

## Case Study

# An International Standard Indian Amusement Park

Service(s) offered: **Representation**

Sector/Industry: **Consumer Market**



## Support in filing representation with the Government helping align amusement parks under GST

Our client owns and operates the only global scale amusement/theme park comprising of a theme park, water park and a large hotel.

The company's services were eligible for exemption from entertainment tax, but the government imposed the State Goods and Service Tax (SGST) on the admission fees. The company approached us to support them in representing their case to the relevant authorities.

In pursuit of this objective, we advised our client to file for a representation with the relevant ministries and authorities in order to find a solution that can mitigate the potential losses that would be incurred by the company under the Goods and Services Tax (GST) regime as the entertainment tax exemption presently available to the company may no longer continue under the GST regime.

The representation was structured in the following way:

### Background

Our client operates an international standard amusement park and has made an investment of USD 360 million for development of the project.

### Case Highlights

- Our client approached us to support and assist them in representing to the government to present the disadvantage posed to the tourism industry on introduction of GST
- We obtained a meeting with representatives from the departments within 15 days of filing a representation
- Furthermore, the State Industries Ministry has been directed to work with the company to devise a compensation formula, resulting in mitigation of potential loss of USD 112 million to the client

To promote tourism, our client was granted incentives in the form of investment-linked exemption from the payment of entertainment tax on admission to amusement park for a period of 10 years by the State Tourism Department.

### Grounds of Representation

- The state government had relinquished the levy of entertainment tax to incentivize the tourism industry and the same should be grandfathered in the GST regime, and hence SGST refund should be granted to our client.
- Taking into consideration the socio-economic importance of the exemption granted to amusement parks, continuation of such incentives should be looked into more rationally covering various aspects, and not just the economic or taxation impacts.
- Since the business operates on a Business-to-Consumer model, any distortion in the value chain would ultimately impact the consumer.
- Under the present indirect tax regime, the state government earns no revenue on the supply of services within the state. However, on implementation of GST, our client would be paying SGST on services used for operations. Accordingly, providing incentives in the form of refund of SGST paid would not impact the revenues of state government.
- Benefits available under the present regime should continue under GST because if the benefit is not extended, the same would amount to breach of understanding based on which the investment was made, and would project a negative image of Indian tax policies to future investors.

### Request Presented

Based on the representations made, we requested the government to consider proposing suitable provisions in the SGST Law by which our client can claim refund of the output SGST paid on admission fees to the amusement park.

### Impact

Based on our meticulous analysis and qualitative information, the State Finance Ministry acceded to the submissions of the company and our points are being deliberated in various state forums that are part of the GST policy formulation framework.

Furthermore, the State Industries Ministry has been directed to work with our client to devise a compensation formula for the grant of incentives in lieu of SGST, resulting in the mitigation of a potential loss of USD 112 million on account of discontinuation of the present benefit available.

For more information on this case study, please write to us at:

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