

The Code of Best Practice on Service Charges, Tips, Gratuities and Cover Charges – what it means for you



Information for workers about Service Charges, Tips, Gratuities and Cover Charges

As a worker in an industry where tipping is common, you may be aware that since 1st October 2009, service charges, tips, gratuities and cover charges (collectively referred to below as ‘tips’) can no longer be used to make up the National Minimum Wage.

At the same time as these changes were made to the National Minimum Wage, a voluntary Code of Best Practice was introduced which encourages businesses to provide information to workers and customers about how tips are distributed.

Following the introduction of the Code, customers may ask “Who gets the tip?”, so it’s important that you know what to do.

The Code sets out best practice, recommending that businesses:

- Clearly display their tipping policy on the premises so customers can see it before they leave a tip
- Make sure their staff know what the tipping policy is within the business and can explain it to customers, or
- Make sure their staff know where to direct customers to find out the tipping policy for themselves – and are able to do that without the fear of any consequences

The Code was developed in partnership with the main trade associations of industries where tipping is common, trade unions and consumer groups. The Code is voluntary so, if your employer chooses not to adopt it, they are not breaking the law.

However, it is illegal to mislead customers. If you are aware of misleading information being presented, please call the

Office of Fair Trading’s Consumer Direct Helpline on 08454 04 05 06. All calls will be treated confidentially.

What you should know about the Code of Best Practice

Businesses who adopt the Code are supporting its key principles and therefore should:

- Make sure that you, as a member of staff, know what the tipping policy is at the place where you work and can explain it to customers if they ask, or
- Tell you where to direct customers to find information on the tipping policy – this might be a written statement which you need to hand over
- Not penalise you for giving information to customers who ask about the tipping policy and ensure you are aware of the businesses' grievance procedure
- Seek to reach an agreement with all staff on any change to their tipping policy

You should be given a written statement which sets out:

- How service charges, tips, gratuities and cover charges are distributed between the business and its staff, and between the staff themselves
- Whether cash and card tips are treated differently
- If a tronc (an independent arrangement run by non-management staff for the pooling and distribution of tips) operates at the business and, if so, the name of the troncmaster
- How much is being deducted from the tips and what this covers, including administration charges, breakages, till shortages and customer walkouts
- Arrangements, if any, for sharing out tips to workers who are on annual, sick, parental or other form of leave

NOTE: If your employer pays you tips without National Insurance deductions, they should tell you – this may impact upon your entitlement to certain social security benefits e.g. maternity, paternity or pension benefits.

The rules on tipping and the National Minimum Wage

Since 1st October 2009, service charges, tips, gratuities and cover charges can no longer make up your National Minimum Wage pay. This applies no matter where you work. It also doesn't matter how your employer pays you the tips, including:

- Cash at the end of a shift
- Monthly, in your pay packet
- Weekly, divided between all of the staff

Regardless of how you receive tips from customers, or how you are paid, no tips can be used to make up the National Minimum Wage. This is not affected by whether or not your employer has adopted the Code of Best Practice on tipping. You should deduct the total of any tips from your gross pay before calculating if your pay is at least the NMW rate. Your gross pay is your pay before any deductions like tax, National Insurance or student loan.

Where to go for further info

The Code of Best Practice and further information can be found at www.businesslink.gov.uk/tipping and www.direct.gov.uk/tipping.

If you have questions about your rights as an employee, call **the Pay and Work Rights Helpline on 0800 917 2368** or visit www.direct.gov.uk/payandworkrights. You can also contact the helpline to make a complaint if your employer isn't respecting your right to the National Minimum Wage. All calls are treated confidentially.