

NRAI / 26-1

31 January 2017

LEVY OF SERVICE CHARGE

Dear Members,

The Ministry of Consumer Affairs had issued a clarification on 14th December 2016 regarding levy of service charge in restaurants, which had generated much public debate on the subject ([read here](#)). In this regard, please refer our circular on the subject dated 08th December 2016, which is reiterated ([read here](#)). The association has also made a detailed representation to the ministry against this advisory vide our letter dated 04th January 2017 ([read here](#)).

Based on the above, members may note the following points:

- Levy of Service Charge by a restaurant is a matter of individual policy to decide if it is to be charged or not.
- There is no illegality in levying such a charge.
- Information regarding amount of service charge is to be clearly and prominently mentioned/displayed by restaurants on their menu cards and otherwise also displayed on the premises, so that customers are well aware of this charge before availing the services. As a part of best practice, the display may also ask customers not to give any tips over and above the billing.
- After a customer is made aware of such a charge in advance and then decides to place the order, it becomes an agreement between the parties, and is not an unfair trade practice.

For information of members.



Prakul Kumar
Secretary General