



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasan Hills, Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 3983



Introduced by
HON. ATTY. GERVILLE “JINKY BITRICS” R. LUISTRO

AN ACT
MANDATING THE IMPOSITION OF SERVICE CHARGE IN HOTELS,
RESTAURANTS, RESORTS, AND OTHER SIMILAR ESTABLISHMENTS, AND FOR
OTHER PURPOSES

EXPLANATORY NOTE

The Philippine hospitality and service industries – comprising of hotels, restaurants, resorts, catering services, and similar establishments – rely heavily on the dedication and hard work of rank-and-file employees who directly interface with customers. These frontline workers are essential in providing quality service, yet many of them receive compensation that does not reflect the value they contribute to the business.

Under existing laws, service charges are *optional* and left to the discretion of business owners. This has resulted in inconsistencies in employee benefits across establishments, with some workers receiving supplemental income through service charges, while others do not, despite performing similar duties and working under comparable conditions.

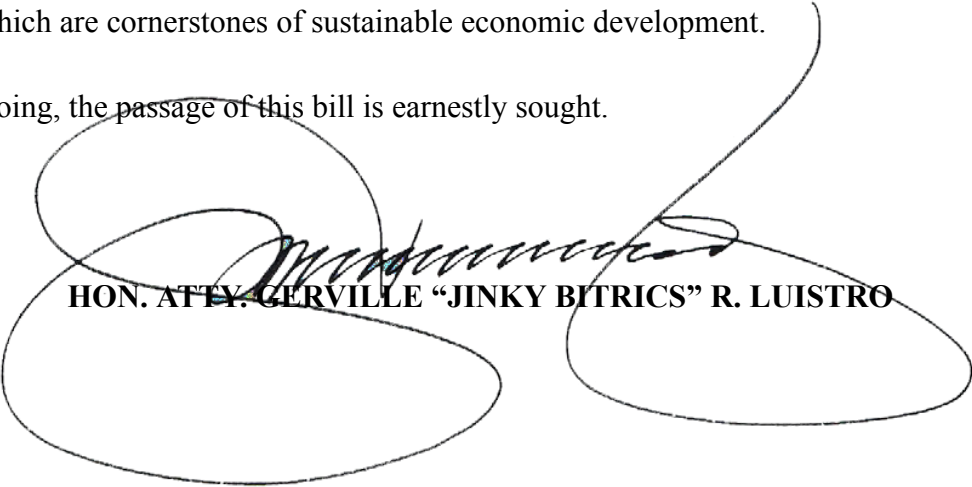
This bill seeks to address this gap by mandating the imposition of a ten percent (10%) service charge in hotels, restaurants, resorts, and other similar establishments. The proposed measure aims to standardize this practice to ensure that workers are fairly compensated through a system that directly rewards service excellence.

The bill also ensures that **eighty-five percent (85%)** of the collected service charge goes directly to the employees, with the remaining **fifteen percent (15%)** available for legitimate

operational costs such as breakages and pilferages. Moreover, safeguards are in place to protect micro and small enterprises by exempting those with fewer than ten (10) employees or earning below ₱2,000,000 annually.

In addition to enhancing workers' income, this measure promotes equity, fairness, and dignity in the workplace, which are cornerstones of sustainable economic development.

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



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

SECTION 1. Title. – This Act shall be known as the "Mandatory Service Charge Act of 2025."

SECTION 2 Declaration of Policy. – It is hereby declared the policy of the State to promote the rights and welfare of workers in the hospitality and service industries by ensuring just compensation and fair sharing of revenues. In line with this, the State mandates the imposition of a service charge in certain establishments, which shall be distributed fairly among employees.

SECTION 3. Definition of Terms. – For purposes of this Act:

- a. **Service Charge** refers to the fee added to a customer's bill, intended to serve as a supplementary income for employees of an establishment;
- b. **Covered Establishments** refer to hotels, restaurants, resorts, catering services, clubs, and other similar enterprises engaged in the hospitality or food and beverage service industries.

- c. **Employees** refer to all rank-and-file workers directly involved in the delivery of service to customers.

SECTION 4. Mandatory Imposition of Service Charge. – All covered establishments are hereby mandated to impose a service charge equivalent to **ten percent (10%)** of the total bill, exclusive of taxes.

SECTION 5. Distribution of Service Charge. – The entirety of the service charge collected shall be distributed as follows:

- a. **Eighty-five percent (85%)** shall be distributed equally among all rank-and-file employees of the establishment.
- b. **Fifteen percent (15%)** may be retained by management to cover breakages, pilferages, or administrative costs directly related to the operation of the establishment.

SECTION 6. Exemptions. – Small enterprises with less than **ten (10)** employees, or those whose gross annual revenues do not exceed **Two Million Pesos (₱2,000,000)**, shall be exempted from the mandatory imposition of the service charge.

SECTION 7. Penalties – Any establishment found violating this Act shall be subject to:

- a. A fine of not less than **₱100,000** and/or
- b. Suspension of business license for up to **three (3) months**,
- c. Payment of back wages equivalent to the undisbursed share of employees from the service charge, with interest of **12% per annum**.

SECTION 8. Monitoring and Enforcement. – The Department of Labor and Employment (DOLE), in coordination with the Department of Trade and Industry (DTI), shall formulate the necessary implementing rules and regulations (IRR) within **ninety (90) days** from the effectivity of this Act.

SECTION 9. Separability Clause. – If any provisions of this Act is declared unconstitutional or invalid, the provisions thereof not affected by such declaration shall remain in force and effect.

SECTION 10. Repealing clause. – All laws, executive orders, rules and regulations, or parts thereof, inconsistent with the provisions of this Act are hereby repealed or amended accordingly.

SECTION 11. Effectivity. – This Act shall take effect fifteen (15) days after its publication in two (2) national newspapers of general circulation.

Approved,