

## **Effective Service Tax rate on AC restaurant bills 5.6%: Finance ministry**

The effective incidence of service tax on food bill in air conditioned restaurants will go up to 5.6 per cent as against 4.94 per cent previously, a senior finance ministry official said today.

The increased incidence follows government raising service tax rate from 12.36 per cent to 14 per cent with effect from June 1.

Air conditioned hotels and restaurants attract a service tax on 40 per cent of the billed amount. At old service tax rate, the effective rate of taxation came to 4.94 per cent of the food bill and at the higher rate of 14 per cent it comes to 5.6 per cent.

"14 per cent service tax on food/beverage in air conditioned hotels and restaurants calculated on 40 per cent of bill amount. Effective tax rate 5.6 per cent," Revenue Secretary Shaktikanta Das said in a tweet.

He also said that food/beverage bills in non air conditioned hotels and restaurants are exempt from service tax.

Finance Minister Arun Jaitley in his Budget had proposed to raise service tax from 12.36 per cent (including education cess) to 14 per cent. The proposal took effect from June 1.

The tax is levied on all services, except a small negative list.

Some of the key services that attracts the levy include railways, airlines, banking, insurance, advertising, architecture, construction, credit cards, event management and tour operators.

Mobile operators and credit card companies have already started sending messages to subscribers conveying the increase in service tax rate which will have a bearing on the bills.

*(Economic Times)*