

# A Study on the Impact of GST on Hotel Management in Karnataka

**Rashmi B K**  
Master of Commerce  
Karnataka, India

## Abstract

The implementation of the Goods and Services Tax (GST) in India has brought significant reforms to the indirect taxation system and has considerably influenced the hotel industry. The hotel sector plays an important role in Karnataka's economy through tourism development, employment generation, and revenue contribution. This study examines the impact of GST on hotel management in Karnataka, focusing on operational efficiency, pricing strategies, tax compliance, profitability, and customer demand. The study aims to analyze both the positive and negative effects of GST on hotels of different categories across Karnataka. It explores how GST has influenced hotel pricing, billing systems, accounting procedures, and customer satisfaction. The research also identifies the challenges faced by hotel management, such as frequent tax rate revisions compliance burden, technological adaptation and staff training requirements. This study is based on both primary and secondary data collected through questionnaires, government reports, journals and industry publications. A total of 150 respondents were selected using the convenience sampling method. The findings indicate that GST has improved tax transparency and simplified taxation procedure in the hotel sector.

**Keywords:** Goods and Service tax, Hotel Industry, Taxation, Customer Perception.

## 1. Introduction

Introduction of Goods and Services Tax (GST) in India on 1st July 2017 marked one of the most significant tax reforms in the country's economic history. GST replaced multiple indirect taxes such as service tax, value added tax (VAT), luxury tax, and entertainment tax with a unified taxation system. The main objective of GST was to simplify the taxation structure, reduce tax cascading, improve transparency, and create a common national market. As one of the major service-oriented sectors in India, the hotel industry has experienced notable changes due to the implementation of this tax reform. The hotel industry plays an important role in the economic development of Karnataka. The state is widely recognized for its tourism potential, business hubs, heritage sites, pilgrimage centers, and growing hospitality infrastructure. Cities such as Bengaluru, Mysuru, Hubballi, and Mangaluru attract a large

number of domestic and international visitors, contributing significantly to the growth of hotels and related businesses. The hotel sector not only supports tourism but also generates employment opportunities and contributes to state revenue.

The implementation of GST has brought both opportunities and challenges for hotel management in Karnataka. On one hand, it has simplified tax compliance by integrating various indirect taxes into a single system and improving operational transparency. On the other hand, variations in GST rates based on room tariffs and services have influenced pricing strategies, operational costs, customer demand, and profitability of hotels. Small and medium-scale hotels, in particular, have faced challenges related to compliance procedures, digital filing systems, and understanding tax regulations.

Hotel management is directly affected by taxation policies because tax rates influence room pricing, service charges, customer affordability, and overall business performance. The changing tax structure under GST has compelled hotel operators to revise their pricing models, accounting systems, and business strategies to remain competitive in the market. Understanding these changes is essential to evaluate whether GST has positively or negatively influenced hotel operations in Karnataka.

## 2. Review of Literature

- **Diksha Panwar and Sidheswar Patra (2017)** studied the impact of GST on restaurants and food service businesses in India. The study found that GST simplified the tax system by replacing multiple indirect taxes and improved transparency. However, it also created challenges such as confusion in tax slab interpretation and compliance issues for business owners. The study concluded that GST has both positive and negative effects depending on the adaptability of businesses.
- **Basavanagouda Nayaka, VP Panduranga (2019)** The study examined the impact of Goods and Services Tax (GST) on the tax collection performance of Karnataka after 2.5 years of its implementation. It highlighted that GST is a landmark indirect tax reform introduced to create a transparent, simple, and unified taxation system in India. The study found that GST has led to an increase in taxpayer registrations, return

filings, and tax collections in Karnataka, indicating improved tax compliance and administrative efficiency. However, the study also noted delays in the payment of compensation by the Central Government to the states for revenue losses arising from GST implementation. Such delays may adversely affect the financial resources of state governments and their ability to undertake welfare and developmental activities. The study concluded that while GST has strengthened the tax system, timely compensation to states is essential for maintaining fiscal stability and supporting socio-economic development.

- **Venkataramanaiah S. and Sherry Abraham (2020)** studied the impact of GST on the development of the hospitality and tourism sector in India. The study found that GST brought significant changes to the taxation structure by replacing multiple indirect taxes with a unified tax system. This reform reduced tax complexity and improved transparency in business transactions. The authors observed that rationalization of GST rates supported the growth of the hospitality and tourism industry by reducing operational burdens and improving tax compliance. The study concluded that GST positively influenced employment generation, business efficiency, and sectoral growth, while also highlighting the need for continuous policy revisions to address implementation challenges in the hospitality sector.
- **Akash R. Naik and Vishwanath Bhanuse (2022)** An impact of GST on selected business sectors, particularly real estate and the hotel industry. The study found that GST has significantly changed the indirect tax structure by bringing uniformity and transparency in taxation. It highlighted that GST simplified tax administration and improved compliance in the hotel sector. However, the study also pointed out challenges such as complexity in understanding tax rates and difficulties faced by businesses during the transition period. The research concluded that while GST has created opportunities for better tax management, the hotel industry still faces operational and pricing challenges under the new tax regime.
- **Sunil Kumar Das (2023)** in the study “Impact of GST on Hotel Industry and Customers’ Perception” examined the effect of Goods and Services Tax (GST) on the hotel and restaurant sector, with a focus on customer perception. The study highlighted that GST, as a comprehensive indirect tax system, has significantly influenced pricing, taxation transparency, and business operations in the

hospitality sector. Using responses collected from 120 participants through convenience sampling, the research found that GST has improved tax transparency and simplified indirect taxation. However, customers expressed concerns regarding higher service costs due to GST rates imposed on food and accommodation services. The study further revealed that customer awareness of GST provisions remains limited, affecting their perception of fairness in taxation. It concluded that while GST has brought structural improvements to the hotel industry, there is a need for better consumer education and rationalized tax rates to ensure balanced growth of the hospitality sector.

- **Charan and Vimal Kumar (2025)** Conducted a study on GST implementation among hotels in Coimbatore. The study found that GST created both opportunities and challenges for hotel businesses. Luxury hotels benefited from input tax credit and structured tax compliance, while budget hotels faced higher compliance burden and operational difficulties. The study concluded that simplification of GST procedures is essential for smaller hotels.

### 3. Research Problem

Despite the introduction of GST is a simplified and unified tax system, many Hotel industries in Karnataka continue to face challenges related to compliance, technological adaption, and financial management. While GST has improved transparency and tax collection, its actual impact on the performance, profitability, and growth of hotel sectors. There is a need to critically examine whether GST has truly benefited Hotels or created additional operational burden, especially in Karnataka.

### 4. Objectives

- To Analyze the role of hotel industry in Karnataka's economy.
- To know the changes in pricing strategy after GST implementation.
- To evaluate the level of awareness and compliance challenges related to GST among Hotel Managers.
- To identify the operational challenges faced by hotels due to GST.

### 5. Research Methodology

#### 5.1 Sources of Data

The study is based on both primary and secondary data.

#### Primary Data

Primary data was collected directly from hotel managers, accountants, and staff members through a structured questionnaire and Personal interviews were also done with respondents.

### Secondary Data

Secondary data was collected from Government reports, GST Council publication, Research articles, books, newspapers, magazines, etc.,

### Sampling Technique

The study adopted convenience sampling method for selecting respondents from hotels operating in different regions of Karnataka.

### Sample Size

A total of 150 respondents are selected for the study, including hotel owners, managers, accountants, and operational staff.

## 6. Analysis of data and Interpretation

**Table 1: Demographic Profile of Respondents**

In this study, the personal and professional details of 150 respondents were examined to understand their background. Information such as age group, qualification, location, job role, year of operation, ownership type, category of hotel was considered.

Category	Options	No. of Respondents	Percentage
Age	Below 25	32	21
	25-35	74	49
	35-45	31	21
	Above 45	13	9
	<b>Total</b>	<b>150</b>	<b>100</b>
Qualification	SSLC	22	15
	PUC	43	29
	Under Graduation	50	33
	Post Graduation	35	23
	<b>Total</b>	<b>150</b>	<b>100</b>
Type of Hotel	Budget Hotel	48	32
	Mid-Range	44	29
	Luxury	22	15
	Resort	36	24
	<b>Total</b>	<b>150</b>	<b>100</b>
Location	Urban	58	39
	Semi-Urban	41	27
	Rural	51	34
	<b>Total</b>	<b>150</b>	<b>100</b>

Ownership Type	Sole Proprietorship	85	57
	Partnership	65	43
	<b>Total</b>	<b>150</b>	<b>100</b>

The demographic analysis reveals that out of 150 respondents, 74 (49%) belong to the 25-35 years age group, showing that young professionals dominate hotel management activities. In terms of qualification, 50 respondents (33%) are under graduates, indicating a strong educational background among managers. Regarding hotel category, 48 respondents (32%) belong to budget hotels, followed by 44 (29%) from mid-range hotels, reflecting the higher presence of small and medium-scale establishments in Karnataka. The location-wise distribution shows 58 respondents (39%) from urban areas, 51 (34%) from rural areas, and 41 (27%) from semi-urban areas, ensuring balanced regional representation. Further, 85 respondents (57%) operate under sole proprietorship ownership, indicating that individually managed hotels form the majority of the sector. Overall, these figures confirm that the study represents a diverse and reliable sample of Karnataka's hotel industry.

**Table 2: Role of Hotel Industry in Karnataka's Economy**

Category	Respondents	Percentage
Tourism	52	35
Employment Generation	41	27
Revenue Growth	35	23
Infrastructure Development	22	15
<b>Total</b>	<b>150</b>	<b>100</b>

The above table.2 shows that tourism (35%) is the major contribution of the hotel industry to Karnataka's economy, followed by employment generation (27%) and revenue growth (23%). This indicates that the hotel sector plays an important role in attracting tourists, creating jobs, and increasing state income. It also contributes to infrastructure development (15%).

**Table 3 : Hotel Pricing Strategies after GST Implementation**

Changes in Pricing	Respondents	Percentage
Increased Service Charges	55	37
Introduced Discounts / Offers	40	27
No Changes in pricing	35	23

Reduced profit margin to retain customer	20	13
<b>Total</b>	<b>150</b>	<b>100</b>

The above table 3. shows, the hotel managers increased 37% service charges after GST implementation, while 27% introduced discounts and offers to attract customers. 23% maintained existing prices, and a smaller percentage adopted flexible pricing or reduced profit margins. This indicates that GST influenced hotel pricing decisions in Karnataka.

**Table 4: Level of Awareness and Compliance Challenges related to GST among Hotel Managers**

Particulars	Respondents	Percentage
High awareness of GST provisions	19	13
Moderate awareness of GST provisions	28	19
Low awareness of GST provisions	23	15
Difficulty in understanding GST filing procedures	18	12
Frequent changes in GST rules	20	13
Complexity in maintain GST records	15	10
Technical issues in online filing	10	7
Dependence on tax consultants	17	11
<b>Total</b>	<b>150</b>	<b>100</b>

The above table 4. presents the level of awareness and compliance challenges related to GST among hotel managers. Out of 150 respondents, 19% of hotel managers possess moderate awareness of GST provisions, while 13% reported high awareness and 15% showed low awareness regarding GST regulations. Regarding compliance challenges, 12% of respondents identified difficulty in understanding GST filing procedures as the major issue. 13% reported that frequent amendments in GST rules create compliance-related confusion. 10% faced complexity in maintaining records and invoices, while 7% experienced technical issues during online filing. The data further indicates that 11% of hotel managers depend on tax consultants for GST-related compliance activities. The findings indicate aware of GST, compliance complexities and procedural issues continue to create challenges in the hotel industry.

**Table 5: Operational Challenges faced due to GST**

Operational Challenges	Respondents	Percentage
Complex in tax filing procedure	58	39
High compliance burden in GST	30	20
Lack of trained staff	35	23
Delay in input tax credit claim	27	18

<b>Total</b>	<b>150</b>	<b>100</b>
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The table 5. shows that complex in tax filing procedures are the major operational challenge faced by hotel managers, reported by 58 respondents (39%). 35 respondents (23%) reported lack of trained staff, and 27 respondents (18%) faced delays in input tax credit claim. This indicates that GST compliance creates significant operational difficulties for hotel businesses, mainly due to procedural complexity and changing regulations.

**Table 6: Customer's Demand after GST Implementation in Hotel Sector**

Customer's Demand	Respondents	Percentage
Demand increased due to price transparency	35	23
Demand reduced due to higher service charges	45	30
No significant change in Demand	30	20
Increased preference for Budget Hotels	25	17
Shift toward Online Booking and Discount platforms	15	10
<b>Total</b>	<b>150</b>	<b>100</b>

The above table 6. shows that 23% of respondents reported increased customer demand after GST due to transparent pricing. However, 30% observed reduced demand because of higher service costs. Around 20% stated no major change in customer demand. Further, 17% indicated a shift toward budget hotels, while 10% noted increased online bookings through discount platforms. This indicates that GST has made customers more price-conscious and influenced their hotel selection decisions.

## 7. Findings

- GST has significantly increased compliance requirements for hotel managers, with most respondents reporting difficulty in maintaining regular tax filings, invoice matching, and return submissions.
- Operational costs of after GST implementation, mainly due to software upgrades, accounting system changes, and staff training for tax compliance.
- Small and medium-category hotels faced greater financial challenges compared to luxury hotels because of limited technical and financial resources.
- Pricing strategies of hotels changed considerably after GST, with many hotels revising room tariffs

and service charges to adjust to the new tax structure.

- Customer demand showed fluctuations after GST implementation, as higher service costs influenced customer Booking decisions, especially in budget Hotel segments.
- Awareness of GST provisions among hotel managers was moderate, but many respondents indicated difficulty in understanding frequent amendments and compliance updates.
- GST improved tax transparency and reduced tax cascading, which helped create a more systematic taxation structure for the hotel sector in the long term.
- The hotel industry continues to play a vital role in the economy of Karnataka through tourism promotion, employment generation, and revenue growth.

## 8. Conclusions

This study concludes that the implementation of the Goods and Services Tax (GST) has brought significant changes to the hotel industry in Karnataka, influencing operational efficiency, pricing strategies, financial management, and customer demand. The findings reveal that GST has simplified the indirect taxation system by replacing multiple taxes with a unified tax structure, thereby improving transparency and reducing tax-related complexities for hotel businesses. However, the study also identifies several challenges faced by hotel managers, including increased compliance requirements, frequent changes in tax regulations, technical difficulties in filing returns, and the need for continuous staff training. Financially, smaller hotels have experienced pressure due to higher compliance costs and working capital issues. The study concludes that for the hotel industry in Karnataka to fully benefit from GST, there is a need for simplified compliance procedures, regular government support through training programs, and stable tax policies. With proper adaptation and strategic planning, GST can contribute positively to the sustainable growth and competitiveness of the hotel sector.

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