

## **F&B Outlets Should Scrap Service Charge, Says FOMCA**

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KUALA LUMPUR, April 7 (Bernama) -- It has been exactly a week since the Goods and Services Tax (GST) was enforced and there appears to be much confusion and dissatisfaction over the imposition of service charge by the food and beverage (F&B) and hospitality industry.

Many people have questioned the need for the operators to levy the service charge, which can be as high as 10 percent, following the implementation of the GST as they feel that they are being short-changed by having to pay "double", that is GST as well as service charge.

It should, however, be noted that the service charge is neither imposed nor collected by the government, but is levied by individual F&B outlets, presumably in exchange for the services rendered to their customers. Besides dine-in customers, even those who order takeaways have to pay the service charge.

Following public complaints, the Ministry of Domestic Trade, Cooperatives and Consumerism, Ministry of Finance and the Royal Malaysian Customs Department met with the hotel industry recently to discuss the service charge issue and it was decided that, effective yesterday, restaurants and hotels without collective agreements with their employees could not impose service charge on their customers.

And, if they want it to be imposed, the F&B outlets concerned are required to display notices to inform their customers of the service charge.

By right, under the GST, which replaces the Sales Tax and Services Tax (SST), operating costs should go down as the GST imposed on business inputs can be reclaimed.

And, in theory, the six percent GST should see the prices of goods and services being reduced as, previously, SST of up to 16 percent was imposed.

Hence, what is the justification for F&B operators to levy service charge of up to 10 percent for their services when most of the raw materials they use are considered zero-rated supplies?

### **SERVICE CHARGE SHOULD BE SCRAPPED**

According to Customs Department GST Division Assistant Director Annie Thomas, the service charge imposed by restaurants could be likened to the collection of tips and that it did not come under the Customs' jurisdiction.

Usually, in the hospitality industry, the service charge collected is distributed to the employees. There is, however, no specific body to regulate the imposition of the service

charge.

In view of such a situation, said Federation of Malaysian Consumer Associations (FOMCA) Deputy President Mohd Yusof Abdul Rahman, there was still a question mark over whether or not restaurant operators shared the service charge collected with their employees.

"We don't know... many people are dissatisfied that GST is being imposed on the service charge as well. It's like being taxed twice.

"A study should be carried out to find out if it's necessary to continue imposing the service charge as many people want it to be abolished," he said.

Mohd Yusof urged the government to resolve the issue of who should take on the responsibility of overseeing the imposition and collection of the service charge.

"On top of the GST, we have to pay service charge... at fast-food restaurants, there's no value-added services as we have to place the orders at the counter and carry the food to our tables ourselves," he added.

### **OPTION TO PAY LIES WITH CONSUMERS**

Malaysian Muslim Restaurant Operators Association (Presma) President Noorul Hassan Saul Hameed said the service charge rate was subject to the location, level of comfort and exclusivity of the restaurant concerned.

"If you want comfort and an exclusive atmosphere, then it's your choice and you have to pay for it... don't get confused and don't confuse others because the service charge has nothing to do with the government," he said.

Noorul Hassan said consumers, however, would not know if the service charge collected was disbursed to the staff as an incentive payment.

He, however, pointed out that 90 percent of the Indian Muslim restaurants registered under Presma did not impose service charge.

He said more than 12 complaints have been lodged against its member restaurants since the GST was implemented on April 1, but he believed that they were largely due to misunderstandings over the charges imposed.

"If a consumer finds that he has been charged GST, it means that the restaurant concerned has an annual turnover of more than RM500,000. The people should also realise that all processed food items are value-added products and, thus, attract GST... many consumers are confused over this and are taking their frustration out at restaurant operators," he said.

To date, more than 50,000 restaurant operators have registered for the GST with the Customs Department.

The F&B industry has become more competitive with the implementation of the GST as the new consumption tax regime allows businesses to lower their prices. This is because F&B outlets stand to benefit from lower operating costs as they can claim the input tax credit.

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