

Guide to NEW tips legislation

The UK government are introducing new regulations from **Tuesday 1st October 2024** to ensure fair and transparent distribution of tips, gratuities, and service charges to workers in the hospitality industry. This guide explains the key points of the legislation and what it means for your business.

- Key Points of the Legislation -

Fair Distribution of Tips

- Tips must be distributed fairly among staff.
- Employers must ensure that tips are not withheld or unfairly distributed.

No Deductions for Business Costs

- Employers cannot make deductions from tips to cover business costs such as breakages, customer walkouts, or admin fees.

Written Tip Policy

- Employers must establish a written policy explaining how tips are distributed.
- This policy must be made available to all workers.

Record-Keeping

- Employers must keep records of how tips are collected and distributed for a period of three years.
- Workers have the right to request these records if they want to review how tips have been handled.

Employer Responsibility

- Employers must take responsibility for ensuring that tips are fairly shared, even if they use third-party services to manage tips.

No Deduction for Admin Costs

- Service charges included on customer bills must be distributed to staff without deductions for administrative costs.

- Steps to Comply -

Create a Written Policy

- Draft a clear, accessible document outlining how tips will be distributed among staff.

Review Your Tip Distribution Policy

- Make sure your current practices align with the new regulations.

Maintain Accurate Records

- Ensure you keep detailed records of all tips, gratuities, and service charges, and how they are distributed.

Communicate with Your Team

- Inform your staff about the new legislation and your tip distribution policy to ensure transparency.

The updated legislation aims to ensure fairness in the hospitality industry, protecting workers' rights and ensuring that they receive the full benefit of their hard work.

By following these guidelines, you can ensure compliance and foster a fair working environment for your staff.

For further details, consult the full legislation [here](#).

See next pages for guidance and an example of a tipping policy document 

Guide produced on information available as of 17/9/24

What to include in a tipping policy

Firstly, include the name of your business and trading address, also date your original document and re-date with any subsequent updates.

1. Purpose

Explain the purpose of your policy document.

2. Scope

Highlight who is included in your tipping policy. Also, if you feel it is reasonable and legal to omit any employees, make that clear here too.

3. Types of Payments Covered

Clarify what methods of tipping are included (cash, card, service charges etc)

4. Distribution of Tips

Be clear on the method by which tips will be distributed and who will be responsible for this. Tell employees when it will be calculated, the period covered and when they can expect to receive their share.

5. Transparency

Explain how employees can see the tip calculations.

Remember that this information must be kept on file for 3 years.

6. Deductions

No deductions should be made from tips unless required by law (e.g. for tax purposes). Clarify this here.

7. Tax Compliance

All tips are subject to tax and National Insurance contributions as required by HMRC.

8. Staff Awareness

Explain how and when you will tell new employees about the tipping policy and where they can find any information on the reviewed policy.

9. Grievances

Who can employees approach if they have questions, concerns or complaints?

10. Review of Policy

Be clear on how often you will review the policy document

Signed:

Ed Sample: Director

17/9/24

See next page for an example policy 

Tipping policy for:

Fictional Pubs Limited
T/A Dog & Duck
Fun Street
Toytown
TY6 4TP

Last updated 17/9/24

1. Purpose

This policy outlines how tips, gratuities, and service charges are distributed fairly and transparently among staff.

2. Scope

Applies to all hourly paid employees, including full-time, part-time, and temporary employees. All departments are included, bar, kitchen, waiting and housekeeping. Salaried employees (management) are not included in tip sharing.

3. Types of Payments Covered

This policy covers:

Tips (cash and card).

Service charges for group bookings.

4. Distribution of Tips

Tips are calculated on a weekly basis, on a Monday morning covering any tips given during the previous week. Tips are distributed along with pay on Fridays.

Distribution is based on the percentage of total hours worked by each employee compared to total hours worked by all employees.

E.G. In a week if the total hours worked by everyone was 400 hours and employee A worked 20 hours, they would have worked 5% of the total hours and would receive 5% of total tips.

Calculations on tip distribution will be done by the pub manager.

5. Transparency

Staff can request to see how tips have been allocated.

All staff will receive a written breakdown of how their tips were calculated at the time of distribution showing total hours worked, their total hours worked, total available tips, and the percentage share allocated to them.

This information will be kept on file for 3 years.

6. Deductions

No deductions will be made from tips unless required by law (e.g., for tax purposes).

7. Tax Compliance

All tips are subject to tax and National Insurance contributions as required by HMRC.

8. Staff Awareness

All employees will be made aware of this policy upon hiring and any updates will be communicated promptly through the employee WhatsApp group and a copy of the updated policy will be put on the staff noticeboard.

9. Grievances

Any grievances regarding the distribution of tips should be raised with Ed Sample: Company Director or Jane Doe: Pub Manager.

10. Review of Policy

This policy will be reviewed annually and updated in line with any changes in legislation.

Signed: *Ed Sample*

Ed Sample: Director

17/9/24