

**GJA Learning.**

April 3, 2025

## **GST Amendments – Restaurant Services Effective from April 1, 2025**



## Restaurant service – GST overview

- ▶ The Goods and Services Tax (GST) regime for restaurant services has seen considerable evolution and have undergone multiple revisions since its inception in July 2017.
- ▶ Initially, rates varied by type of establishment, with A/C and alcohol-serving restaurants taxed at 18% with ITC, and non-A/C restaurants at 12%.
- ▶ In November 2017, the rates were streamlined to 5% without ITC for standalone restaurants and those restaurants in hotels with room declared tariffs below ₹7,500, while restaurants in higher-end hotels with room declared tariffs above ₹7,500 continued at 18% with ITC.
- ▶ October 2019 introduced the concept of "specified premises" whereby restaurant services in hotels were taxed at 5% without ITC for non-specified premises and 18% with ITC for specified premises.
- ▶ In November 2021, GST liability on restaurant services provided through e-commerce platforms was shifted to the platforms themselves under Section 9(5) of the CGST Act.

## Latest amendment w.e.f April 1, 2025

- ▶ In a major development, the 55th GST Council meeting, held in the month of December 2024, introduced key changes effective from April 1, 2025, with a significant impact on hotel-based restaurants. Notably, **the concept of the "Declared Tariff" has been abolished.**
- ▶ Going forward, GST will be levied based on the **actual "Value of Supply"** of accommodation services.

### GST Rate Structure Effective from April 1, 2025

Category		GST Rate	Input Tax Credit (ITC)	Remarks
Standalone restaurants		5%	Not Available	Lower GST rate without ITC
Restaurants based inside a Hotel/resort	Value of Supply $\geq$ ₹7,500 in the <b>preceding year</b>	18%	Available	Declaration to be filed in the GST portal
	Value of Supply $\leq$ ₹7,500 <b>preceding year</b>	5%	Not Available	Similar treatment as to a standalone restaurant
		18%	Available	Declaration to be filed in the GST portal

### Specified premises now means –

- Any premises where the "Value of Supply" for **any unit of accommodation** exceeded ₹7,500 per day in the previous financial year, or;
- Any premises where a registered hotel service provider has submitted a declaration opting for the 18% GST rate with ITC.

### Declaration Filing Requirements -

Hotels that wish to **opt for the 18% GST with ITC** must submit a declaration to the GST dept.:

- Existing registered businesses: Declaration to be filed by March 31 each year.
- Newly registered businesses: Declaration must be filed within 15 days of registration.

Once opted in, the declaration remains applicable for the financial year and cannot be changed.

### Special note – Restaurant services supplied through e-commerce operators:

Since November 2021, E-commerce operators (ECOs) like Swiggy, Zomato, etc. are responsible for collecting and paying GST on restaurant orders made through their platforms — not the restaurants themselves. Restaurants should appropriately disclose such sales through the GST returns.

## ► What is "Declared Tariff"? (Before April 1, 2025)

Declared Tariff referred to the published room rate (like the rate shown on hotel websites, brochures, or OTAs like MakeMyTrip), before any discounts. It was used as the basis to determine the GST rate for hotel accommodation. Even if a guest paid less due to discounts, the GST rate was based on the declared rate, not the actual amount paid. Example: If a room had a declared tariff of ₹8,000 but was sold for ₹6,500, GST on restaurant service will be applied at 18% (based on ₹8,000).

## ► What is "Value of Supply"? (Effective April 1, 2025)

With the removal of "Declared Tariff", GST will now be based on the actual transaction value — i.e., the Value of Supply. Value of Supply = the actual amount charged to the customer (after discounts, offers, etc.) This aligns GST with the real economic value exchanged, making taxation more transparent and fair. Example: Using the same case, if the room is sold at ₹6,500, GST will be calculated based on ₹6,500 — and the applicable rate for restaurant services will also depend on whether **any room**, after such discount, has been sold for ₹7,500 or above in the previous financial year.

Impact of this amendment :	Steps for Compliance:
<p><b>Simplified Compliance:</b> Removal of "Declared Tariff" reduces administrative burdens in the form of reconciliations and thereby reduce tax disputes.</p> <p><b>Enhanced Transparency:</b> Basing GST rates on actual accommodation revenue prevents tax evasion and inconsistencies.</p> <p><b>Reduced Litigation:</b> Seasonal fluctuations and varying platform rates (hotel websites, OTAs, walk-ins) will no longer impact tax liabilities.</p> <p><b>Flexibility for Hotels:</b> Hotels can choose to opt into the 18% GST with ITC regime, enhancing their tax benefits.</p>	<p>Restaurant service providers, especially hotel-based establishments, must:</p> <ul style="list-style-type: none"> <li>▪ Evaluate eligibility for specified premises classification.</li> <li>▪ Submit necessary declarations before the financial year begins.</li> <li>▪ Inform E-commerce operators about tax rate opt-in/opt-out status to prevent double taxation.</li> <li>▪ Update accounting systems and train staff for compliance.</li> </ul>

### Real Life Scenario (Example for clarity):

Hotel Grand Elegance, a luxury hotel in Mumbai, operates a fine-dining restaurant, The Royal Feast. Previously, GST on the restaurant was 18% with ITC, as the hotel's declared room tariff exceeded ₹7,500 per night however actual room rate per unit accommodation revenue was only ₹7,200.

Impact of GST Amendments (Effective April 1, 2025)	Hotel's Decision & Compliance Steps
<ul style="list-style-type: none"> <li>▪ New Taxation Basis: GST rates are now determined by the actual Value of Supply instead of the Declared Tariff.</li> <li>▪ Hotel's Financial Position: In FY 2024-25, the hotel's room rate per-unit accommodation revenue was ₹7,200, making it eligible for 5% GST without ITC.</li> <li>▪ Options available to the hotel:             <ol style="list-style-type: none"> <li>a. Opt for 18% GST with ITC: The hotel can submit a declaration by March 31, to retain the 18% GST rate and continue availing ITC.</li> <li>b. Opt for 5% GST without ITC.</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>▪ After evaluating cost benefits, the hotel may choose 18% GST with ITC or 5% without ITC to maximize tax savings.</li> <li>▪ In case they opt for 18% rate structure, they have to file a declaration with the GST dept. intimating this decision before the deadline.</li> <li>▪ They have to update their invoicing systems to reflect the correct GST rate.</li> <li>▪ Notify staff, online travel agencies (OTAs), and food aggregators to ensure smooth compliance.</li> </ul>

- ▶ **The various rates applicable until April 1<sup>st</sup> 2025, is given below for future references:**
- ▶ Evolution of the GST rates on restaurant service since the inception of the GST regime until the recent amendment is summarized below.

<b>GST Provisions from July 1, 2017 till November 2017</b> <i>(Upon GST implementation, restaurant services were taxed differently based on establishment type)</i>			
<b>Category</b>	<b>GST Rate</b>	<b>Input Tax Credit (ITC)</b>	<b>Remarks</b>
Restaurants serving alcoholic beverages	18%	Available	Standard GST rate with ITC
Air-conditioned or centrally heated restaurants	18%	Available	Applicable to restaurants with A/C or heating
Non-air-conditioned restaurants	12%	Available	Lower rate applicable to non-A/C establishments
Restaurants under the composition scheme	5%	Not available	Subject to restrictions under GST composition scheme
<b>From November 2017 till October 2019</b> <i>(To address grievances about non-passing of ITC benefits, the Govt. revised GST rates)</i>			
Standalone restaurants and those in hotels with <b>Declared room tariff &lt; ₹7,500</b>	5%	Not available	Lower GST rate without ITC
Restaurants in hotels with <b>Declared room tariff ≥ ₹7,500</b>	18%	Available	Higher-end establishments allowed ITC
<b>From October 2019 till April 2025</b> <i>(The concept of "Specified Premises" was introduced as a key determinant of GST rates)</i>			
Restaurant services at non-specified premises	5%	Not available	Lower rate for general restaurants
Restaurant services at specified premises	18%	Available	Applicable to high-end/specified establishments
<b>November 2021 Amendments:</b> E-commerce operators (ECOs) were made liable to discharge GST on restaurant services under Section 9(5) of the CGST Act.			

## Concluding remarks:

- ▶ The latest GST amendments aims to provide clarity, transparency, and flexibility for restaurant service providers. Businesses should take proactive steps to comply with the revised provisions and optimize their tax benefits.
- ▶ Consulting tax professionals and ensuring timely declaration submissions will be key to a smooth transition under this new GST framework.

## References to legal materials:

**Heading 9963 (Accommodation, food and beverage services):**

**Notification number 11/2017-Central Tax (Rate) read with Notification No. 05/2025-Central Tax (Rate) dated 16.01.2025**

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