‘My boss is taking a cut of our tips because they worked on the shift – is this legal?’

Every week in our Money blog, we answer questions about your financial problems or consumer disputes. This week, a reader asked if their boss was allowed to take a cut of their tips.

Elliott asked: “Can my boss take a cut of the tips that are shared between the staff if the boss works the shift?”

We spoke to **Caroline Walker, managing director at Cavendish Employment Law**, to get her thoughts.

First, it’s not quite clear if the boss in question is the owner of the company or an employee themselves.

Caroline says if the manager is an employee and was part of service on a particular shift, it would be reasonable for the tips to be shared with them.

But she adds that if they took tips not related to their service, or against the specific policy of the business, there would be grounds to raise a formal grievance.

Caroline breaks down here what UK employment law says about this topic:

More from Money



Treasury Committee demands HMRC answers on sanctions regime after Sky News investigation



Money blog: Gordon Ramsay has opened the highest restaurant in London – take a look inside (and see how much it costs)



Workforce data shake-up could see people obliged to take part in ONS Labour Force Survey

“Under the Employment (Allocation of Tips) Act 2023 that came in on 1 October, employers have to pass on tips to workers. This legislation prevents employers from keeping any part of the tips for their costs and aims to ensure hospitality workers receive 100% of tips, gratuities and service charges,” she says.

“Prior to this legislation, employers could take 20-30% to cover their costs of the business, including tax, breakages or

even staff parties. They also had no rules on when the payments had to be made or any obligation to be transparent over the calculation of the payments."

Caroline describes the new legislation as a "welcome change".

The legislation specifically says that, as of the start of October, the employer has to ensure:

- 100% of tips or service charges are paid to the employee;
- No deductions at all are permitted for any reason;
- Tips are distributed to workers/employees no later than the end of the month after it was paid;
- Tips must only be distributed within the "same place of business" meaning they cannot be pooled and distributed between multiple locations;
- Agency workers will also have the right to be allocated a share of the tips but this must be paid for by the agency they work for;
- The employer must also provide a written record of the breakdown of the amount available, proof that tips are paid entirely to the workers/employees and assurance it is paid by the relevant date.

If the employer fails to provide these records, the workers can bring claims in the employment tribunal, Caroline says.

Be the first to get Breaking News

Install the Sky News app for free







“If the reader believes the employer has previously failed to account for their tips, or particularly if they have failed to comply with these obligations since 1 October, they should submit a formal grievance to the employer setting out their concerns, which the employer will be obliged to investigate and respond to,” she says.

Read more from this series:
‘My workplace is bringing in new clock-in system to pay us by the minute’
‘I waited months for a delivery – then they said I needed to pay another £49 to get it’
‘Should I top up my national insurance?’

“If their response is either not forthcoming, or confirms they have breached these obligations, they will be able to present a claim in the employment tribunal.

“By submitting the formal grievance, the reader will be able to establish whether any tips have been retained and they can include a request for the written confirmation referred to above.

“It is possible, particularly if this is a small employer, that they may not be aware of their obligations and this will provide them with an opportunity to become aware of these obligations.”

This feature is not intended as financial advice – the aim is to give an overview of the things you should think about. Submit your dilemma or consumer dispute via:

- **WhatsApp us here**
- **Email moneyblog@sky.uk**