

Delhi government starts drive to boost luxury tax revenue

At a time when tourism lacks buoyancy and hotel room occupancy is far from heartwarming, Delhi government has decided to bolster luxury tax collections by way of a special drive to get spas, gyms, banquet halls and hotels evading tax under the current policy. Showcause notices have been issued to all such establishments and there are plans to carry out random checks of records to catch violators.

Showcause notices have been issued to 600 gyms, 350 spas, 80 banquet halls and 70 hotels found to be out of the state's luxury tax regime. Officials of the state's department of excise and luxury tax said these establishments were identified based on a ground survey by 20 inspection teams. Supplementary information was gathered from internet and field sources.

However, all such establishments may not require to be registered since they have to have a stipulated turnover to qualify. As per the norms, any hotel with a room rent of over Rs 750 is supposed to be registered with the state's luxury tax department. All gyms, spas and banquet halls with annual turnover of over Rs 5 lakh were brought under the purview of luxury tax from 2012.

Before the showcause notices were issued, government records reflected 1,114 hotels, 243 banquet halls, 258 spas and 108 gyms as registered under the luxury tax regime. After the notices were issued the department has already added 22 hotels, 30 banquet halls, 31 spas and 6 gyms to its list.

With replies still coming in and random checking of records proposed in some cases, the department is hoping that luxury tax collections will increase despite hotels reflecting low room occupancy. The luxury tax target for the current financial year stands at Rs 400 crore, while collections so far are Rs 219 crore.

Officials said luxury tax collections from hotels where tax is levied on room rent are not looking good. With the growth of cheaper hotels and business centres in the NCR, particularly Gurgaon, market experts see this as the primary reason for the business tourist choosing them over Delhi.

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