



FOOD

The Department of Food & Supplies, Consumer Affairs, and Legal Metrology, U.T. Chandigarh Issues Advisory to Prevent Automatic Levy of Service Charges by Hotels & Restaurants

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Background and the CCPA Order

The Department of Food & Supplies, Consumer Affairs, and Legal Metrology, U.T. Chandigarh, issued an advisory to hotels and restaurants in compliance with the Central Consumer Protection Authority (CCPA) guidelines under the Consumer Protection Act, 2019. This advisory prohibits the automatic addition of service charges to bills and ensures that consumers are fully aware of their rights. The move was prompted by widespread complaints that many restaurants were forcibly levying service charges without informing customers that such charges are voluntary.

The said CCPA guidelines are applicable across India, ensuring uniform consumer protection nationwide. As such, the advisory issued by the Department of Food & Supplies, Consumer Affairs, and Legal Metrology, U.T. Chandigarh, is in line with these national guidelines and holds applicability throughout the country.

Many consumers were under the mistaken belief that the service charge was a mandatory government tax, leading to additional tipping and unfair charges. The CCPA had clarified that service charges should not be imposed involuntarily and should only be paid at the discretion of the consumer.

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Key Guidelines to Prevent Automatic Service Charges

1. **No automatic addition** of service charges to bills. Consumers should have the choice to pay voluntarily.
2. **Hotels and restaurants cannot mislead customers** by adding service charges under different names.
3. **No restriction on entry or service** should be imposed based on payment of service charges.
4. **Businesses cannot levy GST on service charges**, as these are not mandatory fees.
5. **Consumers have the right to request removal** of service charges from the bill.

Consumer Redressal Mechanism

If a restaurant or hotel violates these guidelines, consumers can:

- **Request removal** of the service charge from the bill.
- **Lodge a complaint** via the **National Consumer Helpline (1915)** or WhatsApp at **8800001915**.
- **File an online complaint** through www.e-jagriti.gov.in.
- **Escalate the issue** to the **CCPA via email at com-ccpa@nic.in**.
- **Report the violation** to the **Chandigarh Consumer Affairs Department** at **0172-2703956** or fcs-chd@nic.in.

Conclusion

As per the Central Consumer Protection Authority (CCPA) guidelines under the Consumer Protection Act, 2019, service charges cannot be added to a bill involuntarily and must be left to the consumer's discretion. These guidelines prevent unfair levies, ensuring transparency and fair-trade practices in the hospitality industry. Consumers are encouraged to report violations to uphold their rights and ensure accountability in the sector.

Frequently Asked Questions

Is service charge legal in India in 2026?

Service charge is not illegal, but making it mandatory is. Under the CCPA's guidelines dated 4 July 2022, framed under the Consumer Protection Act, 2019, hotels and restaurants cannot add service charge to a bill by default. The charge can only exist as a voluntary payment that the consumer chooses to make. The Delhi High Court has upheld this position, and the Chandigarh advisory is a direct re-statement of these binding rules.

Can a restaurant charge GST on service charge?

No. GST cannot be levied on service charge because service charge is not part of the price of food or service supplied, it is, at most, a discretionary tip. If your bill applies GST on top of a service-charge component, the bill is non-compliant with both CCPA guidelines and tax rules, and you are entitled to ask for it to be corrected before payment.

Can a restaurant refuse to serve me if I don't pay service charge?

No. The CCPA guidelines specifically prohibit any restriction on entry, seating, or service based on payment of service charge. Refusing service, asking a customer to leave, or denying a reservation because of unwillingness to pay service charge is treated as an aggravating violation and can be reported to the CCPA, the National Consumer Helpline (1915), or the e-Jagriti portal for action.

What is the maximum penalty a restaurant can face?

Under Section 21 of the Consumer Protection Act, 2019, the CCPA can impose a penalty of up to ₹10 lakh on a service provider for a first offence, and up to ₹50 lakh for subsequent offences. Beyond monetary penalties, the CCPA can also order the establishment to discontinue the unfair practice and issue corrective communications to affected consumers.

What if the restaurant calls it something other than service charge?

The CCPA guidelines apply to substance, not the label on the bill. Renaming the levy as "staff welfare charge," "service fee," "facility charge," "convenience fee," or any similar nomenclature does not make it lawful. If a fee is added automatically to your bill and you have not agreed to pay it, you can ask for its removal regardless of what the establishment chooses to call it.

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