

## **TAX INCENTIVES FOR GREEN TOURISM IN UTTARAKHAND**

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### **Abstract**

Tourism is booming worldwide, and Uttarakhand's natural beauty makes it a hot spot for visitors. But with more tourists comes more environmental damage. Tourism is a big part of Uttarakhand's economy, but it is also harming the environment. Sustainable tourism aims to fix this by balancing development with protecting nature. This study looks at how Uttarakhand can promote sustainable tourism by using taxes in smart ways. By charging tourists a little extra, the government can raise money to protect the environment, build better facilities, and advertise tourism responsibly. The goal is to see if these tax incentives can help make tourism in Uttarakhand more sustainable and less harmful to the environment.

From 2006–07 to 2016–17, tourism accounted for over 50% of Uttarakhand's Gross State Domestic Product (GSDP), showing its economic importance. To evaluate the effectiveness of tax incentives, we are analysing data from government reports, academic studies, industry publications, and online databases. This will help us understand what strategies might work best for promoting sustainable tourism in Uttarakhand. Additionally, the analysis reveals that over the given period (2015-2021), the average rate of growth or decline in tourism for Uttarakhand is approximately 2.33% for Indian tourists and approximately -11.42% for foreign tourists. Despite positive growth rates from 2015 to 2019, the industry experienced a decline in 2020 and 2021 due to the COVID-19 pandemic. If we exclude the pandemic years, the average rate of growth for Indian tourists is approximately 7.18%, and for foreign tourists, it is approximately 9.52%. Furthermore, it was observed that accurately charged, small tourism taxes are generally accepted by tourists, provided the

government transparently showcases how these funds are utilized to enhance tourism facilities.

**Keywords:** Sustainable tourism, Environment, Tourism Tax, Promotion, etc.

## **Introduction**

The Himalayan region in India continues to be a favoured tourist destination, drawing a large influx of visitors year-round. The current study focuses on Uttarakhand since it offers adventure, pilgrimage, and educational tourism, making it one of the most significant tourist destinations in the Himalayas. The state of Uttarakhand is split into two sections: Kumaon is located in the southeast and Garhwal lies in the north-east. It is a hill state with stunning forests, snow-capped mountains, and a well-known pilgrimage site that draws large crowds of visitors (**Rana & Kumar, 2016**).

Tourism plays a key role in Uttarakhand's economy, contributing significantly to the GDP (**Kukreti, 2021**). It is one of India's fastest-growing states, with its GSDP increasing at a compound annual growth rate (CAGR) of 5.34% between 2012 and 2018. More than 70% of the state is covered by forests, which serve as a vital green lung. The presence of nearly all agro-climatic zones creates business prospects for both traditional and high-value agriculture. The state's proximity to the national capital and plentiful natural resources (particularly water and hydropower) have allowed it to create industrial parks in the plainer regions. The tourism industry is certainly one of the state's most important economic sectors. Tourism not only contributed over 50% of the overall GSDP from 2006-07 to 2016-17, but it also provided employment in all sections of the state (including hinterland areas). As the State pursues its objective of becoming a Green Economy, the tourist sector will play an important part in achieving the State's socioeconomic goals (As per report Invest India).

In the Indian economy, the tourism sector is strategically important and offers a number of socioeconomic advantages. The tourism industry offers significant economic benefits, including employment, revenue, and foreign exchange, as well as the development or extension of other businesses including construction, agriculture, and handicrafts. Additionally, expenditures on transportation, lodging, and other tourism-related services contribute to the expansion of the economy's infrastructure as a whole (**Tiwari, 2019**). In the broader context of rising tourism demand, historical towns as

heritage ecosystems have the problem of providing responsible and sustainable management (**Escudero Gómez, 2018; López 2005**). This difficulty involves management issues in historical cities (**Escudero Gómez 2018; Russo & Van de Borg, 2002**) and the growth of tourism activity (**Escudero Gómez 2018; Kaminski et al., 2014**).

Today tourism faces a challenge. Its addiction to expansion makes it incompatible with the objectives of sustainability. The ecological and social constraints of residing in a finite world are not stopping tourist authorities from pushing tourism growth, even after thirty years of debating strategies to achieve sustainable tourism (**Higgins-Desbiolles, 2018**). Sustainable tourism is defined by the World Tourism Organization as "tourism that takes full account of its current and future economic, social, and environmental impacts, addressing the needs of visitors, the industry, the environment, and host communities". Sustainable tourism development means using natural and cultural resources without harming them, so they can still be enjoyed by future generations. It is important because if these resources are damaged or lost, tourists would not be interested in visiting, and locals would not enjoy living there either. Planning for sustainable tourism involves carefully studying the environment and making smart decisions to protect it while still allowing tourism to thrive (**Angelevska-Najdeska & Rakicevik, 2012**).

The development and sustainability of Uttarakhand's tourism industry are hampered by a number of issues and challenges. Stakeholders have identified economic, political, environmental, infrastructure, and social concerns as issues. The state also struggles with the issue of "ghost villages," which causes out-of-state migration and affects community-based tourist projects. Unplanned construction projects, inconsistent tourism behaviors, and a huge influx of tourists put the region's delicate environment and sustainability under stress. But Uttarakhand may take advantage of its tourism potential and overcome these obstacles to support a flourishing tourism economy if effective planning, infrastructure upgrades, stakeholder satisfaction, and the application of sustainable techniques are put into place (**Melkani & Kumar, 2021; Roy & Saxena, 2020; Agrawal et al., 2022; Joveriya & Mariya, 2019; Chandra & Kumar, 2021**). In this regard, Tourism tax can help to fund sustainable tourism. Taxing tourists allows places to raise funds to support sustainability efforts and improve the overall tourist

experience. These money can be used to support conservation projects, infrastructural development, and community welfare (Cárdenas-García et al., 2022).

## **Review of Literature**

Numerous studies have demonstrated that taxation policies can be used to encourage sustainable tourism. The objectives of tourist taxes are to preserve the environment, finance investments, and internalize external expenses (Göktaş & Çetin, 2023). Studies conducted in Andalusia demonstrate how taxes on tourism can improve sustainability and the visitor experience by determining the taxes that travellers prefer and the variables that affect their willingness to pay (Cárdenas-García et al., 2022). Furthermore, the effect that taxes on tourism and retaliation against tourist attractions have on local revenue highlights the financial advantages of this kind of taxation in developing areas (Dari et al., 2022). The level of environmental taxes has been found to have a significant impact on reducing the negative environmental effects of tourism, with a threshold level at which tourism improves environmental performance (Usman & Alola, 2022). The significance of taxes in sustainable tourism growth is further highlighted by a dynamic model that establishes the ideal tourism tax levels at various stages of a destination's lifespan (Yang et al., 2021).

**Sheng (2017)** analyses the tax burden distribution between tourists and local providers of tourism services, as well as the tax's influence on actual income by changes in relative price. The study emphasizes the crucial role of market conditions, such as demand elasticity and industrial structure, in determining the success or failure of a tourism tax. The study suggests that different tourism economies might need different tax rates depending on their specific market conditions. It also argues that governments should choose taxes in a way that maximizes welfare or preserves efficiency in that particular market.

**Nepal & Nepal, (2019)**, investigate the types of economic taxes used to manage over-tourism. This is based on a case study approach, which is employed to explore over-tourism concerns in five countries. The study's findings show that tourist taxes and entrance fees are popular answers to over-tourism concerns, however, their usefulness in fixing environmental problems is controversial. The study underlines the negative economic, social, and environmental consequences of over-tourism in popular areas and explores the need for effective governmental measures to address these challenges. The document offered both short-term and long-term remedies for managing over-

tourism, such as applying corrective taxes and levies, equitable benefit sharing, extending and smoothing tourist dispersion and flow, reducing fossil fuel energy usage, and regulating accommodation availability.

**Kristjánsdóttir, (2020)** concluded that the demand for travel in Europe is not adversely affected by an increase in value-added tax (VAT). The World Bank's data on tourism arrivals in Europe between 1995 and 2016 and the trade association HOTREC's VAT rates on tourism were both examined in this study. The results of the regression study indicated that the rise in VAT had no discernible effect on the number of travelers to European nations. According to this research, governments may find it viable to raise money through VAT without having a detrimental impact on travel.

**Larysa et al., 2020** identify the financial and taxation aspects of tourism activities in the development of Ukraine's tourism businesses to formulate useful suggestions for enhancement. It emphasized the impact of tourism-related taxes on company outcomes and the efficacy of tax laws. These taxes include export taxes for international visitors and internal taxes for local businesses. The study finds that the tourism business faces issues due to its complex tax system, which includes many taxes levied on different services within the sector. The industry's expansion has been hampered by issues like high value-added tax rates, tourism fees, and inefficient administrative practices. They have also mentioned that there is a need for actions to enhance tax administration efficiency, optimize financial and tax systems, and promote tax discipline for tourism-related businesses to address these issues. They underlined the necessity of actions to strengthen tax compliance, lower tax evasion, and boost the financial and tax framework for travel-related businesses.

**Adedoyin et al., 2021**, studied the impact of tourism taxes on foreign visitors to the Maldives. The Maldives' tourism tax has a detrimental impact on foreign visitors; a 10% rise in tax lowers demand by 5.4%. To overcome endogeneity problems, the connection between tourism tax and tourist arrivals was estimated using the fully modified ordinary least squares (FMOLS) approach. Depending on the source market, the effect of tourism taxes on visitor arrivals varies; some nations react negatively to increases in tourism taxes, while others respond positively. The analysis also emphasizes how crucial it is to take into account a variety of variables and features unique to a certain market when analysing how tourist taxes and other factors affect demand for travel. Compared to the normal tourism price variable, the price

competitiveness index appears to be a more appropriate variable to employ in the tourism demand model, according to the sensitivity analysis.

**Cárdenas-García et al., (2022)** carried out a study in Andalusia, Spain, to determine the preferences of tourists for different taxes and fees as well as the factors that influence their willingness to pay (WTP) for the most widely accepted taxes and fees. To analyze the data for the research study, 1068 surveys were given to visitors to Andalusia, Spain. To forecast the likelihood of a favorable willingness to pay based on sociodemographic factors and trip features, the study has used logistic regression models. The study determined the preferences of visitors for 15 distinct taxes and fees aimed at improving Andalusia's tourism offerings and sustainability. The study tackles the necessity of creating fresh approaches to public revenue generation to promote the growth of sustainable tourism and enhance visitor experiences, especially when it comes to mass tourism specialization. Additionally, the study identifies particular taxes and levies—such as public access fees for tourism resources, taxes on tourist attractions, public museum entry prices, and environmental conservation taxes—that earned significant levels of WTP from visitors.

**Göktaş & Çetin, (2023)**, analyses the causes and effects of tourist taxes to promote sustainable tourism. The study questioned travelers in Istanbul and analyzed 428 responses with the Tobit model. The results showed that the willingness to pay varied depending on the scenario, with cultural heritage support having the highest readiness to pay. Gender, marital status, and level of education all had an impact on willingness to pay. Travel behaviours and prior knowledge of the tourist tax also influenced willingness to pay. The study's findings suggested that first-time visitors to Istanbul were more prepared to pay the tourist fee than previous visitors. The study also found that socio-demographic characteristics, travel practices, and prior knowledge of the tourist tax all had a substantial impact on willingness to pay. Furthermore, the study emphasized the need to inform visitors about the use of the collected tourist tax to enhance their desire to pay.

**Gunawan Prayitno et al., (2024)** examined how social networks, norms, and trust influence community social capital and its impact on sustainable tourism development. They surveyed 261 respondents, primarily heads of families, using proportionate random sampling to ensure diversity. Respondents varied in gender, age (15-65 years), education, income, and occupation, with a majority being men. Using SEM-PLS

analysis, researchers demonstrated the positive impact of social capital on the village's sustainable tourism. The study found that social networks, norms, and trust have a significant influence on the social capital of Bangelan Village, which plays a crucial role in driving sustainable tourism development.

### **Countries Charging Tourist Tax**

**Bali tourist tax:** Starting from February 14, 2024, the Indonesian government has implemented a new tourist tax specifically for travelers visiting Bali. This fee, known as the Bali tourist tax, amounts to 150,000 IDR per person, approximately \$15 USD. It is important to note that this levy is only applicable to those visiting Bali and not to travelers visiting other provinces in Indonesia. Payment of the tourism levy can be conveniently made online through the LOVE BALI website or mobile app using various methods such as bank transfer, virtual account, or Qris payment (Chandler, 2024).

**Barcelona:** Barcelona continues to address overtourism by increasing its tourist tax. Following a previous hike in 2023 to €2.75, the city plans another increase on April 1, 2024, raising the fee to €3.25. This tax applies to visitors staying in official tourist accommodations and aims to support infrastructure improvements such as roads, bus services, and escalators, as announced by city authorities in 2022 (Barcelona Increases Its Tourist Tax This Week: Where Else Will You Have to Pay to Enter in 2024?, 2024).

**Bhutan:** Bhutan, known for its stunning landscapes and rich culture, is making moves to revive its tourism sector. After initially raising its "Sustainable Development Fee" to \$200 per night in September 2022, the country has now decided to slash it to \$100. The goal of this decrease is to draw in more foreign visitors and strengthen the economy, which has been negatively damaged by both COVID-19 and the earlier price rise. It is anticipated that the charge cut, which will take effect in September and last for four years, will boost traveler numbers during the busiest travel months of September through December. Bhutan, a formerly remote but now well-liked travel destination, aspires to revive tourism while upholding its commitment to sustainability ("Bhutan Halves per Day Tourist Fee to Attract Global Visitors," Times of India, 2023).

**Italy:** Venice, Italy, is introducing a €5 fee for foreign visitors entering the city starting in spring 2024, as confirmed by Mayor Luigi Brugnaro. This measure aims to manage tourism and support the city's residents. The city emphasizes that this fee is not just about making money; instead, the proceeds will be used for services benefiting

residents, such as maintenance, cleaning, and lowering living costs (Tourist Tax: You Will Have to Pay Extra to Enter These Cities, Economic Times, 2023).

**Thailand:** Thailand is about to impose a 300 Baht tourist tax on all travelers, regardless of their country of origin. The start date was originally scheduled to begin in September 2023, but due to implementation problems and airline concerns, it was put back to the end of 2022. A portion of the levy, according to the governor of the Tourism Authority of Thailand, will fund the construction of tourist attractions like Bangkok's Grand Palace and assist travelers, particularly in situations where health insurance is insufficient (Tourist Tax: You Will Have to Pay Extra to Enter These Cities, Economic Times, 2023).

**Russia:** Beginning on April 1, 2024, St. Petersburg will impose a tourist tax of 100 rubles per person every day of stay (one Russian ruble is equal to 0.90 Indian rupees), excluding the day of arrival. Those who are 18 years of age or older and stay in a hotel for more than twenty-four hours are subject to the tourist tax. When a guest checks into their hotel, they can pay. There are also, other cities besides St. Petersburg that impose a tourist tax (Cities That Started Charging a Daily Tourist Tax in 2024 & More Travel News, Money control, 2024).

### **Research Methodology**

This research paper is based on secondary data collected from various sources, including academic journals, reports, and online databases. The data has been analysed using content analysis to identify the major themes and patterns related to sustainable tourism development in Uttarakhand. The paper also includes examples to illustrate the tourist taxation in the tourism industry in the Uttarakhand region.

### **Data Analysis and Interpretation:-**

**Table: 3.1**

YEAR	Indian Tourist	Foreign Tourist
2015	29295152	111094
2016	31663782	112799
2017	34581097	142102
2018	36697678	154526
2019	39066776	158964
2020	7836002	38763
2021	20002705	15410
Grand Total	199143192	733658

Number of tourists in Uttarakhand: source: [uttarakhandtourism.gov.in](http://uttarakhandtourism.gov.in)



**Rate of growth in Indian tourists (each year) in Uttarakhand**

**Table: 3.2**

<b>Year</b>	<b>Calculation of growth</b>	<b>Rate of Growth</b>
<b>2016</b>	$[(31,663,782 / 29,295,152) - 1] \times 100 = [(1.0807) - 1] \times 100 = (0.0807) \times 100$	8.07%
<b>2017</b>	$[(34,581,097 / 31,663,782) - 1] \times 100 = [(1.0923) - 1] \times 100 = (0.0923) \times 100$	9.23%
<b>2018</b>	$[(36,697,678 / 34,581,097) - 1] \times 100 = [(1.0611) - 1] \times 100 = (0.0611) \times 100$	6.11%
<b>2019</b>	$[(39,066,776 / 36,697,678) - 1] \times 100 = [(1.0646) - 1] \times 100 = (0.0646) \times 100$	6.46%
<b>2020</b>	$[(7,836,002 / 39,066,776) - 1] \times 100 = [(0.2004) - 1] \times 100 = (-0.7996) \times 100$	-79.96%
<b>2021</b>	$[(20,002,705 / 7,836,002) - 1] \times 100 = [(2.5522) - 1] \times 100 = (1.5522) \times 100$	155.22%

(Rate of growth = [(final value / initial value) - 1] x 100)

**Rate of growth in Foreign tourists (each year) in Uttarakhand**

**Table: 3.3**

<b>Year</b>	<b>Calculation of growth</b>	<b>Rate of Growth</b>
<b>2016</b>	$[(112,799 / 111,094) - 1] \times 100 = [(1.0154) - 1] \times 100 = (0.0154) \times 100$	1.54%
<b>2017</b>	$[(142,102 / 112,799) - 1] \times 100 = [(1.2588) - 1] \times 100 = (0.2588) \times 100$	25.88%
<b>2018</b>	$[(154,526 / 142,102) - 1] \times 100 = [(1.0879) - 1] \times 100 = (0.0879) \times 100$	8.79%
<b>2019</b>	$[(158,964 / 154,526) - 1] \times 100 = [(1.0286) - 1] \times 100 = (0.0286) \times 100$	2.86%
<b>2020</b>	$[(38,763 / 158,964) - 1] \times 100 = [(0.2439) - 1] \times 100 = (-0.7561) \times 100$	-75.61%
<b>2021</b>	$[(15,410 / 38,763) - 1] \times 100 = [(0.3977) - 1] \times 100 = (-0.6023) \times 100$	-60.23%

These figures suggest that the tourism industry in Uttarakhand saw positive growth rates from 2015 to 2019, with a decline in 2020 and 2021 due to the COVID-19 pandemic. The decline in foreign tourist arrivals was more severe than that of Indian tourists.

**Average rate of growth for tourists in Uttarakhand from 2015-2021**

**the average rate of growth for both Indian and foreign tourists:**

For Indian tourists: Average rate of growth =  $(7.98 + 9.20 + 6.11 + 6.44 - 79.97 + 155.22) / 6 = 2.33\%$

For foreign tourists: Average rate of growth =  $(1.54 + 25.88 + 8.79 + 2.86 - 75.56 - 60.27) / 6 = -11.42\%$

So, the average rate of growth or decline in tourism for Uttarakhand over the given period is approximately 2.33% for Indian tourists and approximately -11.42% for foreign tourists. The tourism industry in Uttarakhand saw positive growth rates from 2015 to 2019, with a decline in 2020 and 2021 due to the COVID-19 pandemic.

If we exclude the years 2020 and 2021, Then, the average rate of growth for both Indian and foreign tourists using the data from 2015 to 2019.

Average rate of growth for Indian tourists =  $(7.98 + 9.20 + 6.11 + 6.44) / 4 = 7.18\%$

Average rate of growth for foreign tourists =  $(1.54 + 25.88 + 8.79 + 2.86) / 4 = 9.52\%$

So, if we ignore 2020 and 2021 because of COVID-19, the average rate of growth for Indian tourists is approximately 7.18%, and the average rate of growth for foreign tourists is approximately 9.52%.

**Average tourist visits in Uttarakhand from 2015-2021**

**Average tourist visits = (Total tourist visits) / Number of years**

**For Indian tourists: Total Indian tourist visits**

**Table: 3.4**

S.No	Number of tourists	Total
1	29,295,152	<b>199,143,192</b>
2	31,663,782	
3	34,581,097	
4	36,697,678	
5	39,066,776	
6	7,836,002	
7	20,002,705	

**For foreign tourists: Total foreign tourist visits**

**Table: 3.5**

S.No	Number of tourists	Total
1	111,094	<b>733,658</b>
2	112,799	
3	142,102	
4	154,526	
5	158,964	
6	38,763	
7	15,410	

Now, we have the total number of tourist visits for both Indian and foreign tourists.

The number of years is 7.

Average tourist visits per year for Indian tourists:

Average Indian tourist visits per year=Total Indian tourist visits/Number of years

$$=199,143,192/7$$

$$=28,449,027.43$$

Average tourist visits per year for foreign tourists:

Average foreign tourist visits per year = Total foreign tourist visits/Number of years

$$=733,658/7$$

$$=104,808.29$$

So, the average number of tourists visiting Uttarakhand every year is approximately

28.45 million for Indian tourists and approximately 104,808 for foreign tourists.

**The average number of tourists (Indian and Foreign together) visits per year in Uttarakhand from 2015 to 2021**

Total tourist visits (including both Indian and foreign tourists) from 2015 to 2021:

Total tourist visits=199,143,192 (Indian tourists) +733,658 (foreign tourists)

$$=199,876,850$$

Number of years: 7

The calculation for the average tourist visits per year (including Indian and Foreign

Tourist): Average tourist visits per year=Total tourist visits/Number of years

$$=199,876,850/7$$

$$=2,85,53,835.71$$

So, the average number of tourist visits per year in Uttarakhand from 2015 to 2021, including both Indian and foreign tourists, is approximately 28.55 million.

#### **If Tax Charged (On 1% tax assumption)**

The average number of tourist visits per year: 28.55 million

Average expenditure per trip on Holidaying, leisure, and recreation: ₹26,731 as per the NSS report

Calculation of the total expenditure on Holidaying, leisure, and recreation per year:

$$\begin{aligned}\text{Total expenditure} &= \text{Average expenditure per trip} \times \text{Average number of tourist visits per year} \\ &= 26,731 \times 28,550,000 = 26,731 \times 28,550,000 \\ &= 762,510,500,000\end{aligned}$$

Tax calculation on assuming a tax rate of 1%:

$$\begin{aligned}\text{Tax revenue} &= 0.01 \times \text{Total expenditure} \\ \text{Tax revenue} &= 0.01 \times \text{Total expenditure} \\ &= 0.01 \times 762,510,500,000 \\ &= 7,625,105,000\end{aligned}$$

So, the tax revenue from charging a 1% tax rate on the average expenditure on Holidaying, leisure, and recreation for tourist visits in Uttarakhand from 2015 to 2021 would be approximately ₹7.63 billion per year.

#### **Advantages & Disadvantages of Tourism Tax**

Implementing tourism taxes has both advantages and disadvantages, as highlighted in various studies (Mahadevan et al., 2016; Sheng & Tsui, 2009; Ylvije & Elez, 2012; Cárdenas-García et al., 2022; Shi & Li, 2013; Delitheou & Georgios Papastamatiou, 2016).

#### **Advantages of Tourism Taxation for Sustainable Tourism:**

1. **Encourages Tourism Growth:** Taxing tourism can help boost the tourism industry by providing money for improvements and infrastructure.
2. **Addresses Environmental Impact:** Tourism taxes can help tackle the negative effects of too much tourism, promoting sustainable practices and funding conservation efforts.
3. **Supports Poverty Reduction:** Revenue from tourism taxes can be used to help people in need, particularly in rural areas, reducing poverty.
4. **Ensures Steady Revenue:** A reliable system for collecting tourism taxes ensures the government has a steady income to support growth and development.

5. **Resource Generation:** Tourism taxes contribute to obtaining resources to improve sustainability and enhance the tourist experience.
6. **Funding Conservation Efforts:** Well-designed tourism taxes can provide resources for conservation projects, infrastructure maintenance, and community welfare.
7. **Corporate Incentive:** Investing in sustainability benefits companies, leading to a well-managed, lucrative industry where tourism costs are handled efficiently.

#### **Challenges and Disadvantages:**

1. **Resistance from Stakeholders:** When trying to implement sustainable tourism practices through taxation, there can be pushback from businesses, tourists, and local communities.
2. **Complexity:** Creating and enforcing a tax system for tourism is complicated. It involves setting rates, deciding who is exempt, and making sure everyone follows the rules.
3. **Equity Concerns:** Making sure that the tax burden is fair for everyone involved – tourists, businesses, and locals – is tough.
4. **Tourist Perception:** High taxes might make tourists think twice about visiting a destination or spending money there, affecting the destination's attractiveness.
5. **Negative Impact on Competitiveness:** High taxes in tourism could make a place less competitive, leading to fewer tourists and less money coming in.
6. **Burden on Businesses:** Tax systems with lots of exemptions and high rates can put a strain on tourism businesses, hurting their profits and sustainability.
7. **Potential Output Contraction:** Taxing tourism-related sectors might shrink the economy, causing job losses and reducing overall economic activity

#### **Discussion**

Tourism in Uttarakhand has flourished over the years, contributing significantly to the state's Gross State Domestic Product (GSDP). However, this growth has been accompanied by environmental challenges, necessitating the adoption of sustainable tourism practices. The present study explores the potential of utilizing tourism taxes as a tool for promoting sustainable tourism in Uttarakhand. Sustainable tourism development is imperative for preserving the natural and cultural heritage of

Uttarakhand while ensuring long-term economic benefits. By balancing economic growth with environmental conservation, sustainable tourism aims to mitigate the adverse impacts of tourism activities on the ecosystem and local communities. The study emphasizes the need for responsible management of tourism resources to maintain their attractiveness for future generations.

A review of existing literature underscores the significance of tourism taxes in managing over-tourism and financing sustainable tourism initiatives. Studies from various countries, including Nepal, Europe, and Ukraine, highlight the diverse approaches governments have taken to address the challenges posed by tourism growth. From corrective taxes to equitable benefit sharing, these measures aim to strike a balance between tourism development and environmental conservation.

Examining examples of countries implementing tourist taxes, such as Bali, Barcelona, and Bhutan, provides valuable insights into the potential effectiveness of such measures. These taxes not only generate revenue but also support infrastructure development and environmental conservation efforts. However, the success of tourist taxes depends on factors such as market conditions, government policies, and public acceptance. Analyzing tourism data from Uttarakhand reveals fluctuations in tourist arrivals, with a significant decline observed in 2020 and 2021 due to the COVID-19 pandemic. Despite this setback, the average rate of growth for Indian tourists remains positive, indicating the resilience of domestic tourism. Foreign tourist arrivals, however, have experienced a more pronounced decline, underscoring the need for targeted strategies to revive international tourism post-pandemic.

Calculations based on assumed tax rates demonstrate the potential revenue that could be generated from tourism taxes in Uttarakhand. By leveraging a modest tax rate of 1% on tourist expenditures, the government could generate substantial revenue to fund conservation efforts and improve tourism infrastructure.

## **Conclusion**

While the decline in tourist numbers in Uttarakhand during the COVID-19 pandemic is concerning, there is optimism for the future based on the growth trends observed from 2015 to 2019. During this period, the average rate of tourism growth was 7.18% for Indian tourists and 9.52% for foreign tourists, indicating significant potential for the tourism sector. By learning from examples worldwide, such as Bali and Barcelona,

Uttarakhand can implement tourism taxes to manage visitor numbers, support local communities, and fund essential services.

Implementing a 1% tourist tax could generate substantial revenue to promote and develop sustainable tourism in the state. This revenue could be directed towards infrastructure projects such as eco-friendly accommodations, waste management systems, and transportation facilities, thereby reducing the environmental impact of tourism. Additionally, it could be used to fund initiatives to promote responsible tourism practices, including wildlife conservation and cultural preservation. Furthermore, leveraging taxation to promote eco-friendly tourism can enhance Uttarakhand's destination image, attract environmentally conscious tourists, and stimulate innovation in sustainable tourism industries. While there are concerns about the potential drawbacks of tourist taxes, such as increased travel costs for visitors, careful consideration and planning can mitigate these risks.

Furthermore, the effectiveness of tourism taxes depends on various factors, including market conditions and public perception. Policymakers must carefully design taxation measures that strike a balance between economic benefits and environmental conservation. This requires collaboration with stakeholders and clear communication to ensure transparency and acceptance.

Overall, implementing a tourist tax offers a sustainable solution to generate revenue for the development of sustainable tourism practices in Uttarakhand. By prioritizing responsible tourism, the state can attract more visitors while safeguarding its natural and cultural heritage for future generations.

### **Future Research**

Future research in sustainable tourism and tourism taxation in Uttarakhand could delve into various aspects to deepen understanding and implementation. Firstly, it could assess the impact of tourism taxes on tourist behavior and environmental conservation, examining spending patterns and revenue allocation. Secondly, understanding stakeholder perceptions, including tourists and local communities, could inform policy design. Long-term planning integrating taxation into sustainability initiatives, comparative analyses with global practices, and technological innovations for efficient tax collection are also valuable research areas. Capacity-building for policy implementation, resilience planning for crises, and community-based tourism development are additional avenues for exploration. By addressing these areas, future

research can inform policies and practices that foster sustainable tourism and economic growth in Uttarakhand

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