# Tips and Gratuities Policy

**Introduction**

This policy supports the fair and transparent allocation of tips or gratuities offered by clients to you in your role as an employee of your employer.

To ensure that tips are handled fairly and within the government guidance, your employer will collect all tips and gratuities and keep a record of all amounts, locations, and dates on which the tip was given. Tips will be equally distributed to all employees who worked on the particular days for which the tip or gratuity was given. The distribution method will be via payroll to ensure that tax and NI are calculated.

**What is a Tip or Gratuity**

A tip or gratuity is an uncalled for and spontaneous payment a customer offers. This can be in cash, as part of a cheque payment, as a specific gratuity on a credit or debit card payment or paid using a digital payment service or application.

**Tax and National Insurance**

If customers give or pay tips directly to you or leave them on the table and you, as an individual employee, keep them without any involvement from your employer, then PAYE does not apply. Tax will be due on these amounts, but no National Insurance contributions will be due.

You are responsible for advising HMRC of the amounts received by either including how much you received in tips in your Self-Assessment tax return or reporting the amount of the tips received to HMRC. An adjustment to your PAYE tax code will usually recover the tax.

If you do not complete a tax return, you must report the tips you received. You can do this online using your tax account or by calling HMRC's Income Tax enquiries helpline.

Tips allocated by your employer will be liable for both employer and employee national insurance.

**Tips Given Directly by a Client to You**

If a tip is given directly to you for your service or left at a table at which only you, as a single employee, have been working, that tip can be kept by you. If customers give or pay tips directly to you or leave them on the table and you keep them without any involvement from your employer, then PAYE does not apply. Tax will be due on these amounts, but no National Insurance contributions will be due. You are required to report the tip amount you have received to HMRC.

**Collective Tips by Clients**

A tip given to you, a manager, or a business owner by a client with the intention that the tip should be distributed to those who served that client will be distributed by your employer via payroll.

The tip amount given will be divided equally amongst all employees who were on shift and worked for the client in question. The following calculation will be used:

The individual number of hours the worker\* worked during that stay is divided by the total number of hours worked by all employees during the stay. This is converted to a percentage, and that percentage of the tip total will be allocated to that worker.

\*NOTE: the term worker includes anyone who worked hours during the client’s stay

Worked example:

The client and their family stayed for 3 nights and used the services. The client presented the manager with a tip of £2500.

A worked 2 days of the 3 days – 7 hours per day, total hours 14 hours.

B worked all 3 days – 10 hours per day, total hours 30 hours.

C worked all 3 days – 5 hours per day, total hours 15 hours.

Total hours worked during the client’s stay – 59 hours.

A is entitled to receive 14/59 = 24% of the total. They will receive via payroll 24% of 2500.00 = £600.00 gross

B is entitled to receive 30/59 = % of the total. They will receive via payroll 51% of 2500.00 = £1275.00 gross

C is entitled to receive 15/59 = 25% of the total. They will receive via payroll 25% of 2500.00 = £625.00 gross

**Payment Method and When**

Tips will be calculated monthly in arrears and paid via payroll on the usual salary payment date.

No deductions will be made from tips by your employer for administration purposes.

If clients give you tips with the intention that the tip is to be distributed, you must hand that tip to your manager so that the amount can be distributed via payroll according to this policy.

**Failure to Adhere to This Policy**

If you retain any tip monies intended for distribution, you may face disciplinary action up to and including summary dismissal for theft.

Any questions or issues with the payment of tips can be raised with your direct manager. If you are not satisfied with the informal resolution by your manager, you may submit a grievance via your employer's grievance procedure.