

Circular No. 184/3/2015-ST  
Dated the 3<sup>rd</sup> June, 2015

F. No. 334 / 5 /2015-TRU (Pt.)  
Government of India  
Ministry of Finance  
Department of Revenue  
(Tax Research Unit)

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To

Chief Commissioner of Customs and Central Excise (All)  
Chief Commissioner of Central Excise & Service Tax (All)  
Director General of Service Tax  
Director General of Central Excise Intelligence  
Director General of Audit,  
Principal Commissioner/ Commissioner of Customs and Central Excise (All)  
Principal Commissioner/ Commissioner of Central Excise and Service Tax (All)  
Principal Commissioner/ Commissioner of Service Tax (All)

Madam/Sir,

**Subject:** Clarification on rate of service tax on restaurant service - regarding.

The Service Tax rate has been increased to 14% with effect from 1<sup>st</sup> June, 2015. Certain doubts have been raised in regard to abatement on value of services provided in relation to serving of food or beverages by a restaurant, eating joint or a mess, **having the facility of air-conditioning or central air-heating** in any part of the establishment, at any time during the year.

2. Matter has been examined. Valuation of services provided in relation to serving of food or beverages by a restaurant, eating joint or a mess **having the facility of air-conditioning or central air-heating in any part of the establishment**, is determined as provided in rule 2C of the Service Tax (Determination of Value) Rules, 2006. In the said rule, service portion in an activity wherein goods, being food or any other article of human consumption or any drink (whether or not intoxicating) is supplied in any manner as a part of the activity, at a restaurant has been specified as 40 percentage of the total amount charged for such supply. In Budget, 2015, no change has been made in abatement and the rate of service tax on the abated value has been increased to 14% with effect from 1<sup>st</sup> June, 2015. Therefore, effective service tax rate would be 5.6% (14% of 40%) of the total amount charged.

Hence, with the increase in the applicable rate of service tax from 12.36% (including education cesses) to 14%, the effective rate on such establishments has increased from 4.9% to 5.6% of the total amount charged.

3. It is further clarified that exemption from service tax still continues to services provided in relation to serving of food or beverages by a restaurant, eating joint or a mess, **other than those having the facility of air-conditioning or central air-heating in any part of the establishment**, at any time during the year.

4. All concerned are requested to acknowledge the receipt of this circular.

5. Trade Notice/ Public Notice to be issued. Wide publicity through local news media including vernacular press may be given. Hindi version shall follow.

Yours faithfully,

(Akshay Joshi)

Under Secretary to Government of India