

Point of view

The spread of COVID-19 has brought in a terrible time for restaurants in the country.

According to the National Restaurant Association of India (NRAI), the restaurant industry in India, which has a market size of Rs.4 lakh crore and employs around 7.3 million people, is staring at a ‘complete decimation’ and they have estimated that 40 percent of the restaurants in India are facing the danger of a permanent shutdown in the absence of a government bailout. This is the right time for our government to step in with concrete measures to revive India’s restaurant business.



Government needs to mitigate the crisis in the restaurant business



ZACHARIAH JACOB

One of the recent heart-breaking news that shocked India’s restaurant industry and the patrons across the country was that the celebrity Chef Pooja Dhingra was forced to close for good her much loved 10-year-old Mumbai Café in the wake of the economic impact of the Coronavirus.

Chef Dhingra’s story seems to be the new normal and only time will tell how many of our favourite restaurants and pubs will survive this pandemic that jeopardises their very existence in the country.

India’s restaurant business is one of the worst affected sectors in



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the country by the spread of COVID-19. What is really disturbing is that even post the lockdown, with the social distancing norms and change in consumer behaviour in place, it will take anywhere between 12 to 18 months for the sector to significantly recover.

For this industry to stay afloat and to avoid a complete collapse accompanied by loss of millions of jobs, it is imperative that the central government intervene immediately with a substantial financial package and supportive policy measures.

Need for right steps

The first priority of the Union Government should be to support India's restaurant business employees by securing part of their wages through a direct benefit transfer scheme or a national temporary wage subsidy plan similar to what is being done in other countries like the US, the UK, Canada, Singapore, etc.

Those governments have announced wage subsidies for the restaurant business employees ranging anywhere between 50-80 percent of the salary costs(capped at a certain limit), for the next three-six months.

The opening up of the PF contribution fund by our government is a welcome move but its scope may also be broadened to cover a wider employee net, for a longer duration and a higher amount limit that can be withdrawn.

Another burning worry for both the landlords and the restaurant owners is the issue of rentals during and post lockdown when the business sentiments are so weak. This has the potential to become a subject of multiple force-majeure litigations across the country and hence it is advocated that the government should promulgate an interim Central Rent Control ordinance; waiving the rentals during the lockdown and post that (for at least 6-8 months), and cap the monthly rentals at a fixed percentage of the current rate (50 percent or less) or as a percentage of the revenues(7-15 percent), whichever is higher.

Some policy measures may also be implemented to waive or reduce the GST on rental income(currently at 18 percent), property taxes, electricity, gas charges, etc. Additionally, restaurants also currently levy GST and VAT on the sale of food and liquor respectively. Since these indirect taxes are collected in lieu of the services provided by the restaurant, a part of this amount may be refunded in the form of rental/support subsidy.

Ease of doing business

Also, restaurants in India must be given an option to defer the payment of all statutory dues for a few months so that they can prioritise their limited resources for sustaining their businesses. The Union Government should also focus on the ease of doing business by relaxing the terms of renewal of licenses for India's restaurant industry,

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which is otherwise heavily regulated by multiple nodal agencies.

Most of the bars in Delhi have already paid the excise license renewal fee upfront for the entire financial year and a part of this amount should be reimbursed on account of the loss of business.

Additionally, the restaurants in the country should be provided collateral-free soft loans to preserve their working capitals which had taken a huge hit in view of the loss of business, so that they are in a position to reopen post the lockdown. The moratorium on term loans may also be extended for another six months and the interest during this period ought to be reduced or could be completely waived off.

The objective of these suggested measures is to facilitate an ecosystem where restaurants in India not only live to the day they can reopen for business, but also survive to operate in a safe and secured environment thereafter. Unless the government intervenes immediately and brings about positive and transformative changes in line with the suggestions above, it will only be a matter of time when a sizeable chunk of India's restaurant industry would be pushed to bankruptcy. **S**

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