

**Service Charge: It's Entirely Up To Customer**  
**Bernama**  
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KUALA LUMPUR, April 20 (Bernama) -- The Goods and Services Tax (GST) has been implemented for almost a month now. However, many issues which were raised need to be resolved.

The GST, effective April 1, was fixed at six per cent. With the introduction of GST, sales tax rated at 10 per cent and service tax (six per cent) have been abolished.

The implementation of GST is part of the government's tax reform programme to enhance capability, effectiveness and transparency of tax administration and management.

However, along with the implementation of the new tax system, many issues have been raised that need to be addressed, one of them regarding service charge.

Some might not be aware that service charge has nothing to do with the authorities. It is an element left unregulated since it was introduced in the 1980's to replace tipping which was problematic to customers and unfair to 'behind-the-scene' staff who do not get to serve customers directly and thus, are unable to receive tips.

While generally, customers did not seem to object to paying service charge, there have been abuses. Some establishments do not notify customers that their prices are subjected to service charge and the charge appears in the final bill like a hidden cost.

And, there are also some establishments which do not pass on service charge collections to their employees. This goes against the spirit of having the service charge, and can be described as 'theft' by the business owner or manager.

With the introduction of GST, the matter has become even more problematic as the public resents to having been charged twice, for example, the service charge, followed by GST.

There are some customers who erroneously think the two charges are imposed by the government. Consumers also raise the question as to why they are forced to pay extra for service, even when the service is poor.

On the other hand, business owners, labour unions and some political parties want the service charge to stay as it supplements the low pay of many workers in the service and hospitality industries.

The government is mulling over prohibiting the imposition of service charge altogether, on the grounds that many businesses seem to be able to do well without it.

However, it seems to have brought howls of protest as many, maybe the majority of food and beverage and hospitality outlets do not have unionised employees and thus, no

collective agreements.

One of the solutions is that a business licence should state whether it imposes service charge or otherwise.

A business licence is issued on two conditions; firstly, the business agrees to display prominently a sign or signs that it will levy service charge (no matter what percentage) such that the prospective customer will see it even before entering the premises.

Secondly, a signed declaration by the business owner or authorised manager that service charge collection is to be passed on to employees, should also be displayed on the premises for the benefit of customers and employees, and this does away with the need for collective agreements.

The local authority by-laws for the issuance of business licences can be amended to accommodate these conditions. Since business licences are issued by local authorities, the work is de-centralised from a federal ministry, thus relieving the ministry of such task.

The above solutions seem worthy to be taken note of, in respect of the right of businesses to levy service charge (of whatever percentage) if they choose to.

It will also protect the interest of consumers who will be sufficiently notified that the premises they are walking into levy service charge (of a certain percentage), and consumers at any time may choose to enter the said premises or go to another outlet which does not have service charge.

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