


Questions About Tips

Employees





Employees in the restaurant and hotel sector are required to report all their tips to their employer at the end of each pay period. This folder provides the answers to some of the questions employees may have about reporting tips.

Why do I have to report my tips to my employer?

Reporting your tips to your employer ensures that you receive benefits (including employment insurance benefits and benefits under the Québec parental insurance plan) based on your total income, that is, wages plus tips.

In addition to being entitled to the usual types of protection associated with reported work, you benefit, in particular, from the following:

- an improved standing with financial institutions;
- a pension paid under the Québec Pension Plan which is based on all your income;
- the possibility of contributing more to your RRSP.

Are my tips taken into account in the calculation of employment insurance benefits and benefits under the Québec parental insurance plan?

Yes, with the exception of tips allocated to you by your employer. It is therefore important for you to report all of your tips and to ensure that you receive a statement with each pay. The statement should show the calculation of your net wages, and indicate the amount of tips you reported and any tips allocated to you by your employer.

Does reporting the full amount of my tips increase the amounts I receive as vacation pay and for other holidays?

Yes, because your employer must take into account your total income (that is, your tips as well as your wages) in calculating the indemnities provided for under the *Act respecting labour standards*. This will increase the amounts paid to you for your annual vacation leave, statutory holidays and personal days.



Do I have to remit my tips to my employer?

No, you must simply report the amount of your tips. If you work at an establishment covered by the measures respecting tips, you must report your tips in writing to your employer each pay period. This is true whether you receive tips directly (for example, as a waiter) or indirectly (for example, as a busboy). Your employer is obliged to accept your statement of tips and to take the full amount into account.

Furthermore, under the *Act respecting labour standards*, tips are the exclusive property of the employee who receives them. Where there is a tip-sharing arrangement, the tips belong to the employees concerned. **Your employer cannot require you to pay credit card costs.**

How should I report my tips?

Use the booklet *Register and Statement of Tips* (TP-1019.4 -V) or an equivalent document to record your tips. This booklet is available on Revenu Québec's website at www.revenu.gouv.qc.ca. You can also obtain it by calling one of the numbers indicated at the end of this publication. For each pay period, you must complete one of the statements contained in the booklet (or an equivalent document), sign your statement and give it to your employer. Your signature certifies that the information you have provided is accurate. Keep your copy of the statement so that you have a record of the information your employer provides to Revenu Québec. Remember that, by law, tips are like any other income and must be reported.

How should I calculate my sales and tips?

Calculate your sales and tips for the day as specified below.

1. Calculation of sales

Your sales include

- the sales (before taxes) that you made during the day, for which you received a tip in cash, whether the bill was paid for in cash or by credit or debit card;
- the sales (before taxes) that you made previously, for which the tip was remitted to you during the day. The bill was paid for by credit or debit card, and the sale was recorded only when the employer received the amount corresponding to the transaction.

2. Calculation of tips

Your tips include

- the tips you receive for sales made during the day;
- the tips remitted to you during the day for sales made previously (bill paid for by credit or debit card).



Example

Statement of sales and tips for April 21, 2008

Employee's sales (cash, credit card or debit card) before taxes for April 21, for which tips in cash were received the same day	\$600.00
Employee's previous sales (credit card or debit card) before taxes, for which tips were received on April 21	+ \$60.00
Total sales	\$660.00

Tips in cash received on April 21 for the employee's sales for that day	\$88.20
Tips received on April 21 for the employee's previous sales (credit card or debit card)	+ \$7.00
Other tips received by the employee (as a doorman, car attendant, hotel valet, etc.)	+ \$15.10
Tips remitted by other employees (under a tip-sharing arrangement managed by employees)	+ \$5.25
Tips remitted to other employees (under a tip-sharing arrangement managed by employees)	- \$16.00
Employee's net tips	\$99.55

Is it true that I may report only 8% of my sales as tips?

No. You must report all your tips. However, the minimum amount of tips is set at 8%* of tippable sales before taxes. (Tippable sales do not include food or beverages sold for consumption elsewhere than on the premises, such as food sold at a take-out counter or food that is delivered.) Employees who report tips of less than 8% of their tippable sales will be allocated an amount of tips, so that their tips equal 8% of their sales. For example, if you report tips equal to 6% of your tippable sales, your employer will allocate an additional amount of tips representing 2% of your sales. The employer's calculation will be based on the tips you reported before any distribution of tips to co-workers under a tip-sharing arrangement.

The 8% rule does not apply to all employees. For example, it does not apply to employees who do not make sales (such as delivery persons, doormen, porters, etc.) but who do receive tips that must be reported.

* Obviously, if the amount of tips you receive is, for example, 15% of your tippable sales, you must report the full amount and not just 8% of those sales.

What should I do if my tips are often less than 8% of my sales?

The 8% allocation rate may sometimes be too high. An employer can ask Revenu Québec to reduce the allocation rate for a period in the year if the tips collected at the establishment, or for a particular type of the establishment's sales, are less than 8% of sales. If your employer does not wish to ask Revenu Québec for a rate reduction, you may do so, provided the request is signed by a majority of the employees of the establishment or a majority of the employees who are responsible for that particular type of sales. The request is made on form TP-42.15-V, *Request for a Reduction in the Allocation Rate*, which is available on Revenu Québec's website at www.revenu.gouv.qc.ca. You can also obtain it by calling one of the numbers indicated at the end of this publication.



What establishments and means of transportation are covered by the measures respecting tips?

The measures apply to

- establishments that are specially laid out to ordinarily provide accommodation or food, or both, in return for payment (except establishments where payment is made on a weekly or monthly basis);
- establishments where alcoholic beverages are sold for consumption on the premises;
- buses, trains and vessels which are operated in Québec, and on which meals and alcoholic beverages are served; and
- businesses (such as caterers) that sell, deliver and serve meals for consumption elsewhere than on the premises.

The measures do not apply to cafeterias, educational institutions, hospital institutions or shelters, or to charities that provide food and beverages on an irregular basis. Also excluded are fast-food outlets in which the employees do not ordinarily receive tips.

Compliance with these measures helps to ensure the fairness of our taxation system and accessibility to social programs.

Contact Revenu Québec or the Commission des normes du travail if you require further information or have any questions about reporting tips.

This publication is provided for information purposes only. It does not constitute a legal interpretation of the *Taxation Act* or any other legislation.

To contact us



By Internet

We invite you to visit our website at www.revenu.gouv.qc.ca.



By telephone

Hours of availability for telephone service

Monday, Tuesday, Thursday and Friday: 8:30 a.m. to 4:30 p.m.

Wednesday: 10:00 a.m. to 4:30 p.m.

Information concerning individuals and individuals in business

Québec City area 418 659-6299	Montréal area 514 864-6299	Elsewhere (toll-free) 1 800 267-6299
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Information concerning businesses, employers and consumption taxes

Québec City area 418 659-4692	Montréal area 514 873-4692	Elsewhere (toll-free) 1 800 567-4692
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Information service for persons with a hearing impairment

Montréal area 514 873-4455	Elsewhere (toll-free) 1 800 361-3795
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By mail

Individuals and individuals in business

Montréal, Laval, Laurentides, Lanaudière
and Montérégie

Direction principale des services
à la clientèle des particuliers
Revenu Québec
Complexe Desjardins
C. P. 3000, succursale Desjardins
Montréal (Québec) H5B 1A4

Québec City and other areas

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3800, rue de Marly
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Businesses, employers and consumption taxes

Montréal, Laval, Laurentides, Lanaudière,
Montérégie, Estrie and Outaouais

Direction principale des services
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