

New rules on distributing tips

On 1 October 2024, the Employment (Allocation of Tips) Act 2023 will come into effect, introducing significant changes to how tips are managed and distributed in the hospitality industry.

This legislation aims to improve fairness by mandating that all tips, gratuities, and service charges are allocated fairly among employees. The new rules address longstanding concerns about the retention and distribution of tips by employers, ensuring transparency and fairness.

Summary of the New Rules

Fair Distribution: Employers must distribute all tips, gratuities, and service charges fairly and equitably among workers. This includes both cash and card tips. The distribution has to be fair and transparent with due regard to a Code of Practice and can include a tronc arrangement.

No Deductions: Employers are prohibited from making any deductions from tips, including administrative fees. The only exceptions are those required by law (e.g., tax).

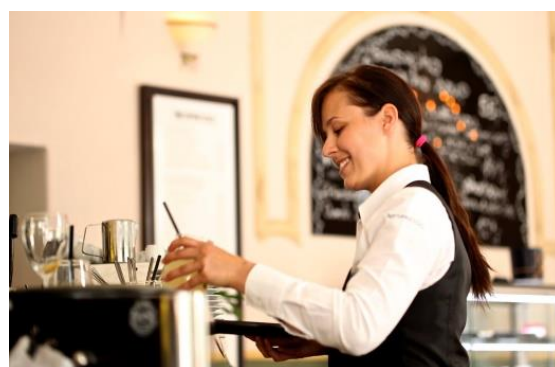
Transparency: Employers must clearly communicate their tipping policies to employees and customers, ensuring transparency in how tips are allocated.

Record-Keeping: Employers are required to keep detailed records of all

tips received and distributed for a period of three years. These records must be made available to employees upon request.

Written Policy: A written policy outlining the distribution of tips must be in place and accessible to all staff members.

Service Charges: Any service charges added to bills must be treated as tips and distributed accordingly.



Impact on Employers

If you are an employer affected by the rules, you will likely need to make some changes in how you manage tips. It will be crucial that you comply with these regulations to avoid potential penalties and to maintain a fair working environment.

By implementing procedures - such as reviewing and updating tipping policies, maintaining accurate records, staff training, and regular audits - employers can not only comply with the new rules but also foster a fairer and more transparent working environment. This can enhance employee satisfaction and trust, ultimately benefiting the overall business.