

FH/1/Ser.T./2016

30th May, 2016

The Managing Director/CEO/Director/Partner/General Manager
All FHRAI Members

CC: All Members of the Executive Committee
All Regional Associations
President FHRAI

Sub: Applicability of Service Tax w.e.f. 1st June, 2016

Dear Member,

Greetings from FHRAI!!

As members are aware, in the Union Budget 2016-17, KrishiKalyan Cess has been introduced which would be levied @0.5% on the value of all taxable services. Therefore, the rate of Service Tax has been increased to 15% effective inclusive of Swachh Bharat Cess and Krishi Kalyan Cess from 1st June, 2016 vide Notification No. 31/2016.

There is no change in abatement and will continue unchanged till further orders. The abatement available for hotel Rooms is 40%, Restaurants 60% and Mandap Keeper 30%.

- Hotels having room Tariff of Rs.1000/- and above have to pay the Service Tax on 60% of Room Tariff @14%, Swachh Bharat Cess and Krishi Kalyan Cess @0.5% respectively (the net rate of Service Tax and Cesses comes to 9% on total bill amount).
- Restaurants, the Service Tax is applicable on 40% of the F&B Bill @14%, Swachh Bharat Cess and Krishi Kalyan Cess @0.5% respectively (the net rate of Service Tax comes to 6% on total bill amount).
- Mandap Keepers -Hotels/Restaurants/clubs are covered under Mandap Keepers for holding social functions such as marriage, conferences and seminars where substantial food is served. The Service Tax is applicable on the 70% of the total bill @14%, Swachh Bharat Cess and Krishi Kalyan Cess @0.5% respectively (the net rate of Service Tax comes to 10.5% on total bill amount).

Service Tax and respective Cesses are also applicable on Service Charges, collected by the establishments.

Particulars	Amount
Service Tax	14%
Swachh Bharat Cess	0.5%
KrishiKalyan Cess	0.5%
Total	15%

In this regard, Ministry of Finance, Government of India has clarified through its circular No. 194/04/2016-ST which is enclosed for your ready reference and can be downloaded from <http://www.cbec.gov.in/ServiceTax-Circulars-Instructions>

This is for your information please.

With warm regards,

Amitabh Devendra
Secretary General

The Federation of Hotel & Restaurant Associations of India

Regd. Office: B-82, 8th Floor, Himalaya House, 23 K.G. Marg, New Delhi - 110001

Tel: 011-40780780 Fax: 40780777

Email: fhrai@vsnl.com Website: www.fhrai.com