



ASSOCIATION  
OF EVENT  
VENUES

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## NQ LEGAL BRIEFS:

### THE EMPLOYMENT (ALLOCATION OF TIPS) ACT 2023

**A new law, which could significantly impact the venue and events sector came into force in the UK on 1st October 2024. While the legislation has already taken effect, its implications may not yet be fully understood across the industry.**

#### What is the law?

The Employment (Allocation of Tips) Act 2023 is a UK law aimed at ensuring that workers in hospitality and service industries receive the full amount of tips, gratuities, and service charges left by customers.

#### Key aspects of the legislation include:

##### Mandatory allocation of tips:

Employers are required to pass 100% of tips to their workers without any deductions. This applies to both direct customer tips and service charges collected by businesses.

##### Transparency and fairness:

The act introduces a statutory **Code of Practice** to guide employers on the fair and transparent distribution of tips. Employers must ensure that tips are allocated fairly among employees, avoiding discrimination or favouritism.

##### Legal enforcement:

Workers have the right to take their employer to an employment tribunal if they believe tips are being unfairly withheld. The tribunal may require employers to compensate workers and impose fines for breaches.

##### Economic impact:

The law is expected to redirect around £200 million annually to workers, enhancing their earnings and trust between businesses and customers.

### Implementation timeline:

The law came into force on October 1, 2024, with employers advised to review and update their policies and systems in advance.

### Right to tipping records:

Workers have the right to request a copy of their tipping record, enabling them to bring a claim to an employment tribunal if they believe they are not receiving the tips to which they are entitled.

### Record keeping:

Employers are required to maintain records of how every tip has been allocated for a period of three years from the date the tip was paid.

The law does not alter the tax treatment of tips; however, it emphasises compliance with tax rules regarding National Insurance Contributions (NIC) and Pay As You Earn (PAYE) when tips are collected and redistributed by employers or through tronc systems (independent tip allocation arrangements).

For businesses, ensuring compliance includes revising policies to meet fairness requirements and avoiding unlawful deductions, which may also impact payroll systems and tax obligations.

For further information and or guidance please contact us at [aev@nqlegal.co.uk](mailto:aev@nqlegal.co.uk)