



GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE

केन्द्रीय उत्पाद शुल्क एवं सेवा कर आयुक्त का कार्यालय  
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**TRADE NOTICE NO. 3/2015-ST**

02.07.2015

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

The contents of the Circular No.184/3/2015-ST dated 03.06.2015 (F. No.334/5/ 2015-TRU (Pt.)) issued by the Government of India, Ministry of Finance, Department of Revenue (Tax Research Unit), New Delhi on the above subject are hereby communicated to all the constituent members of Industry, Trade and Commerce.

(Issued from file C. No.IV/16/812/2015-STC)

*Cecilia*  
*2/7/15*  
(CECILIA PARTHASARATHI)  
ASSISTANT COMMISSIONER

To

As per mailing list.  
All Divisions / Ranges under Trichy Commissionerate.  
All Sections in Hqrs. Office, Trichy.

Copy to : Computer Centre, Hqrs., Trichy - for uploading the Trade Notice to the website  
of the Commissionerate.

(Contents of the Ministry's Circular No.184/3/2015-ST dated 03.06.2015)

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, the value of 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 1st 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.