

DESAI SAKSENA & ASSOCIATES

11th April, 2025

Friday Tax Alert

From:

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Changes in GST Compliance & Rates for Hotel & Restaurant Services w.e.f 1st April 2025

The hospitality sector, encompassing hotels, restaurants, and catering services, has undergone significant changes in the GST regime with effect from 1st April 2025. The amendments introduced by Notification No. 5/2025-Central Tax Rate and Notification No. 08/2025 – Central Tax Rate Dated 16th January 2025 have altered the tax rates and compliance requirements for taxpayers operating business in this industry.

Background

Earlier, hotels charging more than ₹7,500 per day for room accommodation were classified under the luxury category and taxed at 18% GST. However, there has often been confusion around the GST applicability on food and beverage services provided by such hotels — whether restaurants operating within these premises should attract the same GST rate as luxury accommodation or the standard rate applicable to standalone restaurants.

What Changes from April 2025?

➤ **Declared Tariff Replaced with Transaction Value**

One of the key changes is the replacement of the "**declared tariff**" method with the **actual value of supply**, also known as transaction value.

Previously, hotels were taxed based on declared tariffs—which included bundled amenities like air-conditioning, furniture, etc.—even if discounts were applied. This often led to ambiguity in rate classification.

Now, under the new rule:

The actual price charged in the previous financial year (FY) will determine whether the hotel qualifies as "specified premises."

Once classified as specified premises, restaurant services offered within are mandatorily taxed at 18% GST, with the benefit of input tax credit.

➤ **Who Qualifies as a 'Specified Premises'?**

“A specified premises refers to any hotel that, in the preceding financial year, charged above ₹7,500 per day for any unit of accommodation.”

This classification ensures that such premises automatically fall under the 18% GST slab for their in-house restaurant services. **Hotels below the ₹7,500 threshold continue to attract 5% GST without ITC**

GST Rates for Hotel & Restaurant Services with effect from 1st April 2025

Category	GST rate	ITC availability
Standalone Restaurant	5%	No ITC allowed
Hotel Room Rent Above 7500 & Restaurants Services inside hotel (Specified Premises)	18%	ITC Allowed
Hotel Accommodation (Room rent Up to Rs. 7500)	12%	ITC Allowed

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Implication of the Amendments

- Hotels where any unit of accommodation had a room rent exceeding Rs. 7,500 in FY 2024-25 must file Declaration before 31st March 2025.
- Restaurant locating in Specified Premises are now subject to 18% GST with Input Tax Credit (ITC) instead of earlier 5% GST without ITC.
- Notification No. 8/2025 – Central Tax Rate removes the Reverse Charge Mechanism (RCM) liability for E-Commerce Operators (ECO's) under Section 9(5) of the CGST Act. As per this notification restaurant located in "Specified Premises" must pay GST at 18% under forward charge. Earlier Zomato, Swiggy, etc. were liable to collect and pay GST for restaurant services. Now E-Commerce Operators are relieved from tax liability under RCM.
- One of the most important changes introduced in the GST Act vide above notification is the introduction of the term "Specified Premises" as those premises from where the supplier has provided hotel accommodation service having the value of supply of any unit of accommodation above Rs. 7,500 per unit per day or equivalent in the preceding financial year.
- Hotels with a room rent below Rs. 7,500 per day do not need to file any declaration.

CBDT Exempts HUDCO Bonds from LTCG

The Central Board of Direct Taxes (CBDT) has notified that bonds issued by the Housing and Urban Development Corporation Limited (HUDCO), redeemable after five years and issued on or after April 1, 2025, will be treated as "long-term specified assets" under section 54EC of the Income-tax Act, 1961.

This notification enables taxpayers to claim capital gains exemption by investing in these HUDCO bonds, provided other conditions under section 54EC are fulfilled.

The bonds are to be issued by HUDCO, a public financial institution recognized under section 2(72) of the Companies Act, 2013. Crucially, the proceeds from these bonds must be utilized solely for infrastructure projects that are capable of servicing the associated debt from project revenues, without reliance on State Government support.

The definition of "infrastructure" for this purpose refers to the sub-sectors listed in the Updated Harmonized Master List of Infrastructure sub-sectors notified by the Department of Economic Affairs, Ministry of Finance, on October 11, 2022 (Notification No. 262), including any future amendments or additions.

[Notification no. 31/2025 dated 07.04.2025]

Deadline for Vivad se Vishwas Declaration

The Central Board of Direct Taxes (CBDT), under the Ministry of Finance, has issued a notification dated 8th April 2025, **declaring 30th April 2025 as the last date for filing declarations under the Direct Tax Vivad se Vishwas Scheme, 2024.** This notification is issued in exercise of powers granted under clause (l) of sub-section (1) of section 89 of the Finance (No. 2) Act, 2024. The scheme provides taxpayers with an opportunity to settle outstanding direct tax disputes by filing a declaration regarding tax arrears with the designated authority, as per section 90 of the Act. The deadline applies to all eligible declarants intending to resolve pending tax matters under the scheme.

[Notification no. 32/2025 dated 08.04.2025]