

THE ULTIMATE GUIDE TO

Tipping

APRIL 2025

POWERED BY TIPJAR
**FAIR
TIPPING
HERE**
100% OF TIPS GO TO OUR TEAM
#Pay TIPJAR © Pay

TIPJAR



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THE NEW ERA OF TIPPING & TRONC

Tipping has always been a key part of hospitality, but with new legislation and rising costs, it's now more important than ever to get it right. Since 1st October 2024, the Employment (Allocation of Tips) Act has made it a legal requirement for businesses to distribute 100% of tips fairly among staff. In addition, from April 2025, employers will face additional financial pressure, as the threshold for employer National Insurance Contributions (NICs) drops by 45% to £5,000 per year—while NICs themselves increase by 1.2%, making efficient tip management even more critical.

WHY TIPPING MATTERS MORE THAN EVER

But staying compliant isn't just about avoiding fines. A well-structured tipping system can be a game-changer. It helps with staff retention and recruitment, creates a direct link between employee pay and performance, and streamlines operations—reducing admin headaches while keeping teams motivated.

In a sector facing rising costs and ongoing talent shortages, tipping is no longer just a bonus; it's a powerful tool for building a thriving workforce.

This guide will take you through everything you need to know about tipping and tronc, with data-backed insights from three rocks research and insights from TiPJAR, the UK's number 1 tipping and tronc distribution solution. Ensuring compliance while maximising the benefits for your team and your bottom line.

three rock's research spoke to 2,500 hospitality businesses, staff, and customers on UK tipping culture, new legislation, and shifts in trends toward American-style tipping. It included businesses of all sizes, from small independents to national chains.

UNDERSTANDING TIPS & GRATUITIES



DEFINITIONS

TIPS/GRATUITIES

Tips and gratuities are voluntary payments from customers to reward great service, boosting staff earnings and motivation.

TRONC

Tronc is a system for fairly distributing tips among employees, managed by a troncmaster. A well-run tronc improves transparency, ensures compliance, and helps businesses avoid legal risks while keeping teams engaged.

EMPLOYER-RECEIVED TIPS

These are tips that pass through the business, such as service charges or optional credit card tipping. If you don't appoint a troncmaster or set up a tronc policy, you're liable for tax and NICs. These tips fall under the new tipping legislation.

EMPLOYEE-RECEIVED TIPS

Also known as cash-equivalent tips. In 2021, TiPJAR received HMRC clearance confirming that Tap to Tip (TTT), TiPJAR Connect, and Digital Tipping qualify as employee-received tips. Since these funds never touch the business, the operator is not liable for tax or NICs, and these tips are exempt from the new legislation.

DIFFERENT METHODS OF TIPPING

Tipping methods have evolved alongside payment trends, with cash tips declining in favor of digital alternatives. While cash tips are immediate and require no processing fees, card and digital payments offer convenience for both customers and businesses.

TRADITIONAL



CASH



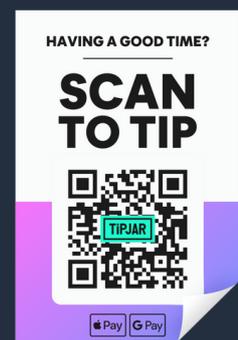
SERVICE CHARGE



PDQ



TAP TO TIP™



DIGITAL

MODERN

THE DIGITAL TRANSFORMATION OF TIPPING

The way customers tip has evolved dramatically with the rise of digital payments. As cash transactions decline, businesses must embrace cashless and contactless tipping solutions to stay ahead.

In 2021, TiPJAR received official approval from HMRC confirming that TiPJAR Connect, Tap to Tip, and Digital Tipping are considered cash-equivalent and not subject to NICs—offering significant financial benefits to businesses.

BrewDog's top-performing locations saw AN EXTRA £2.68 PER HOUR in earnings from digital tips.

BENEFITS OF CASHLESS TIPPING

Instant distribution – Digital solutions allow staff to receive their tips in real-time or through scheduled payments, boosting motivation.

Operational efficiency – Eliminates the need to handle and distribute physical cash, reducing admin time.

Higher tip volumes – Customers are more likely to tip when the process is quick and easy.

Security & transparency – No risk of lost or mismanaged cash tips, ensuring fairness for staff.

No tax or NIC liabilities for the business – A cash-equivalent system ensures businesses avoid unnecessary tax burdens.

TIPPING & THE LAW: WHAT YOU NEED TO KNOW

THE EMPLOYMENT (ALLOCATION OF TIPS) ACT 2023 IN A NUTSHELL

1. 100% to Workers – No deductions.
2. Fair & Transparent – Tips must be shared fairly.
3. Written Policy – A tipping policy on how tips are distributed.
4. Tip Tracking – Records must be kept.

Running a non-compliant tronç? You could owe:

- 8% Employee NI | 15% Employer NI | 20% VAT
- Tribunal fines up to £5,000 per employee + reputational risk

HMRC RULES

HMRC classifies tips and service charges differently when it comes to tax and National Insurance.

Cash and cash-equivalent tips given directly to employees are the responsibility of the individual to declare for tax purposes.

Card tips and service charges—especially when processed through the business—are subject to PAYE income tax. If an employer has control over how tips are distributed, National Insurance Contributions (NICs) must also be paid.

CUSTOMER PERCEPTIONS AND EXPECTATIONS REGARDING TIPPING

Customer attitudes toward tipping vary by region, service quality, and payment method. Many customers now expect a clear and fair tipping process, especially as more payments shift to cashless methods. **73%** of the 1,000 customers surveyed supported the creation of a Tipping Standard Practice, an official tip amount implemented 'across the board' for customers and a standard process for businesses to distribute tips to staff.

Transparency is key—guests want to know that their tips go directly to staff, rather than being absorbed by businesses. Additionally, service charges and discretionary gratuities can sometimes cause confusion, leading to uncertainty about whether an extra tip is necessary. **61%** of Brits believe hospitality workers should get all of their tips without their employer taking a cut and **41%** would increase their tips if they knew staff were getting 100% of the money.

Businesses that communicate their tipping policies clearly and fairly not only build trust with customers but also encourage more generous tipping habits.

**ONLY 12% OF CUSTOMERS SURVEYED
SAID THEY'D LIKE NO TIPS WITH HIGHER
SERVER SALARIES**

STAFF PERCEPTIONS AND EXPECTATIONS REGARDING TIPPING

Speaking to 500 staff at restaurants, bars and pubs, uncovered that before the 1st of October 2024, **42%** had never been told about how tips are distributed to them, affecting an estimated 756,000 UK workers, based on the latest Government figures. When asked whether they were happy with how tips are distributed to staff, more than a third (**37%**) said they were unsure but felt they should get more tips.

59% support the concept of a Tipping standard practice, with **27%** saying it would help financial planning and **20%** believing it would be fairer for everyone.

Using automated systems in your restaurants increases tips, something that all staff would like. There are three ways this happens:

- Customers spend more so give a higher percentage, through automated ordering systems and upsell opportunities
- Issues are eradicated - enhancing experiences - so they are more satisfied with the service
- Increasing table turn through booking and table management and giving customers control of the pace of their visit

59% OF STAFF SUPPORT THE CONCEPT OF A TIPPING STANDARD PRACTICE

MANAGERS PERCEPTIONS AND EXPECTATIONS REGARDING TIPPING

In June 2024, nearly a fifth of hospitality businesses (25,740 operators across the UK) expected annual costs to rise by £60,000–£360,000 due to the new legislation.

Before the new legislation came into place **63%** of businesses took a cut of employee tips, with **29%** using them for expenses like processing fees, costs the business now have to cover.

In summer 2024 nearly three quarters (**74%**) of UK restaurants, pubs and bars were already adding, or planning to add a service charge for pouring a pint or preparing a cocktail, pushing the average price of a pint to over £5.

44% of operators would support the creation of a Tipping Standard Practice, offering transparency to all parties.

CONCERNS AROUND EMPLOYMENT COSTS INCREASED **11%** FROM 2023 TO 2024

Matt Rawlins, three rocks' CTO, said "Using tech that puts the ordering into customers hands reduces any order errors while also freeing up the team to be more attentive and give the extra service that enhances the customer experience, therefore increases the likelihood of tips. Tables turn faster meaning more guests, more tips AND increased spending from customers, boosting bill and tip amounts."

THE POWER OF A TRONC SYSTEM

A tronc system is a special payroll arrangement used to distribute tips and service charges fairly among employees. It ensures that tips are allocated in a tax-efficient and compliant manner, reducing employer National Insurance Contributions (NICs) while ensuring staff receive their fair share.

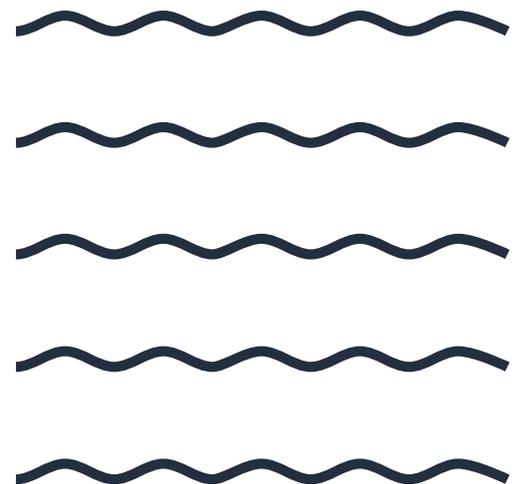
Tronc systems are particularly beneficial in hospitality, where service-based roles rely on gratuities as a significant part of their earnings. By implementing a structured tronc solution, businesses can navigate the complexities of tipping legislation while fostering a fair and transparent working environment.

ROLE OF THE TRONCMASTER

A troncmaster is an independent individual responsible for managing the fair distribution of tips within a tronc system. While businesses can appoint an internal troncmaster, it is crucial that this role remains free from employer influence. Any connection to profit-based bonus schemes or other incentives tied to business performance could compromise their independence.

The troncmaster has full control over how tips are allocated among eligible staff, ensuring compliance with tax regulations and implementing a fair distribution policy.

By appointing a truly independent troncmaster, businesses can maintain transparency in tip allocation while removing employer liability for National Insurance Contributions (NICs) on tips.



If your tronc
value is
**£10,000 A
MONTH**

the business could
be saving around
£18,000 A YEAR

BEST PRACTICES FOR MANAGING TRONC

FAIR POOLING SYSTEM

Implement a fair pooling method based on roles, hours worked, or length of service. This ensures that all eligible employees benefit equitably.

REGULAR REVIEWS & FEEDBACK

Regularly assess the tip distribution model and involve employees in discussions to ensure ongoing fairness and efficiency.

CLEAR POLICY & COMMUNICATION

Establish a documented tipping policy that outlines how tips are collected, pooled, and distributed. Ensure staff understand the process and their rights.

HAVE A NON-BIASED TRONCMASTER

Ensure your troncmaster is not a key decision maker in the business and therefore can be completely non-biased when it comes to distributing tronc

BENEFITS OF IMPLEMENTING A TRONC SYSTEM

THE BUSINESS

SIGNIFICANT NATIONAL INSURANCE (NI) SAVINGS

A properly structured and compliant tronc scheme is exempt from employer NICs, reducing payroll costs and saving businesses thousands per year.

LEGAL COMPLIANCE & RISK REDUCTION

With the Employment (Allocation of Tips) Act 2023 now in effect, a compliant tronc scheme ensures businesses meet legal obligations and avoid fines or reputational damage.

LINK EMPLOYEE PAY TO PERFORMANCE

Motivate your team to deliver outstanding service, resulting in enhanced customer satisfaction and loyalty

STRONGER EMPLOYER REPUTATION

A well-managed tronc demonstrates fairness and integrity, improving employer branding and attracting customers who support ethical businesses.

THE TEAM

HIGHER TAKE-HOME PAY

A properly managed tronc scheme ensures that tips are distributed tax-efficiently, meaning team members can receive more of their hard-earned money without NIC deductions.

FAIR & TRANSPARENT TIP DISTRIBUTION

A compliant tronc system ensures tips are shared equitably among staff, reducing disputes and fostering a sense of fairness in the workplace.

INCREASED JOB SATISFACTION & MORALE

Knowing that tipping is managed fairly and transparently helps build trust and motivation among employees.

WORKING WITH THE TRONC ADVISOR

The Tronc Advisor is a leading expert in tronc system design and compliance. The Tronc Advisor helps hospitality businesses implement fully compliant, HMRC-approved tronc arrangements that maximize tax efficiency and ensure fair tip distribution. With deep industry expertise, they guide businesses through the complexities of tronc setup, helping them stay compliant while unlocking financial and operational benefits.

HMRC COMPLIANCE

With experience working from within HM Revenue & Customs, The Tronc Advisor are able to provide the very best advice on how to run an efficient and compliant tronc arrangement.

NI REBATES

By working with The Tronc Master, you can investigate whether you've been overpaying tronc and potentially claim an NI rebate.

SAVE TIME AND MONEY

Correct implementation of a fair and transparent tronc scheme enables your teams to focus their energy on growing the business.

DEVELOP YOUR UNDERSTANDING

The Tronc Advisor will help you understand your tronc needs and work with you to develop what's right for your business.

BOOK A CONSULTATION

NATIONAL INSURANCE: HOW THE APRIL 2025 CHANGES WILL IMPACT YOU

From April 2025, financial pressure on businesses will increase due to:

- **A 45% REDUCTION IN THE EMPLOYER NIC THRESHOLD, DROPPING TO £5,000 PER YEAR**
- **A 1.2% INCREASE IN EMPLOYER NICs**

Currently, over 1.2 million hospitality staff are not eligible for employer NICs. In April, that number will shrink to just over 450,000, meaning 774,000 more workers will become eligible - costing the hospitality sector an estimated £1 billion (UKHospitality).

For hospitality businesses, this makes efficient tip management more critical than ever.

A compliant tronc system helps employers avoid NICs on tips, significantly reducing payroll costs while ensuring staff receive a greater share of their earnings. With rising costs and tighter margins, structuring tip distribution correctly can provide a competitive edge, improving both financial and operational efficiency.



NATIONAL INSURANCE
SAVINGS CALCULATOR

DIFFERENT METHODS OF FIXING TIPPING

While there is not a standard tipping practice in the UK, whatever you decide is the best solution for your business alongside implementing the new legislation, three rocks can help you. Their XMS solution manages and enhances the experiences of guests, team and management. The system is made bespoke for your business depending on your requirements. So how you decide to manage tips in your business can be easily managed through XMS, tailored to your requirements.

Use data to influence how to use tech to manage your tips. Data tools and reports allow you to test and learn as you try new ideas and subtle changes to get your tipping processes right for your customers, team and business.

Whatever your best solution is, TIPJAR and the tronc advisor can handle your tip process or advise through their end-to-end solution.

Data feeds into every module of three rocks' XMS, gaining insight from all touchpoints which can feed into your tipping process.

- Labour management - track who was working when
- Ordering systems - track which member of staff took which orders and increase sales through upsell techniques
- Payment methods - manage payment and tips seamlessly
- Booking systems/table management - know who was serving which table and increase table turn

Scott Muncaster, MD, said: “At three rocks, we don’t claim to have the answers on how restaurants, their employees and their customers can all be served by a ‘right’ way of handling tips. We don’t think there IS a single set of answers that applies to all restaurants, all teams, all customers.”

“We believe that those who deliver the best experiences for their customers, staff and shareholders will do four things:”

1

“They’ll consider and consult on all points of view – business, staff, guest.”

2

“They’ll learn lessons and make course-corrections based on data, not noise.”

3

“They’ll track the impact closely – on sales, profit, employee wellbeing, retention, guest satisfaction, reputation...”

4

“They’ll be transparent – everyone involved will know what happens when a tip is given.”

“We provide the data tools and reporting so you can test and learn as you try new ideas and subtle changes to drive sales, innovate on menu and service – and get your tipping processes right for your customers, team and business.”

Dan Hawkie, CCO of TiPJAR said: "This is an exciting time for tipping and tronc. While it's easy to feel burdened by new legislation, it's also a huge opportunity to incentivise and motivate teams to deliver exceptional service. At TiPJAR, we've seen firsthand the impact tips can have—some team members have even used their tips to save for a house deposit! As cash declines and new laws take effect, solutions like TiPJAR and three rocks give financial freedom back to employees while ensuring businesses have compliant, transparent tipping policies they can trust. Plus, by reducing NICs for businesses, it's a win-win for both operators and their teams."

FINAL THOUGHTS: THE FUTURE OF TIPPING IN HOSPITALITY

As with so many aspects of hospitality, tipping has evolved significantly over the years, with cash tips diminishing faster than ever. In response to this shift, The Employment (Allocation of Tips) Act 2023 was introduced to protect employees and ensure fairness and transparency in how tips are managed.

At the same time, hospitality businesses are facing new financial pressures, with increased employer National Insurance Contributions (NICs) and a rise in the National Living Wage coming in April 2025.

To navigate these challenges, operators must take advantage of every available opportunity—including ensuring NICs are not being paid on tips by implementing a tax-efficient tronc system.

However, tipping shouldn't be something employers fear. When managed correctly, it offers huge benefits for both staff and businesses:

- Higher staff motivation and retention – A well-structured tipping system rewards employees fairly, leading to better job satisfaction and lower turnover.
- Increased tip volumes – Digital tipping solutions make it easier for customers to tip, resulting in higher overall earnings for staff.
- Improved operational efficiency – Eliminating cash handling simplifies payroll, reduces admin time, and ensures transparency.
- Better customer experience – A well-incentivised team delivers better service, leading to happier guests and stronger business performance.

By staying compliant, leveraging digital solutions, and embracing best practices, operators can create a fairer, smarter, and more sustainable tipping culture that benefits everyone.



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