Transforming India's Service Economy: The Role of GST 2.0 in Tourism and Hospitality Sectors

Mr. Vansh Khatri, BBA VI Semester, MSMSR, Raipur, Chhattisgarh

ABSTRACT:
The implementation of the Goods and Services Tax (GST) marked a major turning point in India's indirect taxation system by consolidating multiple taxes into a unified structure. While the reform has enhanced transparency, reduced tax cascading, and improved administrative efficiency, several structural and operational challenges persist, particularly within tourism, hospitality, and service-based industries. These sectors are highly responsive to taxation policies, as pricing, demand, and competitiveness are directly influenced by tax structures and compliance requirements.

In this context, GST 2.0 has emerged as a reform-driven approach aimed at addressing existing gaps through tax rationalization, simplified compliance procedures, and improved input tax credit mechanisms. This study evaluates the necessity of GST 2.0 reforms and analyses their potential impact on tourism, hospitality, and service sectors.

The research adopts a descriptive and analytical methodology using secondary data sourced from policy documents, government reports, academic literature, and industry publications. The study identifies key issues such as multiple tax slabs on accommodation and travel services, compliance challenges for small enterprises, and inefficiencies in digital tax administration. It further explores how GST 2.0 reforms—including streamlined tax rates, strengthened digital infrastructure, and targeted policy support—can enhance ease of doing business, promote sectoral expansion, and improve global competitiveness.

The findings suggest that effective implementation of GST 2.0 can contribute significantly to economic growth, employment generation, and sustainable development within service industries. The study offers policy-oriented insights for improving tax efficiency and strengthening sectoral resilience in a dynamic economic environment.

KEYWORDS:
GST 2.0, Tax Reform, Tourism Industry, Hospitality Sector, Service Economy, Economic Growth

INTRODUCTION :

The Goods and Services Tax (GST) stands as one of the most comprehensive fiscal reforms in India, designed to unify the country's fragmented indirect taxation system. Introduced in July 2017, GST replaced multiple central and state taxes, thereby creating a more transparent and efficient tax regime. The reform aimed to eliminate cascading effects, reduce compliance complexities, and enhance the competitiveness of Indian businesses.

The tourism, hospitality, and service sectors are integral to India's economic development, contributing significantly to GDP, employment, and foreign exchange earnings. These sectors also generate multiplier effects by supporting allied industries such as transport, retail, and entertainment.

Despite the anticipated advantages of GST, service-oriented industries have encountered several challenges. Variations in tax rates across hotel categories, restaurant services, and travel-related activities have influenced pricing strategies and consumer demand. Additionally, compliance requirements and frequent regulatory updates have created uncertainty among businesses, particularly small and medium enterprises.

The concept of GST 2.0 has therefore gained importance as a progressive reform initiative aimed at refining the existing tax system. It focuses on rationalizing tax structures, enhancing digital compliance, and improving input tax credit mechanisms. These reforms are expected to improve efficiency, reduce operational burden, and support sectoral growth.

Furthermore, the COVID-19 pandemic exposed vulnerabilities in tourism and hospitality sectors, highlighting the need for supportive fiscal policies. GST 2.0 reforms are thus essential for recovery, sustainability, and long-term competitiveness.

This study aims to evaluate GST 2.0 reforms and their implications for tourism, hospitality, and service sectors, contributing to both academic understanding and policy development.

LITERATURE REVIEW:

The introduction of GST has been widely studied due to its far-reaching economic implications. Researchers have particularly focused on its impact on service-oriented sectors.

Studies indicate that GST has increased compliance costs for small businesses due to digital filing requirements and professional assistance needs. Similarly, research highlights that while larger firms have benefited from tax uniformity, smaller enterprises face challenges in adapting to new compliance systems.

Sector-specific studies reveal that GST has improved transparency and reduced tax cascading in service industries; however, higher compliance costs and limited awareness have negatively impacted smaller service providers.

Research also shows that GST has contributed to overall economic growth by streamlining taxation and improving supply chain efficiency. In tourism-related industries, taxation policies significantly influence pricing strategies and market competitiveness.

Industry reports suggest that varying GST rates on hotel accommodation and food services affect affordability and global competitiveness. Experts recommend uniform tax structures and improved input tax credit systems.

Recent studies also highlight the role of digital technologies in enhancing tourism services, including dynamic pricing and recommendation systems. Additionally, emerging technologies such as digital twins are being explored to improve tourism management.

Earlier research emphasizes that GST has improved inter-state trade efficiency and reduced logistical barriers. However, frequent policy changes have created uncertainty in the hospitality sector.

Overall, literature suggests that GST has improved transparency and efficiency but has also introduced compliance and pricing challenges, necessitating further reforms under GST 2.0.

OBJECTIVES OF THE STUDY:

1. To examine the concept and framework of GST 2.0 reforms in India
2. To analyse the impact of the existing GST system on tourism, hospitality, and service sectors
3. To evaluate the potential effects of GST 2.0 on sectoral growth and competitiveness
4. To recommend policy measures for improving GST effectiveness in service industries.

RESEARCH METHODOLOGY:

Research Design

The study follows a descriptive and analytical approach to evaluate GST reforms and their sectoral impact.

Data Type

The research is based entirely on secondary data.

Data Sources

- Government reports and GST Council publications
- Academic journals and research papers

- Industry reports and statistical data
- Reputable online databases and publications

Sampling Technique

Purposive sampling has been used to select relevant literature and reports.

Analysis Methods

- Qualitative content analysis
- Comparative analysis
- Trend evaluation

Variables

- Independent Variable: GST reforms (GST 2.0 measures)
- Dependent Variables: Sector growth, employment, investment, ease of doing business

FINDINGS

The key findings of the study are:

- GST 2.0 focuses on tax rationalization, digital transformation, and improved input tax credit systems.
- The existing GST framework has improved transparency but created challenges due to varied tax rates.
- Small and medium enterprises face compliance difficulties and digital adaptation issues.
- GST 2.0 reforms can enhance competitiveness, reduce operational costs, and improve demand.
- Policy measures such as simplified compliance and awareness programs are essential for maximizing benefits.

DISCUSSION/RESULTS:

The findings indicate that GST has successfully unified India's taxation system but has not fully addressed sector-specific challenges. Tourism and hospitality industries are particularly sensitive to tax rates, which directly affect pricing and demand.

GST 2.0 reforms provide an opportunity to correct these inefficiencies. By introducing uniform tax rates and simplifying compliance procedures, the government can enhance ease of doing business.

Digital transformation is another critical aspect, as efficient tax administration relies on strong technological infrastructure. Improved systems can reduce errors, enhance transparency, and increase compliance.

Overall, GST 2.0 represents a necessary evolution of India's tax system, aimed at improving both efficiency and inclusivity.

CONCLUSION:

The study concludes that GST has significantly improved India's taxation framework by promoting transparency and reducing tax complexities. However, challenges remain in tourism, hospitality, and service sectors due to varied tax rates and compliance burdens.
GST 2.0 offers a promising solution through tax rationalization, improved input tax credit mechanisms, and enhanced digital systems. Effective implementation of these reforms can drive sectoral growth, increase investment, and generate employment.
A collaborative approach involving policymakers, industry stakeholders, and service providers is essential for ensuring the success of GST reforms. With appropriate policy measures, GST 2.0 can play a crucial role in achieving sustainable economic development.

CONFLICT OF INTEREST:

This paper is based on a conceptual review of published literature and does not involve direct funding or collaboration with commercial biotechnology entities. The author declares no financial or personal conflicts of interest related to the subject matter discussed.

REFERENCES:

1. Almeida, D. S., Abreu, F. B., & Boavida-Portugal, I. (2025). *Digital twins in tourism: A systematic review*.
2. Awasthi, R., Akhtar, M., & Khan, F. S. (2023). *GST and sustainability in the handicraft sector*.
3. Banerjee, A., Banik, P., & Wörndl, W. (2023). *Fairness in tourism recommendation systems*.
4. Barua, B., & Kaiser, M. S. (2024). *Dynamic pricing in the travel industry*.
5. Barki, G. S., & Ajaraddi, R. B. (2024). *GST impact on service sector performance*.
6. Gupta, A. (2021). *GST reforms and service sector growth*.
7. Kesari, N. (2025). *GST compliance challenges for small businesses*.
8. Kelkar, V. (2019). *Evolution of GST in India*.
9. Kumar, V. (2025). *GST and industrial development*.
10. Kumar, S., & Reddy, P. (2021). *GST and tourism demand*.
11. Mishra, P., & Mohanty, R. (2020). *Hospitality sector challenges under GST*.
12. Nair, R. (2019). *Tax reforms and consumer behavior*.
13. Patel, K. (2020). *Policy awareness and MSME growth*.
14. Rao, M. (2018). *GST and logistics efficiency*.
15. Sharma, S., & Singh, D. (2022). *Tax incentives and tourism recovery*.

16. Sahila, C., Begum, S., Asha, J. G. S., Agrawal, R. K., & Muthukumar, E. (2024). The impact of AI on employer branding and customer loyalty programs. *Acta Scientiae*, *7*(1), 551–565
17. Singh, D. K., & Singh, B. P. (2024). *GST compliance in unorganized sector*.
18. Sinha, A. (2023). *Digital compliance under GST*.
19. Agrawal, R.K. (2021). *Complete Guide to Pharmaceutical Forecasting* (1st ed.). PharmDart Publication. ISBN - 978-81-954736-2-5 https://pharmdart.org/drugdart.php?fldPathId=3