

Tips and service charges

What the law says

The Employment (Allocation of Tips) Act 2023 applies to tips, service charges and gratuities that employers have 'control or significant influence' over.

The act is known as the Tipping Act 2023.

By law, employers must:

- pass on these tips to workers without deductions, other than usual tax and National Insurance deductions
- share these tips between workers in a fair and transparent way, following the Code of Practice – [find out about sharing tips fairly](#)
- have a written policy about these tips and keep records of them – [find out about policies and records](#)

The [Code of Practice on fair and transparent distribution of tips on GOV.UK](#) accompanies the law. The Code is the minimum procedure an employer must follow.

The law and Code does not cover people who are [self-employed](#).

What tips and service charges are

A tip or gratuity is payment from a customer as thanks for good service.

Tips can be something other than money. But it must be worth a fixed amount in money. And it must be exchangeable for money, goods or services. For example, vouchers or casino chips.

A service charge is when a company adds an amount to the customer's bill, before they give it to the customer. A service charge can be voluntary or compulsory.

What tips the law applies to

The Tipping Act and Code apply to tips and service charges that employers have 'control and significant influence' over.

This includes:

- tips and services charges that go directly to an employer – for example, a service charge added to a bill
- tips that go to the worker first, but that the employer collects and divides between workers

Cash tips

Some workers receive cash tips. For example, cash a customer leaves on a table, or puts in a tip jar.

If an employer collects cash tips and shares them between workers, the Tipping Act and Code apply.

If workers can keep cash tips and the employer has no control over them, the law and Code do not apply. For example, a restaurant that allows workers to keep cash tips left on tables they serve.

Even if the law and Code do not apply, it's good practice for an employer to:

- explain the process for these tips in any relevant policies
- make sure customers are aware of what happens with these tips

Card tips

Sometimes customers will leave a tip by card. This could be part of the bill, for example, a service charge. Or it might be an optional addition when paying on a card machine.

The Tipping Act and Code apply to credit and debit card payments that go directly to the employer.

If the payment goes indirectly to the employer the Tipping Act and Code would still apply. For example, from the card issuer or a payment scheme.

If the card payment goes directly to the worker, the Tipping Act and Code would not apply.

Digital tips

Sometimes customers use online apps to tip a worker. For example, some food takeaways have apps where customers can tip the delivery driver directly.

If the tip goes directly to the worker, the Tipping Act and Code do not apply.

Gifts

The Tipping Act and Code only covers gifts that can be divided between workers or exchanged for money. It does not cover gifts that cannot be divided between workers or exchanged for money. For example, a bottle of wine.

When tips must be paid

Employers must pay tips to workers no later than the end of the month after the month the tips were received.

For example, a restaurant receives £1,000 from service charges in July. The employer must pay this money to workers before the end of August.

Tronc systems

A 'tronc' is a system used to bring together tips and share them between workers.

A tronc can be:

- separate from the employer
- set up by the employer, but run by a worker

The person who runs a tronc is called a 'troncmaster'. This can be a worker, an accountant, or an independent company.

How the law applies to troncs

Employers using troncs do not directly control tips. However, they must still follow the law.

If the employer is using an independent tronc, they must:

- make sure the system was set up fairly
- follow the [Code of Practice on fair and transparent distribution of tips on GOV.UK](#)

If a tronc is not paying tips correctly

An employer must take steps to resolve problems if they suspect or are told that a tronc is either:

- not [sharing tips out fairly](#)
- making deductions from tips

To try and resolve this, an employer could:

- raise their concerns with the tronc
- change the troncmaster
- end the tronc arrangement

Tips and the minimum wage

Tips are not included in the minimum wage.

Employers cannot use tips to make up workers' pay to the minimum wage.

If an employer is using tips to make up pay to the minimum wage, a worker could either:

- make a claim to an employment tribunal
- complain to HMRC about not being paid minimum wage

[Find out more about if an employer pays less than the minimum wage](#)

If tips are not paid correctly

There are steps a worker can take if their employer or a tronc is not paying tips correctly. For example if they're:

- not paying tips on time
- taking deductions from tips

It's a good idea to raise the problem informally first. A worker can do this by [talking with their employer](#). This can help resolve a problem quickly if there's been a misunderstanding or mistake.

Employers should make sure they treat concerns from workers, including agency workers, in the same way they treat concerns raised by their direct staff.

The Tipping Code of Practice says employers should follow the [Acas Code of Practice on disciplinary and grievance procedures](#).

This can be useful if:

- raising it informally does not resolve the problem

- they feel the problem is too serious to deal with informally

A grievance is a formal complaint to an employer.

[Find out about the formal grievance procedure](#)

Making a claim to an employment tribunal

If the problem is still not resolved, they might be able to [make a claim to an employment tribunal](#).

If a tribunal claim is successful, an employer might have to take action for other workers who are affected. The other workers do not need to have made a claim.

Contact the Acas helpline

If you need more advice on tips and service charges, [contact the Acas helpline](#).