

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
Second Regular Session

House Bill No. 7116



Introduced by AKBAYAN Party List Representative Tomasito S. Villarin

EXPLANATORY NOTE

Under the prevailing rule, service charges are considered as integral part of the cost of the food, goods, or services ordered by the customers in establishments such as hotels, restaurants, and similar industries. As such, fifteen percent (15%) of the collected service charge is retained by the management to cover breakages and losses; otherwise, it is reported as additional income. On the other hand, the remaining eighty-five (85) percent are equally distributed to the workers.

At first glance, "service charge" would mean as "charges for the services rendered", hence the 85% allocation for the employees; the business front liners who cater directly to the customers' needs— from giving them clean tables, recommending house specialties, making customers feel comfortable, and at times are the receiving end of the complaints. These employees are the ones who define the quality of the services for the aforementioned establishments.

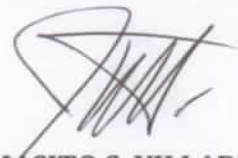
Luckily, there are employees who enjoy one hundred percent (100%) share of the service charge pursuant to their collective bargaining agreement. Unfortunately, some are not aware of the 85% and receive less than what is prescribed by the law; while others do not receive anything because they do not collect service charge, and the breakages and losses are even deducted against their salaries.

A careful study of the sharing percentage on service charge would reveal the prevailing unjust and inequitable condition set forth by the said law. Ordinarily, these breakages and losses are reasonable business expenses of the management and should not be deducted to the collected service charge.

Indeed, it is about time that the workforce of these establishments be recognized and afforded with that is due to them and institutionalize the true meaning of service charge.

This bill seeks to allow covered employees to fully enjoy 100 percent share of the service charge collected. And to further address the disparities created by the current service charge regime, this bill also proposes to fix the amount of service charge collected in hotels, restaurants and similar establishments at a uniform rate of ten percent (10%).

In view of the foregoing, the immediate approval of this bill is earnestly sought.

A stylized, handwritten signature in black ink, featuring a large, sweeping initial 'S' followed by several vertical strokes and a horizontal line at the end.

TOMASITO S. VILLARIN

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AN ACT

**AMENDING SECTION 96 OF PRESIDENTIAL DECREE NO. 442, AS AMENDED,
OTHERWISE KNOWN AS THE "LABOR CODE OF THE PHILIPPINES"**

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

SECTION 1. Article 96 of the Labor Code of the Philippines is hereby amended to read as follows:

ART. 96. Service Charges. - ALL HOTELS, RESTAURANTS AND SIMILAR ESTABLISHMENTS SHALL COLLECT A SERVICE CHARGE AT A FIXED RATE OF AT LEAST TEN PERCENT (10%) ON ALL SALES OF ROOMS, FOOD, BEVERAGES, AND OTHER PRODUCTS AND SERVICES.

THE SERVICE CHARGES ~~All service charges collected by hotels, restaurants and similar establishments shall be distributed [at the rate of eighty-five percent (85%) for] WHOLLY AND EQUALLY TO all REGULAR RANK-AND-FILE AND SUPERVISORY [covered] employees. [and fifteen percent (15%) for management. The share of the employees] shall be equally distributed among them.] In case the service charge is abolished, the share of covered employees shall be considered integrated in their wages.~~

IN CASE THE MINIMUM WAGE IS INCREASED BY LAW OR WAGE ORDER, SERVICE CHARGES PAID TO THE COVERED EMPLOYEES SHALL NOT BE CONSIDERED IN DETERMINING THE EMPLOYER'S COMPLIANCE TO THE INCREASED MINIMUM WAGE.

SEC.2. Nothing in this Act shall be construed as to diminish existing benefits under current laws, company policies and practice, and collective bargaining agreements.

SEC.3. All laws, executive orders, proclamations, presidential decrees, rules and regulations and other issuances, or parts thereof, inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 4. This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved,