

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

CLARIFICATION ISSUED IN THE MATTER OF SERVICE TAX; ONLY AIR-CONDITIONED OR AIR-HEATED RESTAURANTS TO PAY SERVICE TAX; RESTAURANTS, EATING-JOINTS OR MESSES WHICH DO NOT HAVE THE FACILITY OF AIR-CONDITIONING OR CENTRAL AIR-HEATING IN ANY PART OF THE ESTABLISHMENT ARE EXEMPT FROM SERVICE TAX.

New Delhi, June 9, 2015
Jyaistha 19, 1937

At present, Service Tax is chargeable on services provided by restaurants, eating-joints or messes which have the facility of air-conditioning or central air-heating in any part of the establishment at any time during the year in relation to serving of food or beverages. Restaurants, eating-joints or messes which do not have the facility of air-conditioning or central air-heating in any part of the establishment are exempt from service tax. In other words, only air-conditioned or air-heated restaurants are required to pay Service Tax.

In respect of such air-conditioned or air-heated restaurants which are required to pay Service Tax, 60% of the value is to be deducted from the total amount charged while applying the rate of Service Tax and tax is to be calculated on the balance 40%. With the increase in the rate of Service Tax to 14% (subsuming the Education Cesses) with effect from 1.6.2015, the effective rate of tax will be 5.6% of the total amount charged. Prior to 1.6.2015, when the rate of Service Tax was 12.36% (including Education Cesses), the effective rate was 4.94%.

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