

CCPA Cracks Down on Mandatory Service Charge : 27 Restaurants Penalised Nationwide

Background

The Government of India has via its press release reiterated that mandatory service charge collection is unlawful and restaurants continuing the practice are liable for strict regulatory action following a series of enforcement actions initiated by the Central Consumer Protection Authority (CCPA).



Recent Enforcement Actions:

Acting on verified consumer complaints via the National Consumer Helpline (NCH), the CCPA initiated Suo motu action against 27 restaurants nationwide wherein it was found that these restaurants were imposing a 10% default service charge, this led to stringent action such as:

- Imposition of penalty ranging from ₹30,000 to ₹50,000,
- Mandatory modification of POS/billing systems,
- Refund orders for collected amounts, and
- Immediate discontinuation of the practice.

Notable cases include the:

- Café Blue Bottle (Patna) – penalty ₹30,000 and refund direction.
- China Gate / Bora Bora (Mumbai) – penalty ₹50,000 and software changes to remove default charge.



FEMA and Other Laws

Earlier the Delhi High Court ruling dtd. 28th March 2025 also had upheld the CCPA Guidelines dated 4th July 2022 and held that compulsory service charge constitutes an unfair trade practice under Section 2(47) of the Consumer Protection Act, 2019.

The Court has clarified that:

- Restaurants cannot add service charge automatically or by default.
- Service charge cannot be collected under any other name.
- **Service charge cannot be added to the bill for GST levy.**
- Customers must be informed clearly that payment is voluntary and optional.
- Refusal to pay cannot affect service or entry.

Our Insight

The enforcement cycle indicates a zero-tolerance stance and a shift from advisory guidelines to active punitive action. The crackdown underscores a material compliance, reputational, and customer-experience risk for hospitality players.

Immediate Action Points for General Hospitality Operators

- Remove service charge defaults from all POS/PMS/billing systems.
- Revise menu footnotes, digital menus, aggregator listings, display boards to reflect only voluntary tipping and avoid any language suggesting mandatory tipping.
- Audit banquet/event agreements for mandatory service-charge clauses.
- Ensure grievance redressal contacts remain active and monitored as required under the Consumer Protection Act.
- Conduct internal compliance reviews across all outlets to mitigate cross-location inconsistencies.
- Many aggregator-led menus which include “packing/service charges” must ensure only permissible charges (e.g., packaging cost) are listed and clearly separated.





FEMA and Other Laws

Immediate Action Points for Specific Industry-Segment



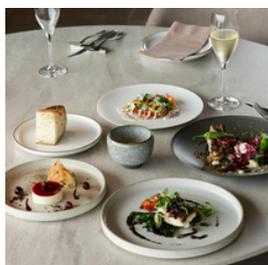
Luxury Hotels & Premium Hospitality

High-touch dining formats (all-day dining, fine dining, in-room dining) relying on legacy service-charge structures (i.e. fixed-percentage fees (typically 5-20%) added to guest bills for services, intended to remunerate staff) must be fully dismantled to avoid penal action and reputational risk.



Banquet & Event Venues

The highest exposure segment which heavily relies on 5–15% service charge as part of standard banquet contracts stands directly in conflict with these guidelines. The stakeholders must ensure that all default charges are replaced by transparent staffing fees or clearly itemized manpower charges.



Cafés, Casual Dining & Independent Restaurants

These establishments also commonly rely on a default 10% service charge to maintain staff incentives. As a measure, staff-incentive structures must shift to transparent, internal wage models, and billing system modifications must be done proactively to avoid CCPA action.



Contact Details

3rd Floor, MJ Tower,
55, Rajpur Road,
Dehradun - 248001

T: +91.135.2743283, +91.135.2747084

E: info@vkalra.com

W: vkalra.com



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