

PRESS NOTE REGARDING SERVICE CHARGES/TIPS CHARGED BY RESTAURANTS

This press note is being issued for clarifying the issue of service charge in restaurants, particularly in the wake of the recent attention that it has attracted in the media.

Service charge, colloquially known as “tip”, is the amount paid to the staff of the restaurant or other similar establishment.

In some instances, the establishment may choose to include this amount in the bill itself, and the percentage may vary from 5% to 15% of the value billed.

This is a common and accepted practice in India as well as several other countries. This practice has been specifically upheld by the National Consumer Disputes Redressal Commission, in *Nitin Mittal vs. Pind Baluchi*, (2012) NCDRC 444. Various other judgments of the Courts (High Court & Supreme Court) have also recognised this practice.

Service Charge is not a government levy, and is not to be confused with VAT or service tax. It is an amount meant for the staff of the establishment, which in some cases, may be charged in the bill itself. It is a charge like any other, and it is up to the establishment to decide whether and how much to charge in the bill. It is considered a beneficial levy since it is meant for the benefit of the staff of the establishment.

Service charge like any other charge is a proposal from the restaurant to the potential customers. It is for the customers to decide whether they wish to patronise the said restaurant or not.

Establishments are advised to clearly mention on their menu cards, or in any other prominent place, in case they are following the practice of levying service charge in the bill.

This press note / clarification is issued to arrest & put in perspective the growing misconception / public opinion in the matter which is based on erroneous interpretation of facts and Court orders.