



Service Charge

For Prelims: Service Charge, Central Consumer Protection Authority (CCPA), National Consumer Helpline (NCH), consumer Rights

For Mains: Government Policies & intervention

Why in News?

Recently, the **Central Consumer Protection Authority (CCPA)** issued rules to avoid unfair trade practices and protect consumer interests in hotels and restaurants that assess service charges.

What is CCPA?

- It was established **under the [Consumer Protection Act \(CPA\) of 2019](#)**.
- It is empowered to **regulate abuses of consumer rights, unfair trade practises, and false or misleading marketing that are detrimental to the public's interest**.
- It has authority under Section 18 of the CPA, 2019 to **safeguard, promote, and, most importantly, defend consumers' rights** and prevent violations of their rights under the Act.
- Further, enhances consumer rights and makes sure that no person engages in unfair trade practices, it is also empowered to issue guidelines to enforce the rights of the consumers.

What are the New Guidelines?

- **About:**
 - According to it, hotels and restaurants **prohibited from collecting extra charge in the name of service charge automatically or by default in the bill**.
 - They need to mention to the customers that service charges are **voluntary and optional**.
 - Most significantly, hotels and restaurants are no longer permitted to limit admission or services based on the collection of service charges.
 - Furthermore, hotels are not permitted to add service charges to their bills and collect GST on the total.
 - Any **Tip, Token, Donation, etc would be considered as a separate transaction between hotel staff and consumer its totally voluntary for the consumer**.
- **Redressal Mechanisms:**
 - If any hotel or restaurant is levying service charge, then the **customer can ask the concerned hotel or restaurant to remove the service charge from the bill or further lodge a complaint on the NCH by calling 1915 or through the NCH mobile app**.
 - National consumer Helpline works as an **alternative dispute redressal mechanism** at the pre litigation level.
 - A complaint may also be filed against **unfair trade practice with the Consumer**

Commission electronically through edaakhil.nic.in. for its speedy and effective redressal.

What is a Service Charge?

- It is a **Tip or a direct transaction between customer and restaurant personnel**, specifically wait staff.
- It is a **cost charged for services related to the purchase** of a core product or service.
- It is collected as a fee for serving consumers by the hospitality and food and beverage industries.

Why were these New Guidelines Issued?

- There were **enormous complaints registered on the [National Consumer Helpline \(NCH\)](#)** related to the unnecessary levying of service charges in the bill.
- This was being **charged in addition to the total amount** often in guise of some other charges in the bill.
- According to the new rules, **charging a consumer more than the price of food items on the menu plus applicable taxes is now considered a 'unfair trade practise' under the CPA.**

Way Forward

- There was a need for these new regulatory guidelines as many hotels and restaurants etc. were charging people enormous amounts of service tax coupled with predatory pricing.
- Now customers wouldn't be obliged to pay the tax and it would rather be a voluntary option, but there is a need for better implementation of these regulations around the country.

UPSC Civil Services Examination Previous Year Question (PYQ)

Q. With reference to 'consumers' rights/privileges under the provisions of law in India, which of the following statements is/are correct ? (2012)

1. Consumers are empowered to take samples for food testing.
2. When a consumer files a complaint in any consumer forum, no fee is required to be paid.
3. In case of death of consumer, his/her legal heir can file a complaint in the consumer forum on his/her behalf.

Select the correct answer using the codes given below:

- (a) 1 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Ans: (c)

Exp:

- Under the Food Safety and Standards Act passed by Parliament, buyers have been **empowered to take food samples, get those tested and lodge complaints for prosecution of accused.** Hence, statement 1 is correct.
- A consumer does not need a lawyer to file a complaint or to fight his case in the consumer court. He can file the complaint himself. A consumer is not required to pay any court fee, but just a nominal fee depending on the type of court and the claim amount. Hence, statement 2 is not correct.
- Under the **consumer protection act it has been provided that in case of death of a consumer, his legal heir or representative can file complaint in the consumer court.** Hence, statement 3 is correct. Therefore, option (c) is the correct answer.

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