIQUOR LICENCES

Key Issues

- Majority of hotel owners and operators continue to struggle with the application process for liquor licences.
- With a long and complex process that faces multiple bottlenecks and delays, this is also a process that is inconsistent across states throughout the country.
- Furthermore, there is huge disparity in the fees charged for these licences across States.
- These issues have led to a limited number of restaurants having liquor licences and they are therefore free to charge exorbitant rates while serving alcohol.
- In India, obtaining a new liquor licence takes approximately 6 to 12 months, during which numerous departments need to be approached.
- Moreover, the practice of issuing the licence to an employee, e.g., General Manager of a hotel, calls for an equally lengthy re-issuing process due to exit or transfer of the employee.
- Additionally, the cost to obtain a liquor licence varies significantly throughout Indian States, from a startling ₹10,000 in Goa to a staggering ₹56 lakh in Telangana.
- For an Economy or Midmarket hotel where the philosophy is to provide high quality product and service at an affordable price, liquor remains an outlier; as the licence cost needs to be covered.
- Average annual revenue of an Economy or Midmarket hotel from liquor sale is ~ ₹36 - 54 lakh (an average of ₹10,000 – ₹15,000 per day) and the licence cost as per existing norms forms an amount almost equal to 40-60% of the total sales, which leaves hardly any margins for the hotels to enhance these services for guests.
- High licence fees make liquor service an expensive proposition resulting in a limited number of hotels applying for the liquor licence, and those who do end up applying tend to serve alcohol at very high prices.

Figure 7: Application Process for New Liqour Licence

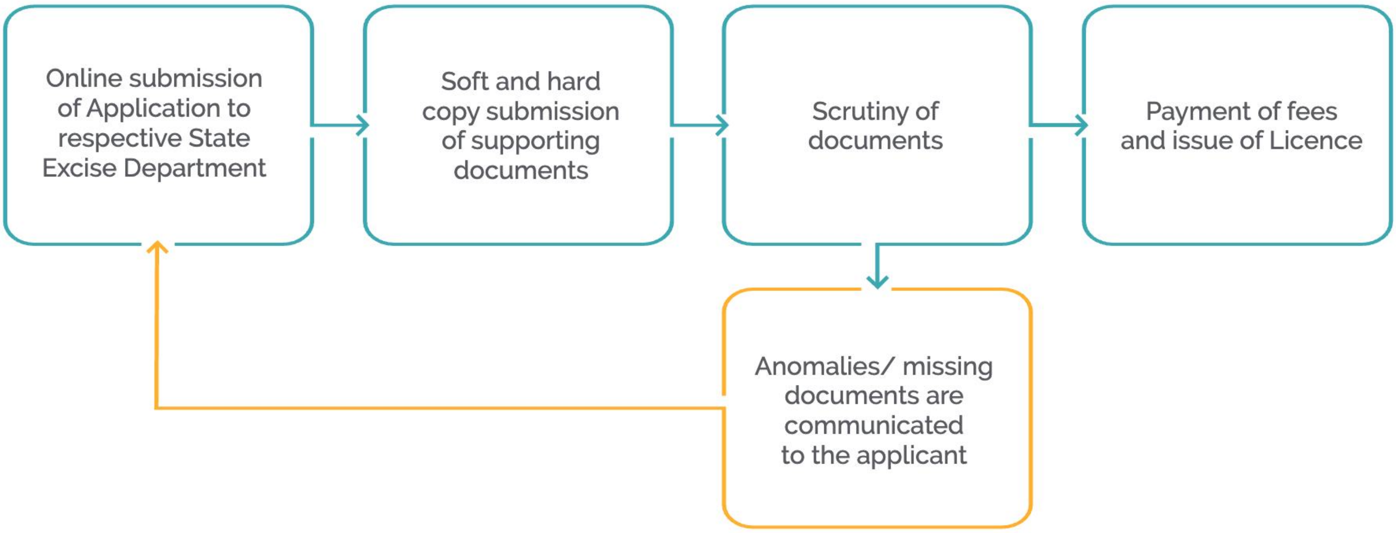


Source: White Paper Policy Reforms for Hotels and Hospitality Sector of India, InterGlobe Hotels Pvt. Ltd and Hotelivate Research

Renewal of Liquor Licence is a comparatively shorter process, as entailed in Figure 8, and includes a one-time fee based on the following factors:

- Number of outlets within the Hotel
- Star Classification of the Hotel
- Type of liquor served (as some States allow only a Wine and Beer Licence)

Figure 8: Application Process for Renewal of Liqour Licence



Source: White Paper Policy Reforms for Hotels and Hospitality Sector of India, InterGlobe Hotels Pvt. Ltd and Hotelivate Research

Some documents required by various State Excise Departments for issue of Liquor Licences include:

- Boarding and Lodging Licence
- Restaurant Licence
- FSSAI Licence
- Shop Registration Licence
- Police Clearance
- Consent to Operate (CTO)
- Final Fire NOC
- Occupancy Certificate
- Final Approved Drawings
- Liquor Storage Approval
- Hotel Classification
- Applicant's Identity Proof
- Applicant's Address Proof
- Address Proof of the Premises
- Application with Business Details
- List of Directors, along with Form 32
- Certified Company Memorandum of Association and Articles of Association
- Copy of the latest Income Tax Return
- Photograph of an authorised person with an affidavit stating that the person does not have a criminal record under the State Act and another affidavit stating that the person has not defaulted on any dues to any State department.

Figure 9: Liquor Licence Fee | Competitive International Markets

COUNTRY	LIQUOR LICENCE FEE (NEW/ RENEWAL)
Thailand	**US$ 71**
Singapore	**US$ 80 – US$ 630 (depending upon the type of liquor)**
Indonesia	**US$ 200 – US$ 500 (depending upon the type of liquor and time of service)**

Source: Hotelivate Research

BEST PRACTICE - THAILAND

Our research reveals that Thailand, a country heavily led by tourism, charges a nominal Liquor Licence fee which is more along the lines of an administrative fee. Rationalising the fee in India to increase profitability of hotel establishments will encourage entrepreneurs to open more outlets, increase revenues from sale of liquor and indirectly contribute towards the country's GDP. Also, this would mean that every restaurant or outlet may be encouraged to set up a bar and therefore generate further employment.

Figure 10: Liquor Licence Fee | Indian States

INDIAN STATE	NEW LIQUOR LICENCE FEE (₹)
Andhra Pradesh	5,00,000
Goa	10,000 - 3,00,000
Himachal Pradesh	4,10,000
Karnataka	12,00,000
Kerala	30,00,000
Madhya Pradesh	4,00,000 – 20,00,000
Maharashtra	3,00,000 – 17,00,000
New Delhi	4,00,000 – 13,20,000
Odisha	8,00,000- 12,00,000
Punjab	2,00,0000- 6,00,000
Tamil Nadu	5,00,000 – 40,00,000
Telangana	Up to 56,00,000
West Bengal	6,00,000 to 25,00,000

Source: State Building Bye Laws and Hotelivate Research

7 Rivers Brewing Community Taj, M.G. Road, Bengaluru

RECOMMENDATIONS

- **States that permit the sale of alcohol should put in place uniform criteria for obtaining liquor licences.**
- **The Excise Department should set a clear timeframe for the issuance of all licences, both new and renewed, along with streamlining the process and eliminating any additional verification steps.**
- **Segregation of bars in hotels should not be a mandatory practice and the purchase of a liquor licence should be enough to allow for the sale of liquor in the entire premises.**
- **All States must issue liquor licences strictly in the name of the establishment and not in the name of the employees of the hotel.**
- **Since stand-alone restaurants are permitted to procure liquor licences, the star-classification should not be a mandatory requirement for hotels to obtain a liquor licence.**
- **The liquor licence fee should not be completely fixed rather it should also be linked to the hotel's liquor sale revenue** (*please see the example below); **this would also be beneficial for the Government and encourage hotels and independent restaurants to apply for a liquor licence.**

*The following is the suggested example in line with our recommendation mentioned above:

- A nominal amount should be charged as a fixed annual fee to cover administrative charges and balance should be as a % of liquor sale revenue of the hotel/restaurant like VAT.
- As the outlets would be paying the fee as per their sales revenue, this will ensure higher fee income for the Government.

Fairfield by Marriott Benaulim, Goa

LICENCES REQUIRED FOR HOSPITALITY ESTABLISHMENTS

Key Issues

- Hotel projects require various licences and approvals across the entire lifecycle of the project, from pre-construction to post-construction, as well as pre-opening. Depending on the type of licence, some may need regular renewals, and some are one-time approvals. It is important to ensure that any necessary renewals are carried out in a timely manner to maintain the validity of the licence or approval.

- The number of licences and approvals needed for a hotel project in India is determined by many variables, including the type of hotel, classification/star rating, location, proximity to an airport, military area, or coastal zone.

- Most licences and approvals vary from one state to another. In some states, the number of licences and approvals needed for hotel establishments can reach 100, making this an inconsistent and time-consuming process.

- Some of these documents required for the processing of various licences are presently inconsistent, ambiguous, and unnecessary.

- Also, some hotel projects have remained in the pre-opening stage, for extended periods of time, due to glitches in the system further adding to pre-opening costs for the investor. *For example, Ibis Delhi International Airport remained in the pre-opening stage for over a year due to security concerns raised by authorities pertaining to the runway facing rooms, which could have been identified and dealt with during the construction stage itself in a more streamlined system.*

Figure 11: Number of Licences and Approvals Required | Competitive International Markets

COUNTRY	PRE-CONSTRUCTION	POST-CONSTRUCTION
Thailand	4	18
Singapore	7 – 26 (depending on services offered)	
Indonesia	8	26
Bangladesh	9	22
Sri Lanka	10	4

Figure 12: India | Pre-Construction Licences and Approvals

DEPARTMENT/ AUTHORITY	NUMBER OF LICENCES/ APPROVALS	AVERAGE DAYS FOR ISSUE OF LICENCES/ APPROVALS
Airports Authority of India	1	90
Approved Building Plans	1	90
Archaeological Survey of India	1	30
CRZ Clearance	1	120
Department of Town and Country Planning	1	45
District Collector	1	60
Local Police Station	2	30
Ministry of Tourism	11	90
National Highway Authority of India	1	60
Naval Authority of India	1	90
Petroleum and Explosives Safety Organisation	1	60
State BSNL/MTNL Office	1	60
State Contract Labour Department	2	30
State Department of Telecommunication	1	60
State Department of Tourism	1	90
State Electricity Department	1	60
State Fire Department	1	60
State Metro Rail Corporation	1	30
State Mining Department	1	15
State Ministry of Environment and Forests	1	90
State Municipal Corporation/ Gram Panchayat	14	60
State Pollution Control Board	2	60
Survey of India	1	30
Total Licences/ Approvals	49	

Source: White Paper Policy Reforms for Hotels and Hospitality Sector of India, InterGlobe Hotels Pvt. Ltd and Hotelivate Research

Figure 13: India | Post-Construction Licences and Approvals

DEPARTMENT/ AUTHORITY	NUMBER OF LICENCES/ APPROVALS	AVERAGE DAYS FOR ISSUE OF LICENCES/ APPROVALS
Ministry of Tourism	1	90
State Pollution Control Board	1	90
State Electricity Department	7	50
State Fire Department	3	70
State Municipal Corporation/Gram Panchayat	10	60
Total Licences/ Approvals	22	

Source: White Paper Policy Reforms for Hotels and Hospitality Sector of India, InterGlobe Hotels Pvt. Ltd and Hotelivate Research

Figure 14: India | Pre-Opening Licences and Approvals

DEPARTMENT/ AUTHORITY	NUMBER OF LICENCES/ APPROVALS	AVERAGE DAYS FOR ISSUE OF LICENCES/ APPROVALS
Department of Tourism	1	120
ESIC	1	30
FSSAI	1	60
HRACC (optional but recommended)	1	-
Local Police Station	2	60
PPL and IPRS Authority	2	45
Sports Authority of India, Local Chapter	1	-
State Contract Labour Department	3	90
State EPFO	1	30
State Excise Department	1	60
State Municipal Corporation/Gram Panchayat	10	60
State Tax Department	2	30
State Weight and Measure Department	1	60
Total Licences/ Approvals	27	

Source: White Paper Policy Reforms for Hotels and Hospitality Sector of India, InterGlobe Hotels Pvt. Ltd and Hotelivate Research

RECOMMENDATIONS

- We recommend that the Government should create a standardized system that ensures the following:
  - Number of documents required for processing the licences is consistent and clear across all States.
  - The process should not be unnecessarily arduous.
- It is recommended that timelines for licences and approvals be listed clearly with a single-window clearance system in accordance with the previous recommendation.
- Self-certification for hotels under some licences and approvals should be considered.
- Online tracking of Licences and Approvals should be made viable once the recommendations are in place.
- Wherever possible, licences should be grouped to ensure ease of doing business.
- A 90-day approval window should be implemented for concurrent licences from various departments.
- The Hospitality Development and Promotion Board (HDPB) should become a decision-making body with authority to grant approvals and a clear escalation mechanism as a one-stop-shop for hotel projects.

HOTEL PROJECTS APPROVALS

STAR CLASSIFICATION:

Key Issues

- Project approvals and star categorisation of hotels come under the purview of the regional tourism office and, in higher star categories, also under the Central Government *(as mentioned in the table below)*.

Hotel Category	Jurisdiction
1 to 3 Star category	Regional Indian Tourism Office – Divided into 4 zones (North, South, East & West)
4 & 5 Star, Heritage category	Ministry of Tourism – Central Government

Source: InterGlobe Hotels Pvt. Ltd Research

- Indian Tourism offices are currently limited to only regional zones; for example, the regional office for the South is in Chennai.
- Therefore, it becomes cumbersome for a hotel owner/operator in other states to follow-up on any grievances or requests.
- Additionally, there is no designated resource at the regional centre to address or respond to any issue raised by the owner/operator.

RECOMMENDATION

We recommend setting up an office in every state and appointing a grievance officer.

DOCUMENTATION

Key Issues

- The Department of Tourism lays out the general conditions and list of documents to apply for project approval and star classification. These then need to be submitted online on a web portal.
- According to InterGlobe Hotels Pvt. Ltd research, approximately 50 documents are required, and this number could be exceeded. These include project related details, municipal approvals, company financials, building plan approvals, CTE and approvals from various authorities like AAI, CRZ, Fire and Police.
- Authorities impose lengthy processes for document submission, which becomes tiresome; furthermore, majority of documents required are irrelevant.
- Also, the department requires that all the online uploaded documents (in the regional language) be notarized.

RECOMMENDATIONS

→ **Authorities should reevaluate the list of documents required, only keeping documents that are appropriate and relevant to a proper assessment of project approval.**

→ Instead of notarization of documents, self-certification should be considered.

TIMEFRAME

Key Issues

- The Ministry of Tourism has defined timelines for every process involved in the star classification (mentioned in the point below). However, no such timelines are provided for project approvals.

- The approval timeline (which includes inspection, submission of report etc.) is 4 – 6 months whether its for a Budget or Midmarket Star category hotel or a 4 and 5 Star and Heritage category.

- Additionally, with no defined timeframe set by the authorities for the approval of hotel projects, states like Karnataka, Maharashtra and Goa are taking anywhere between 6-18 months for approvals, which is similar for the star classification process.

- Also, during the approval process, no information on the web portal is provided regarding next steps or the current clear status of the application.

RECOMMENDATIONS

- **Specific timelines should be given for project approvals.**
- **A provisional approval/certificate should be issued in case the expected timelines are not met.**

Ginger Kochi, Kalamassery

PROPERTY TAX

Key Issues

- Property tax for hospitality developments can vary depending on the location, size, built-up area, amenities offered and type of property.

- In India, property tax rates are determined by the local government, and they can differ from one state to another. Moreover, each state has a different rule to calculate the Property Tax, causing disparity across the country

- Additionally, star classified hotels are liable to pay a higher property tax compared to unclassified hotels. Star classification should not become a means of penalising a hotel with a higher property tax.

BEST PRACTICE - SINGAPORE

Non-residential properties like commercial buildings and industrial land are taxed at 10% of the Annual Value. However, residential properties have different tax brackets for properties that fall into different value brackets. Moreover, the change in the tax rate is declared two years prior.

RECOMMENDATIONS

→ **The calculations for property tax should be differentiated based on land usage (for a commercial establishment or for a hotel) and should be made consistent across States.**

→ **Instead of ad hoc rates, States must define the increase in property tax rates in advance so that investors can factor this into the project's operational costs.**

→ **Star classification should not have any bearing on the property tax paid by the hotels.**


Radisson Golf Resort, Pahalgam

CIRCLE RATES

Key Issues

- There are many cities in India where the circle rate is higher than land price, making it uneconomical to acquire land for hotel developments. This is the case especially in Delhi, where the circle rates can go up to twice the current market price for the hotel.

- A higher circle rate would also result in a higher stamp duty. Moreover, the seller will need to pay Capital Gains or Income Tax (as applicable) on the higher Circle Rate.

- In Bengaluru, an additional Preferential Location Tax is applicable as a premium for a corner plot or if the site is along the main road, further increasing the development cost.

- Also, variable leases are widely utilised when buying land. However, some States, including Goa, Kerala, and Tamil Nadu, do not recognise variable leases as a legal concept under the Stamp Duty Law, making it difficult to calculate the correct stamp duty charges.

RECOMMENDATIONS

→ **We suggest that the Circle Rates should be reviewed every 2 - 5 years to keep pace with market dynamics.**

→ **Local governments must be aware of unconventional acquisition arrangements such as variable leases to incorporate them into the system.**

The Lalit Grand Palace Srinagar

GREEN BUILDING NORMS

- With the rising pollution, India has turned its attention to green building as an effective solution.
- From a mere 1,858 sq. m. of green buildings in 2003, India has progressed to 1.8 million sq. m. of green buildings in 2014. With the distinction of being placed third in the world for leadership in energy and environmental design (LEED) of green buildings in 2021, India has 146 certified green buildings and spaces totalling almost 2.8 million gross sq. m.

Key Issues

- With no major incentives, the country still lacks motivation to build green buildings. There is a tremendous potential for further penetration of green building technology in India.
- There aren't any set green building norms to follow during developments of hotels. The country uses a combination of State Byelaws, the National Building Code, the Energy Conservation Building Code, as well as various rating programs such as LEED as guidelines for construction of green buildings.

BEST PRACTICE - DUBAI

Green Building Regulations and Specifications were put in place by the government of the Emirate of Dubai in line with the Dubai Strategic Plan, 2015. Under this plan, all buildings in Dubai must adhere to green building specifications as per the best environment-friendly international standards adapted to local conditions in Dubai to keep Dubai a healthy city that follows the highest standards of sustainable development and has a clean, pollution-free environment. It must be highlighted that these regulations apply to all buildings in the Emirate of Dubai including those in Free Zones.

Figure 15: Benefits for Adopting Green Building Norms | Competitive International Markets

COUNTRY	BENEFITS FOR ADOPTING GREEN BUILDING NORMS
Singapore	Mandatory policy but 2% additional GFA subject to a cap of 5,000 sq. m. is offered
Indonesia	Depending on the green star rating of the building, lower land and building tax is allowed in form of incentive.
Bangladesh	Green financing may be availed of, with competitive cost of debt
Sri Lanka	Mandatory policy for energy efficient buildings
Dubai	Mandatory Green Building Regulations and Specifications for the Emirate of Dubai

Source: Hotelivate Research

Figure 16: Benefits for Adopting Green Building Norms | Indian States

INDIAN STATE	BENEFITS FOR ADOPTING GREEN BUILDING NORMS
Andhra Pradesh	20% reduction on duty on transfer of property if sold within three years
Goa	20% additional FAR
Karnataka	5% to 12% additional FAR
Kerala	Additional FAR depending on Green Star rating
Maharashtra	3% - 5% additional FAR
New Delhi	1% - 5% additional Ground Coverage
Odisha	Additional FAR depending on Green Star rating
Punjab	Additional FAR depending on Green Star rating
Telangana	20% reduction on duty on transfer of property if sold within three years
West Bengal	5% to 25% additional FAR

Source: State Building Bye Laws and Hotelivate Research

RECOMMENDATIONS

- **A unified body should be formed in the long run, possibly in collaboration with a private Rating Agency, in order to create a uniform Green Building Code for projects across the country.** This can then be used as a guideline by State Governments to create their own Green Building norms and incentive systems, compliance to which can be reviewed on a periodic basis during the construction/ post-construction phase by the Rating Agency.
- **States should provide competitive advantages to developers that want to implement these standards.**

  Competitive advantages may include:
  - Availing financing at lower cost of debt for the hotel project
  - Tax benefits
  - Property tax reduction
- **Green building norms will need to be made compulsory or an obvious best practice for all hotel/ commercial establishments.**

ITC Gardenia, A Luxury Collection Hotel
Bengaluru

GOODS AND SERVICES TAX (GST)

The implementation of the Goods and Services Tax (GST) has been a positive move for the hospitality industry in terms of standardised tax rates, tax cascading mitigation, and the availability of previously limited input tax credit. However, there are some challenges with the new tax reform.

Key Issues

- Credit restrictions on goods, services, and works contract services used in the construction of an immovable property, as specified in Section 17(5) of the CGST Act, have been a major setback for the Hotel and Hospitality Sector, causing a break in the credit chain and, as a result, increases the costs of goods and services supplied.

- Hotels incur large expenditures during construction to set up essential components such as interiors, HVAC installations, elevators, architect services, licence fees, and so on.

- Since a hotel structure is deemed immovable property, no input credit is available for the GST paid on all the capital expenditure incurred to build the hotel, thereby increasing the cost of the project by 8-10%.

- This unfavourable amendment thus undermines the GST principle of free flow of credit when the product is used to further business.

RECOMMENDATIONS

→ **Input credit should be allowed on capital expenditure incurred during the development of the hotel like a recent ruling by the Honourable High Court of Odisha in the matter of Safari Retreats Private Limited. Hotel project's which are essentially immoveable assets can benefit from GST input credit if this is implemented**

For example, GST on a residential project or a commercial development is passed on to the end-user either through the GST charged on sale price of the apartments or lease rentals. But GST input credit incurred on capex spent for hotels cannot be taken against GST on room rentals. As a result of this, the Hotel and Hospitality sector has witnessed an 8-10% increase in overall project cost.

Ibis Bengaluru Hebbal

URBAN PLANNING

COHESIVE DISTRICTS

- It has been estimated that by 2050, nearly 60% of the Indian population will be living in urban areas. New Delhi is expected to be the biggest Megacity in the world by 2028.

- In India, such is the impact of urban migration. With increased urbanisation and global corporate migration into Indian cities, it is critical to implement a holistic urban development strategy to address population, economic growth, employment, and social change.

- More cohesive business areas that promote high economic activity with a suitable ecosystem and infrastructure are required to support urban dwellers' livelihoods.

- Currently, these business districts are being established on an ad hoc basis by private developers, such as Cyber City by DLF in Gurugram and High Street Phoenix in Hyderabad.

- Cities of the future should focus on creating eco-friendly infrastructure that supports larger business districts.

- This will lead to an increase in economic activity and business-related travel, which in turn will drive demand for hotels.

- Central hubs, such as convention centres, economic hubs, and industrial regions, should be placed at the centre of the masterplan to support the cohesive districts that are being created.

- Furthermore, these districts should be designed to be sustainable and efficient, to ensure that the benefits of this urban and city planning can be enjoyed for years to come.

LAND PARCELS FOR HOTEL DEVELOPMENT IN NEW MASTER PLANS

- Most cities in India allow hotel developments on Commercial land parcels.

- This means that hotel developers are at a disadvantage when competing with commercial real estate developers for the same land parcel, as commercial real estate typically offers a higher land valuation.

- To ensure that adequate hospitality infrastructure is developed in each city, we recommend specific sites to be earmarked separately for hospitality developments.

- For example, the Port City of Colombo, the largest planned township in South Asia, has 5% of the 660 acres divided amongst four greenfield sites. Similarly, in planned cities in the Middle East, around 5%-7% of the land is reserved for hospitality projects.

- In Whitefield in Bengaluru, all land parcels available have a Commercial zoning and conversions are not permitted as per the local authorities.

- As a result, some larger land parcels have no process of bifurcation such that they can be used for a Hotels project.

- Furthermore, land auctions/allotments for hotel development by local state officials are often at prohibitive prices making such hotel projects unfeasible.

- For example, the retainer price for the Pragati Maidan IECC. The Convention Centre 5 Star Hotel was put at ₹611.3 crore, with a security deposit of ₹40 crore. Despite being a promising undertaking, it proved unfeasible, and no bids were submitted.

CENTRAL DATABASE FOR LAND OWNERSHIP

- Credible benchmarks for land prices for hotels are difficult to find and land cost sometimes end up between 45% and 50% of the project cost. It must be noted that any land cost higher than 25-30% makes projects unfeasible.

- Land Records have been digitised in very few States making title search a laborious process. Further, Land Records and the Revenue System is different in each State.

- For example, in Goa, within the state some lands that were a part of the Cadastral Survey have additional land records that other lands do not have.

- Information about the physical aspects of the land such as geological data of soil conditions, weather, water resources and chemical composition of land should be made available in the public domain which will prove helpful during assessment of land parcels.

- Also, there is a need to introduce a centralised database of digitised records with a single authority for Title Information.

LEGISLATION AND JUDICIAL ASPECTS

- **Insolvency Laws –** In case a land is taken on lease, there is not enough clarity on how the rights as a lessee would be protected in case an owner is involved in insolvency proceedings.

- **Labour Laws –** Consolidation of labour laws is needed at least at the national level. While the Code on Wages, 2019 is a great step in this direction, the other labour laws also need to be similarly consolidated.

- **Building & Construction Workers Act –** A cess amount is levied for every project under this Act and is deposited in a fund for workers who are termed as beneficiaries of the fund. This is done over and above the insurance provided for all workers. It remains unclear how the fund is being utilised.

- **Judicial System –** It is very important that disputes are sorted quickly, and delays are prevented.

Pullman New Delhi Aerocity

CONCLUSION

- Various norms and regulations established by the State Governments appear to be outdated or require appropriate benchmarks.

- The country lacks the required hospitality infrastructure mainly due to the key issues mentioned in this report: FSI norms, parking norms, licencing delays, non-availability of industry and infrastructure status benefits, etc.

- India needs to emulate countries such as Singapore or the U.A.E. We urge the Central and State Governments to adapt the best practices from such countries to suit our own unique needs so that we can ensure that our infrastructure development is efficient, effective, and sustainable in the long run.

- Furthermore, we need parity of laws and frameworks across all States.

- The recommended policy reforms will lead to both smoother processing of licences and optimal usage of space. This will not only result in higher revenue potential for hotel owners and investors but also augment exchequer income in the form of higher taxes.

- These benefits will, in turn, encourage further investment into the hospitality infrastructure of the country, thereby enhancing the tourism experience and bringing it at par with competitive countries in the region.

- This will undoubtedly have a positive impact on the economy, with greater employment generation and increased GST collection for the government from tourism-related activities, resulting in higher GDP contribution by the hospitality sector.

It is now the prerogative of the Central and State Governments to take steps towards enhancing tourism-related infrastructure in the country. While strict processes and policies are required in order to maintain control, it is imperative that a degree of flexibility be brought in to ensure a win-win situation for the governments and investors considering that these very investors finally bear the onus of providing the nation with the required infrastructure and facilities. Great thought now needs to be put in to create policies that work together rather than processes that are complicated and obstruct India from achieving its full potential.

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CONFERENCES & EVENTS

HICSA SOUTH ASIA

HOSI HOTEL OPERATIONS SUMMIT INDIA

THINC Indonesia Tourism, Hotel Investment & Networking Conference

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2nd Floor, Paras Downtown Centre, Golf Course Road, Sector-53, Gurugram 122002, India

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