

Employers Fact Sheet

Tipping Code Of Practice



WHAT - The Tipping Act Code of Practice has legal effect under the Employment (Allocation of Tips) Act 2023. It aims to ensure that hospitality, leisure and services sector employees receive a fair share of tips, gratuities and service charges. Tips must be paid to workers by the end of the month following the month they were paid by the customer.

WHERE - The measures apply to all industries in England, Scotland and Wales.

OBJECTIVES - The Code looks to increase transparency of a businesses' tipping policy, on how tips are recorded and shared, to provide fair compensation to employees and to provide reassurance to consumers that when they leave a tip that it is retained by the person they wish to reward for good service.

The legislation defines employers' responsibilities, making it unlawful for businesses to hold back service charges from their employees. Workers will be able to use the Code as evidence in an employment tribunal. Agency workers will be entitled to receive tips in the same way as employees.



THOMSON COOPER
ACCOUNTANTS

EMPLOYER RESPONSIBILITIES - The Code of Practice is intended to help employers implement the Tipping Act, which requires employers to do things like -

- pass on all tips and service charges to workers without deductions, except in limited scenarios like the deduction of income tax
- ensure tips are distributed in a fair, transparent manner and within a reasonable time frame when the employer takes control or influences their distribution
- maintain a written policy on how tips are dealt with and ensure this policy is made available to all workers
- keep a written record of all tips paid at their place of business, including their allocation and distribution between each worker, to which workers have the right to request access. Paperwork should be retained for up to 3 years.

The new law means some employers will pay service charges over to workers for the first time (as opposed to keeping them) and/or employers will adopt different practices, such as removing service charges so that they do not have to handle tips.

EXISTING TRONC ARRANGEMENTS – Some businesses use a tronc arrangement to manage the allocation and distribution of tips. We encourage you to review the way it operates to ensure it continues to meet your obligations.

NEED HELP? We can assist you to navigate the new legislation and how best to implement any changes to practices and policies, including advising you about how to set up and run a tronc.

Contact Elaine Cromwell at ecromwell@thomsoncooper.com for more information.