



Republic of the Philippines  
DEPARTMENT OF LABOR AND EMPLOYMENT  
Manila



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DEPARTMENT ORDER NO. 206

Series of 2019

**IMPLEMENTING RULES AND REGULATIONS OF REPUBLIC ACT NO. 11360  
ENTITLED "AN ACT PROVIDING THAT SERVICE CHARGES COLLECTED BY  
HOTELS, RESTAURANTS AND OTHER SIMILAR ESTABLISHMENTS BE  
DISTRIBUTED IN FULL TO ALL COVERED EMPLOYEES AMENDING FOR THE  
PURPOSE PRESIDENTIAL DECREE NO. 442, AS AMENDED, OTHERWISE  
KNOWN AS THE "LABOR CODE OF THE PHILIPPINES"**

Pursuant to Section 3 of Republic Act No. 11360, the following implementing rules and regulations are hereby issued:

**Section 1. Coverage.** – This Rule shall apply to all establishments collecting service charges such as hotels, restaurants, and other similar establishments including those entities operating primarily as private subsidiaries of the Government.

**Section 2. Definition of terms.** – As used in this Rule, the following terms are defined as follows:

- a. **Covered employees** refer to all employees, except managerial employees as defined herein, under the direct employ of the covered establishment, regardless of their positions, designations or employment status, and irrespective of the method by which their wages are paid.
- b. **Covered establishments** refer to those that collect service charge for work or service they offer.
- c. **Managerial employees** refer to any person vested with powers or prerogatives to lay down and execute management policies or hire, transfer, suspend, lay-off, recall, discharge, assign or discipline employees or to effectively recommend such managerial actions.
- d. **Other similar establishments** refer to those entities that collect service charge for work or service rendered, such as, but not limited to, lodging houses, night clubs, cocktail lounges, massage clinics, bars, casinos and gambling houses, and sports clubs.
- e. **Service charge** refers to the amount that is added to the bill for work or service rendered.

**Section 3. Distribution of service charges.** – All service charges actually collected by covered establishments shall be distributed completely and equally, based on actual hours or days of work or service rendered, among the covered employees, including those already receiving the benefit of sharing in the service charges.

**Section 4. Frequency of distribution.** – The shares referred to herein shall be distributed and paid to the covered employees not less than once every two (2) weeks or twice a month at intervals not exceeding sixteen (16) days.

**Section 5. Increase in minimum wage.** – In the event that the minimum is increased by law or wage order, service charges paid to the covered employees shall not be considered in determining the covered establishment's compliance with the increased minimum wage.

**Section 6. Dispute resolution.** – Any dispute or difference on the distribution of service charges shall be settled through the grievance machinery as provided in the Collective Bargaining Agreement (CBA).

In unorganized establishments, where no grievance mechanism is established or the grievance mechanism is inadequate, the grievance shall be referred to the DOLE Regional Office which has jurisdiction over the workplace, for conciliation.


Unresolved grievances shall be resolved in accordance with existing rules and regulations on the visatorial and enforcement power of the Secretary of Labor and Employment and his/her duly authorized representatives.

**Section 7. Repealing clause.** – All rules and regulations, policy issuances or orders contrary to or inconsistent with this Rule are hereby repealed, amended, or modified accordingly.

**Section 8. Effectivity.** – This Rule shall take effect fifteen (15) days after its publication in at least one (1) newspaper of general circulation.

Manila, Philippines, November 19, 2019.



  
SILVESTRE H. BELLO III  
Secretary

Dept. of Labor & Employment  
Office of the Secretary



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