

GOVERNMENT OF INDIA
MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
DEPARTMENT OF CONSUMER AFFAIRS

RAJYA SABHA
UNSTARRED QUESTION No. 240

TO BE ANSWERED ON 03.02.2023

SERVICE CHARGE LEVIED BY RESTAURANTS AND HOTELS

240. SHRI SANJAY RAUT

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

- (a) whether restaurants and hotels levy service charges affecting consumers on a daily basis;
- (b) if so, details thereof;
- (c) whether the Department has held a meeting with Restaurant Associations and Consumer Organizations on levy of service charge in hotels and restaurants;
- (d) whether any decision has been taken and if so, details thereof; and
- (e) whether Government is planning to come up with a robust framework to ensure strict compliance by the stakeholders with regard to levy of service charge as it adversely affects consumers on a daily basis and if so, the details thereof?

ANSWER

THE MINISTER OF STATE, CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION

(SHRI ASHWINI KUMAR CHOUBEY)

(a) to (e) : A number of complaints were being received on the National Consumer Helpline regarding addition of service charge by restaurants and hotels in the bill without consent of consumers.

Taking cognizance of complaints, the Department of Consumer Affairs held a meeting with stakeholders on 02.06.2022 to discuss the issue of levy of service charge in hotels and restaurants.

The meeting was attended by major restaurant associations including National Restaurant Association of India (NRAI) and Federation of Hotel & Restaurant Associations of India (FHRAI) and consumer organizations.

Since a component of service is inherent in the price of food and beverages offered by the restaurant or hotel and pricing of the product covers both the goods and services component, the Central Consumer Protection Authority, taking cognizance of such complaints being received on National Consumer Helpline, issued guidelines to prevent unfair trade practices and protection of consumer interest with regard to levy of service charge in hotels and restaurants on 4th July, 2022. The guidelines issued by the CCPA stipulate that hotels and restaurants shall not add service charge automatically or by default in the food bill and have to clearly inform the consumer that service charge is voluntary, optional and at consumer's discretion. These guidelines do not prohibit a consumer to pay tips to serving staff voluntarily. There is no restriction on hotels or restaurants to set the prices at which they want to offer food or beverages to consumers.

Hon'ble High Court of Delhi has, vide its order dated 20.07.2022, stayed para 7 of these guidelines with further directions that the proposed levy of a service charge in addition to the price and taxes payable and the obligation of customers to pay the same shall be duly and prominently displayed on the menu or other places where it may deemed to be expedient; and that no service charge be levied on any take away items. The matter is presently under consideration before the Hon'ble Court.
