



## **New tipping laws: What employers and employees need to know**

As of 1st October, new laws are in place to ensure that workers keep 100% of the tips, gratuities, and service charges they earn. This is a major development for employees in sectors such as hospitality, where tipping plays a significant role in take-home pay, and for employers, who will need to ensure they comply with the new rules.

The Employment (Allocation of Tips) Act, which came into effect last week, aims to create a fairer system for workers and crack down on businesses that previously kept a portion of tips. While many employers already pass on tips to staff, this new legislation will close loopholes so that all tips go directly to workers.

### ***What's changing for employers?***

Under the new law, employers are now legally required to pass all tips, gratuities, and service charges on to their staff without making any deductions. This means that if a customer leaves a tip, whether it's in cash or through a card payment, it must go to the workers.

Businesses that fail to follow these rules could face serious consequences. Workers now have the right to take their employer to an employment tribunal if they believe their tips have been unfairly withheld. This means that employers could be ordered to pay fines or compensation to affected staff members.

To avoid any potential issues, it's crucial for employers to review their tipping policies and ensure they are fully compliant with the law. Transparency is key, and businesses should make sure they have a clear and fair system in place for distributing tips.

### ***What does this mean for employees?***

The Department for Business and Trade estimates that these changes could boost workers' wages by a total of £200 million across the country. For many employees, especially those in roles where tips form a significant part of income, this could make a real difference.

### ***A fairer system for everyone***

These new rules aim to improve trust between workers, businesses, and customers. When people leave tips for good service, they do so with the expectation that the person

who provided the service will receive it. The introduction of this legislation ensures that workers are rewarded fairly for their hard work and dedication.

For businesses, this also helps create a level playing field. Employers who were already passing on tips to their staff won't be at a disadvantage compared to those who were not. This new framework encourages consistency and transparency across the board.

### ***Have you prepared for the changes?***

With the new laws already in effect, employers should already be familiar with the statutory Code of Practice on fair tipping. This code provides detailed guidance on how tips should be fairly distributed among workers. The rules apply across sectors in England, Scotland, and Wales (For Northern Ireland, employment policy is devolved), and employment tribunals will consider this code when handling disputes.

If you've not done so already, it's a good idea to review your tipping policies, train your staff on the new procedures, and ensure that your systems for handling tips comply with the law. The government has also issued some non-statutory guidance to help employers.

### ***Why comply?***

Aside from avoiding legal trouble and potential fines, compliance will promote fairness, transparency, and trust in the workplace and also builds a positive reputation with both staff and customers. This can all contribute to a more successful business.

If you have any questions about how these changes might affect you, whether as an employer or an employee, please don't hesitate to get in touch with us. We're here to help you navigate these new rules and ensure everything runs smoothly.