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Rise in taxes, airfares hit tourism

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Heavy taxation and mounting airfares in the domestic sector are taking their toll on inbound and domestic tourist movement, and weaning away domestic travellers to cheaper international tourist destinations.

The setback to the tourism industry during the peak domestic tourism season is mainly owing to the hike in the Union government's service tax from 10 to 12 per cent. As a result of the hike, which came into effect on April 1, holiday packages have become out of tourists' reach.

A tourist who opts for a package of Rs.10,000 has to shelve out Rs.2,179 extra as taxes, making the destination expensive compared to Thailand, Malaysia, or other international destinations.

Of the 21.79 per cent taxes being levied, 12.5 per cent is the luxury tax levied by the States, 6.2 per cent is the service tax levied by the Union government for the room, and 3.09 per cent the service tax on package tours that is collected by the Union government through the tour operator.

Hospitality industry sources said the service tax for rooms was introduced by the Union government two years ago, and it had been increased to 6.2 per cent in the Union Budget though the tourism industry was demanding its withdrawal for the benefit of the tourists and promoting the sector. The service tax on tour packages had also been increased from 2.58 per cent to 3.09 per cent from this fiscal.

Kerala is witnessing a decline in tourist arrivals owing to the heavy taxes and increase in airfares in the domestic sector. "There is a 50 per cent decline in the tourist movement in the domestic sector in April owing to the hike in holiday package prices in Kerala," industry sources said.

Travelling to international tourist destinations has become cheaper. An airline is offering flight tickets to Thailand for Rs.5,000 from South India, while one needs more than double the amount to come down from Mumbai to Kerala. During the past 12 months, over 9 lakh Indian tourists visited Thailand. Sources said the figures showed travellers' preference for international destinations.

Instead of encouraging domestic and inbound tourism, the Union government was promoting outbound tourism, the sources said. The country was losing foreign exchange on account of this, they said.

The Association of Tourism Trade Organisations India has urged the Centre to roll back the service tax levied on rooms and packages to facilitate tourist movement into the country and within the country.

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