

LEVY OF SERVICE CHARGE

Dear Members,

The issue related to levy of Service Charge by restaurants has recently come into limelight through various media articles. Inclusion of service charge in a restaurant bill is a common and accepted practice, and has been recognized as such by various concerned Central / State Government departments in various communications and public announcements for inclusion of the same in calculating the total invoice value on which taxes are to be levied.

There are even judicial pronouncements to support that 'service charge' can be charged by hotels and restaurants. The same has been upheld by the National Consumer Disputes Redressal Commission, in Nitin Mittal vs. Pind Baluchi, (2012) NCDRC 444; by Monopolies and Restrictive Practices Commission, New Delhi (MRTP) in 2001; and Judgments passed by Hon'ble Supreme Court in the cases of Wenger & Company and others Vs. Their workmen (1963) and Ram Bagh Palace Hotel, Jaipur Vs. The Rajasthan Hotel Workers Union, Jaipur (1976).

It is a matter of policy for a restaurant to decide if service charge is to be levied or not. Information regarding amount of service charge is to be clearly mentioned / displayed by restaurants on their menu cards or otherwise also displayed, so that customers are well aware of this charge before availing the services and can use their discretion of not using the facility offered by the restaurant.

For information of members.



Prakul Kumar
Secretary General