



D.O.No. CCPA-2/12/2025-CCPA
09th September, 2026

Subject: Ensuring compliance with the regulatory framework relating to levy of service charge by hotels, restaurants, cafés and similar establishments - reg.

To all
Municipal
Corporations
Dear Sir / Madam,

I am writing to draw your kind attention to the continued practice of levy and collection of service charge from consumers by certain hotels, restaurants, cafes and other similar establishments, notwithstanding the regulatory framework issued in this regard and the judicial pronouncements on the subject.

2. The Central Consumer Protection Authority (CCPA) has been established under Section 10(1) of the Consumer Protection Act, 2019 to regulate matters relating to violation of consumer rights, unfair trade practices, and false or misleading advertisements prejudicial to the interest of the public and consumers to promote, protect and enforce rights of the consumers as a class.

3. The CCPA issued the "Guidelines to Prevent Unfair Trade Practices and Protection of Consumer Interest with regard to levy of Service Charge in Hotels and Restaurants" on 04.07.2022. The Guidelines, provide that:

- Hotels and restaurants shall not add service charge automatically or by default to the bill.
- Service charge shall not be collected under any other name.
- Consumers shall not be forced to pay service charge and shall be clearly informed that such payment is voluntary, optional and at their discretion.
- No restriction shall be imposed on entry or provision of services on account of a consumer's decision not to pay service charge.
- Service charge shall not be added to the food bill for the purpose of levying GST on the total amount.
- The copy of the above-mentioned guidelines is attached herewith for easy reference.



4. Further, the Hon'ble High Court of Delhi vide judgment namely **National Restaurant Association of India & Ors. Versus Union of India & Anr.** dated 28.03.2025, upheld the aforesaid Guidelines issued by the CCPA. The Hon'ble Court observed that service charge or tip is a voluntary payment by the customer and cannot be made compulsory or mandatory. The Hon'ble Court further observed that mandatory and coercive collection of service charge is contrary to consumer interest and violation of consumer rights. It was also observed that collection of service charge under different terminologies is misleading and deceptive in nature and constitutes an unfair trade practice under Section 2(47) of the Consumer Protection Act, 2019. The Hon'ble Court accordingly held that restaurant establishments are required to adhere to the Guidelines and that appropriate action may be taken in accordance with law in case of violation.

5. In view of the above, it is important to ensure that the practice of levying service charge is not continued by merely changing its terminology. Accordingly, any compulsory charge imposed on consumers in the nature of service charge, whether described as **"staff welfare charge", "staff welfare contribution", "employee welfare charge", "service fee", "hospitality charge", "Voluntary Service Charge"** or by any other similar name shall be regarded as a service charge for the purposes of the Guidelines and is impermissible if imposed on a compulsory basis. The underlying nature and effect of the charge, rather than merely the terminology used, would be relevant in determining compliance with the existing regulatory framework.

6. It is, therefore, requested that the concerned Department/Authority in your State/UT may kindly take appropriate measures, as permissible under the applicable law, to ensure that hotels, restaurants, cafes and other similar establishments operating within the State/UT do not impose or collect any compulsory service charge or any charge having substantially the same nature or effect, irrespective of the terminology used.

7. In this regard, the concerned Department/Authority may kindly consider taking the following measures:

- i. Issuing appropriate advisories/directions to hotels, restaurants, cafes and similar establishments regarding compliance with the applicable regulatory framework relating to service charge.
- ii. Sensitising establishments and their associations that service charge or an equivalent compulsory charge should not be imposed upon consumers merely by changing its terminology or describing it as a staff welfare, employee welfare, service, hospitality or similar charge.

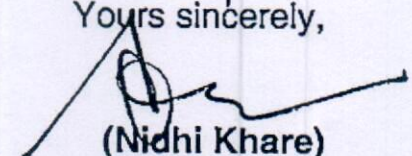
- iii. Undertaking appropriate monitoring/inspection and enforcement measures, as may be permissible under the applicable law, where such practices are reported or detected.
- iv. Facilitating consumer awareness regarding their rights in relation to service charge, including the fact that consumers should not be subjected to a levy of service charge.

8. It is emphasised that the objective is not to interfere with the internal employment, remuneration or welfare arrangements of any establishment. However, any such arrangement between an establishment and its employees should not result in a compulsory levy being imposed upon consumers in the guise of service charge or any equivalent charge. The terminology adopted by an establishment, by itself, may therefore not be determinative where the substance and effect of the levy remain the same.

9. Since hotels, restaurants, cafes and similar establishments operate across State/UT jurisdictions, a coordinated approach would greatly assist in ensuring uniformity in consumer protection and preventing the practice from being evaded through changes in terminology or billing practices. The cooperation of your Department/Authority in this regard would be highly valuable.

10. The above measure would further strengthen consumer protection, promote uniform implementation of the existing regulatory framework, and discourage practices whereby service charge or any similar compulsory charge is imposed through a change in terminology or billing practice.

With warm regards,
Yours sincerely,


(Nidhi Khare)

Secretary (DoCA) & Chief Commissioner, CCPA

All State FDAs
All District Magistrates