

An Assessment of Tax Reduction on Hospitality and Tourism Industry in Nigeria

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Abstract: Hospitality and tourism industry is one of the most rapidly and dynamic growing industries of the global economy. It contributed to Gross Domestic Product, helping in development both in the urban and rural area, it also provides employment opportunity across various skill levels, and also promotes cultural diversity. Countries around the globe invest in infrastructure development, digitalization, and promotional activities to attract tourists across the world, one factor often becomes a point of contention: taxation. High taxes on hospitality and tourism services such as accommodation, flights, food, and entertainment can act as a hindrance for both international and domestic tourists. As the industry continues to progress, there is a compelling need to assess the impact of taxation policies on guest behavior and the broader economic benefits of hospitality and tourism. Reduction in guest tax burdens can serve as a mechanism for encouraging hospitality and tourism development, enhancing competitiveness, and ensuring sustainability in the hospitality and tourism industry.

Keywords: Assessment, Tax, Reduction, Tourism, Hospitality and Industry.

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I. INTRODUCTION

Over the last two decades, hospitality and tourism industries has undergone remarkable improvements and transformation at global market, the rise of cost airlines, advancements in digital platforms, and increased disposable incomes have all contributed to increase in global travel. Emerging destinations, cultural heritage sites, eco-tourism hotspots, and luxury resort towns are increasingly on travelers' radars private and government industries alike are investing in airport expansions, hospitality and tourism chains, advance tourism technologies, and digital marketing to improve visitor experiences. Hospitality and Tourism industries has also proven to be resilient-adapting to crises like, insecurity, kidnapping, pandemic through innovations in health safety, online services, and remote tourism options. despite all the advancements, high taxation on the industry remains a major barrier to maximizing the industry full potential.

II. LITERATURE REVIEW

There have been many studies on hospitality and tourism industries in Nigeria and his impact in Nigeria economy using different methods and approach. However, there have not been any studies that have been concentrated on the Assessment of tax reduction on hospitality and tourism

Industry. The research made used of descriptive analysis which supports the analysis of the effects of the tax reduction in quantitative way effects of tax reduction are stated below.

A. The Unspecified High Tourism Taxes

Most countries in the world implement Value-Added Taxes (VAT), service taxes, accommodation taxes, airport fees, and other levies to hospitality and tourism services. Government at Federal, State and Local level often justified that payment of tax by hospitality and tourism industries serves as way of generate public revenue, it can cumulatively increase cost of travel significantly. For example, tourists may pay upwards of 20-25% in combined taxes on accommodation, airline tickets, and food and beverages in certain destinations.

High taxation payment can make destinations less competitive, especially when tourist is comparing costs across many countries or cities. This is particularly true for price-sensitive markets such as solo travelers, student groups, and families. In contrast, hospitality and tourism industry with lower tax burdens tend to see more guest and stays, increased spending, and higher customer satisfaction. Moreover, high tourism taxes can excessive taxation affect domestic and local tourists, who may opted for better alternatives or forego vacations altogether. As this affects

businesses, employment, and the overall economic effect on hospitality and tourism industry.

B. The Position of Tax Reducing.

Reducing hospitality and tourism taxes, especially on tourists, can be a strategic move to stimulate demand and broaden the industry's reach. Several benefits will occur from such a policy:

➤ Destination Competitiveness

Nations, State and local government with lower tax on hospitality and tourism become more attractive in the global market and also improving their visibility and rankings.

➤ Increase Patronage and Staying

Tourists are most likely to extend their stay and trips when they see value for money, which results in greater economic impact per tourists

➤ Business Promotion and Support

Small and Medium Enterprises (SMEs) such as restaurants, homestays, vendors, and transporter thrive when there is a steady influx of tourists to hospitality and tourism industry.

➤ Higher and Long-Term Tax Revenues

Absurdly lowering tourist tax payment can lead to higher tax revenues generation through increased volumes of economic activity and patronage.

➤ Increased Tourist's Numbers

Reduced costs make travel more accessible, particularly for budget travelers and regular visitors. This boosts hospitality and tourism industry occupancy rates, tour bookings, and spending on local services.

C. Strategic For Implementation and Safeguards in Tax Recommendation

The tax reduction must be done strategically to avoid problem. Tax reduction without proper planning can strain public budgets, targeted reductions such as tax breaks, discounts for domestic guest, or exemptions for rural or underdeveloped areas can be more effective. Incentives can also be tied to sustainability goals. For instance, tourists who choose eco-certified tourism or use public transport may receive rebates or reduced service taxes. Likewise, dynamic pricing strategies can apply lower taxes during off-peak periods to balance tourist inflows.

III. FINDINGS

The reduction of the tax in hospitality and tourism industry in Nigeria,

- Will create a favourable environment that will attract public, private, domestic and foreign investment in the hospitality and tourism industry of the economy, identified as strategic sectors that represent high development potential.
- The increasing of the revenues from foreign citizen and the increasing of the net income from tourist operators.
- It will increase in the number of employees in hospitality and tourism industry.

IV. RECOMMENDATION

Governments should also ensure accountability and transparency in how hospitality and tourism industries taxes are collected and reinvested. Revenues obtained from tourism sectors must be used toward infrastructure development, environmental conservation, cultural preservation, and community development.

V. CONCLUSION

The development of hospitality and tourism is a critical engine for world economic growth, cultural exchange, and sustainable development. While investment and innovation are essential, reducing the tax burden on tourist can showcase greater potential in the hospitality and tourism industries. Planed tax reduction can not only make destinations more affordable and functioning but also drives inclusive growth by supporting local businesses, creating employment, and enhancing visitor satisfaction.

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