



# PAKISTAN HOTELS ASSOCIATION

(REGISTERED WITH THE MINISTRY OF COMMERCE, GOVERNMENT OF PAKISTAN)

## **Recommendations by FPCCI's Central Standing Committee on Tourism Development for Government incentives to the Tourism and Hospitality Sector for implementation in the forthcoming Budget:**

Tourism and Hospitality Sector have been suffering worldwide since last year, bringing it practically to a halt with the continued spread of coronavirus. Pakistan's Hospitality and Tourism Sector however, has been the worse hit as it was not flourishing to begin with, and with tourism at a complete standstill, the very survival of this sector is at stake.

In a recent webinar conducted by FPCCI's Central Standing Committee on Tourism Development with Tourism and Hospitality stakeholders, the numerous problems faced by this sector were discussed in depth, and from the solutions discussed, the committee is presenting the following recommendations to the government for consideration in the annual budget:

- 1) Grants must be offered by the State Bank of Pakistan to support the Hospitality sector, and not loans that were offered during the first wave of the virus. With no banquets, food and beverage, or occupancy, hotels are not in a position to repay loans, and without grants, will no longer be able to pay their staff salaries or their suppliers.
- 2) Machinery and pre-fabricated hotels set up should be allowed to come into Pakistan free of taxation and custom duty to allow more people to invest in this sector.
- 3) Scenic available landholdings with the government should be given on lease to builders and those wishing to invest in hospitality to encourage them to invest.
- 4) Taxation for hotel guests is very high – especially keeping in mind that guests are no longer foreigners, but locals from different parts of the country – and needs to be drastically reduced.
- 5) There are 20 Federal Taxes and 20 Provincial Taxes (including licence fees and duties) that Hotels are paying currently. In addition, there are 13 common taxes that are being paid to Federal and Provincial Governments. These are difficult enough to pay in normal times, but during the pandemic when survival is at stake, many of these unreasonable taxes need to be abolished. For instance, PEMRA imposes a licence fee on hotels for content shown on cables, although the hotels don't broadcast the content, nor do they own it -- the content is taken from cable providers. Similarly, hotels are forced to pay GIDC which they are not passing on to their customers so it is unfair to expect them to pay. What's more for every restaurant in a hotel, licence is required, in addition to the hotel licence and kitchen licence, which is an impediment to growth.

- 6) Regulatory issues which require hotels to contend with five different Government Departments at a time, when it is difficult for them to just stay afloat, need to be looked into as well.
- 7) Tour Operators face traffic challan issues. No proper permit is issued by the government to vehicles going to Gilgit-Baltistan, AJK or even Khyber Pakhtunkhwa. Rs 1000 to Rs 5000 chalan has to be paid per vehicle and in a five-day trip two chalans may be required to be paid amounting to Rs 10,000. Obviously, the tourist cannot be expected to pay this chalan and for the tour operator these chalan leave him with no profit margins to make the tour worthwhile for him.
- 8) Tour Operators want to register with the government for the issuing of permits for their vehicles, but there is no proper identified channel. The government needs to make this an on-line facility.
- 9) Tourism department needs to register all tour operators and offer them training so that they can conform to certain specified standards. In order to encourage them to get registered, the first year's DTS fees could be waived, but once they are registered, they can pay from the following year.
- 10) PTDC should set up a fund for jeep drivers, waiters, tour guides and tour operators, who are working in Northern Areas and their only means of livelihood is Tourism, but with tours closed owing to covid, these people will not be able to survive.
- 11) There is a policy of the Government to waive the duties on import of equipment for renovation work, etc for hotels, but it is tedious process requiring a lot of paperwork and time. With so much time wastage involved and the fluctuating dollar rate the hoteliers often feel it is better to pay the taxes and just import the equipment themselves than to wait for the paperwork to come through by which time the prices of the equipment may increase if there is devaluation of the rupee. The government may have a business-friendly approach, but on ground it is not being practically implemented. There must be a one-window quick approach to solve these issues. Also, there is no continuity of policy in government so there is always uncertainty about importing machinery, etc.
- 12) The Government needs to invest in developing the infrastructure and road network in touristy areas.
- 13) The Government and Private Sector need to invest more in marketing Pakistan as a tourist destination with the right kind of content put up to entice tourists.
- 14) NEPRA is charging commercial rates for electricity to hotels because hotels are not being recognized as an industry, in spite of having been given this status in 1990.
- 15) Tourism and Hotel industry should be declared an export oriented industry.
- 16) Many white papers and proposals and recommendations have been submitted to the government in the past as well, but nothing tangible has come out of it. It is hoped that this time round due attention is paid to the recommendations.