

Service Charges Collected by Restaurants/Hotels are Not ‘Service Tax’

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Service Charges Collected by Restaurants/Hotels/Eateries Retained by the Restaurants/Hotels/Eateries and are Not ‘Service Tax’ Imposed by the Government

Some restaurants/hotels/eateries besides charging for the food and beverages are also charging ‘service charges’ in their bills. The proceeds of the ‘service charges’ are retained by the restaurants/hotels/eateries.

Some of the consumers have a misapprehension that these ‘service charges’ are being collected by the restaurant on behalf of the Government as tax.

It is clarified that these ‘service charges’ collected by the restaurants/hotels/eateries are retained by the restaurants/hotels/eateries and are not ‘service tax’ imposed by the Government.

It is further clarified that effective service tax rate in respect of services provided in relation to serving of food or beverage by a restaurant, eating joint or mess having the facility of air-conditioning or central air-heating in any part of the establishment is 5.6% (14% of 40%) of the total amount charged.