



The Irish Salon Owners Guide to

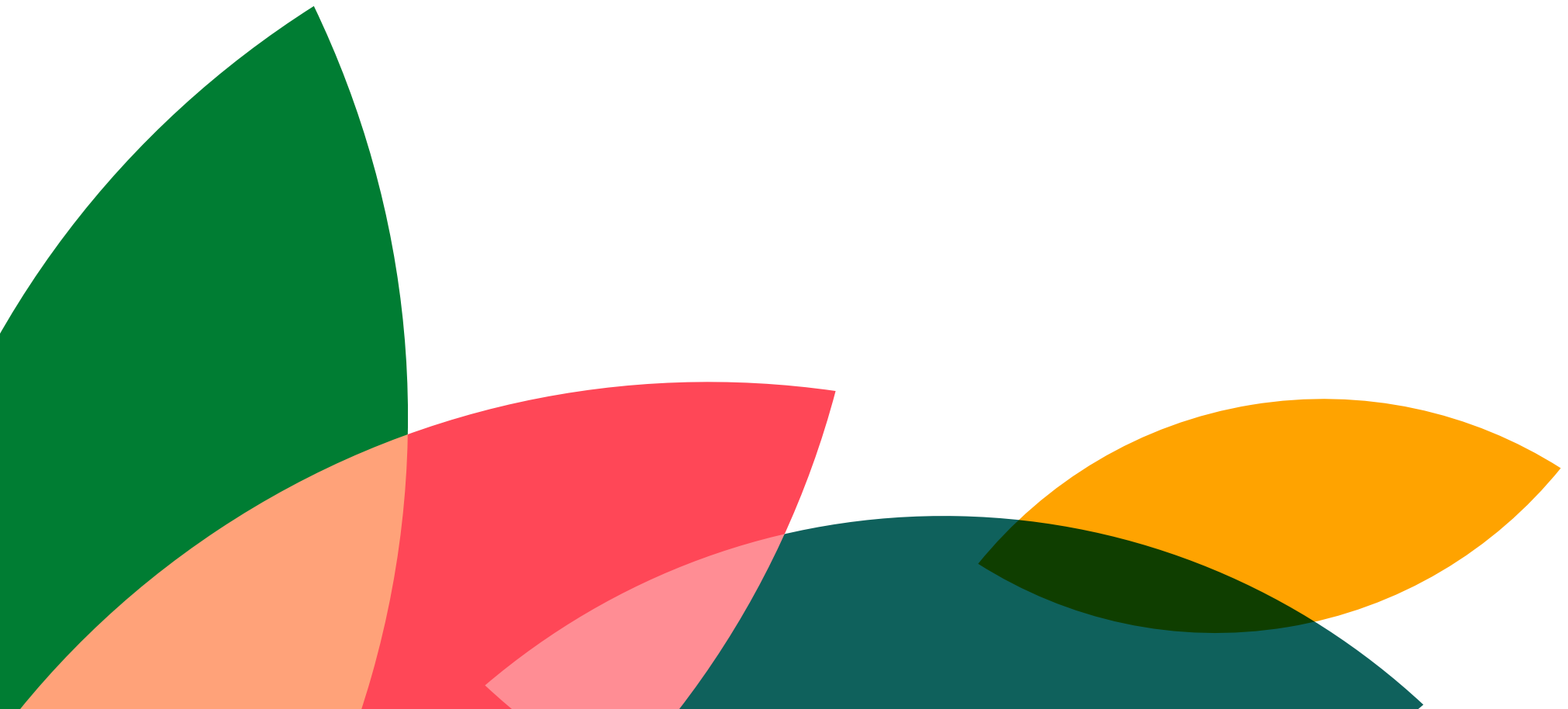
Tipping Laws, Tax and Compliance

Introduction

Legislation came into effect in Ireland in December 2022 regarding the collection and distribution of tips that all salon and spa owners need to be aware of. In this ebook we'll break down what is involved in the legislation, the tax implications for salon and spa owners and staff, and how you can make sure your business is compliant.

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Part 1: The Law

What is the Payment of Wages (Amendment) (Tips and Gratuities) Act 2022?

The Act brought into law some important guidelines for salon owners and protections for salon employees with regard to tips:

1. The law clearly defines a **'tip or gratuity'** as a payment assumed by the customer to be kept by the employee or shared among employees. This includes voluntary payments made to employees or the employer, such as **cash or card tips, discretionary or mandatory service charges, or tips through cashless platforms.**
2. The allocation of tips that are collected by the employer must be dealt with **fairly and transparently**
3. Proper **records must be maintained** and **relevant taxes paid** on tips that are collected and distributed by the employer.

Does the law apply to card or cash tips or both?

The law covers any tips and service charges that are 'employer-received' – i.e. the employer collects the tips and has a hand in allocating and distributing them among employees. Typically this means tips and service charges paid by card – but if the employer also has control over collecting and distributing cash tips (like having a tip jar), then the act will cover these too.





When did The Act come into effect?

The Act was enacted on 20 July 2022 and came into effect on 1 December 2022.

Who qualifies to get a share of tips?

Both directly-employed staff and 'platform workers' i.e. self-employed staff who provide services related to the salon are entitled to a share of tips

What does 'fairly allocated' mean?

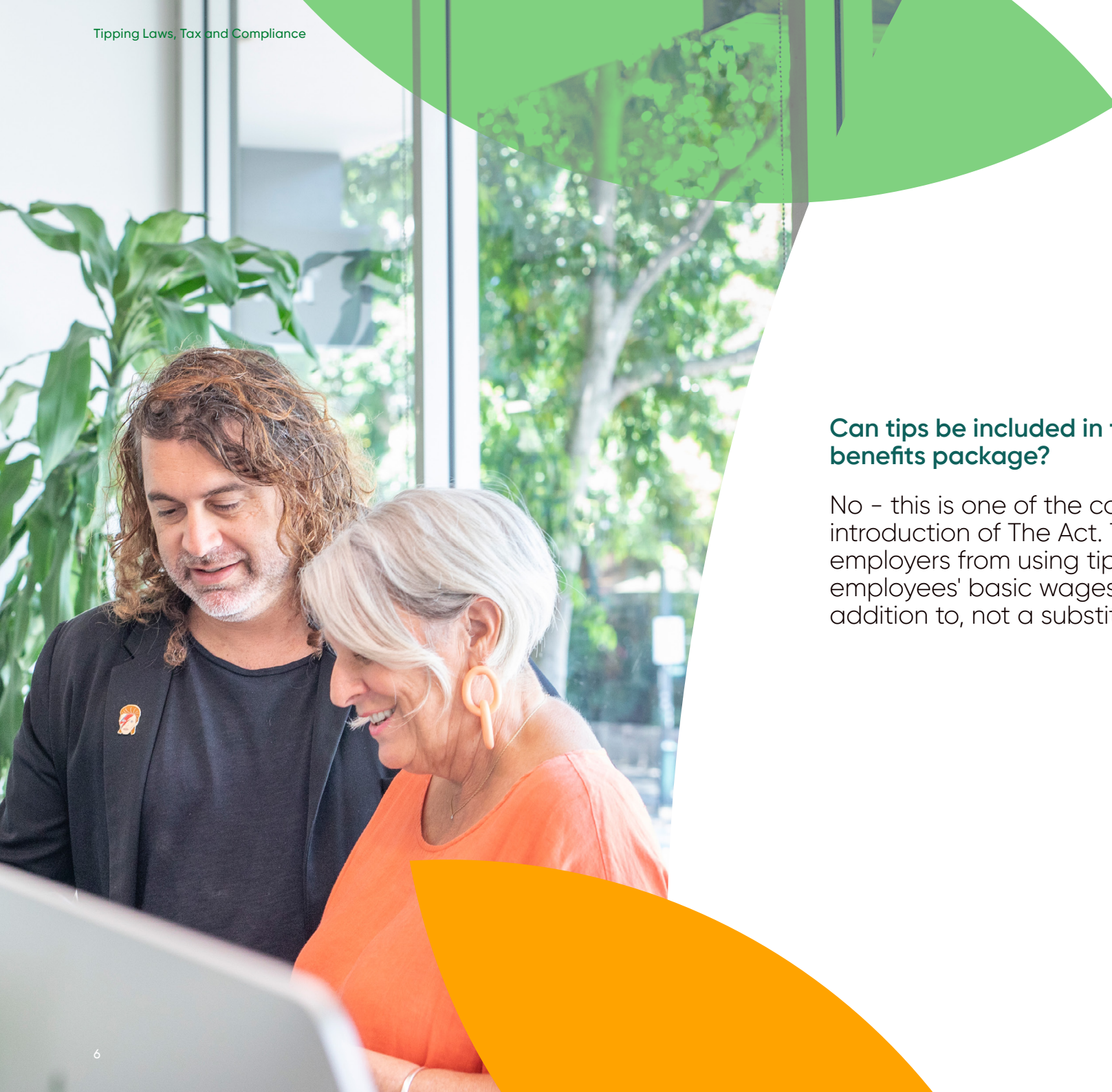
While the Act doesn't define a specific formula for fair allocation, it does lay out some general principles:

1. Employers must consult with their employees when introducing a policy on how tips are distributed. This includes any significant changes to an existing policy.
2. When distributing tips, employers can consider various factors such as the seniority or experience of employees, the value of sales or revenue generated, the number of hours worked, the nature of the employment contract (full-time or part-time), and the employee's role in service delivery.
3. The Act requires employers to provide a statement to employees showing the amount of electronic tips obtained in a period and the portion paid to each employee.

How long do I have until tips must be paid into workers' bank accounts?

There are no specifics on the timeframe in which tips must be paid out to employees, but this should be covered in the consultation process with employees and included in your tipping policy documentation.





Can tips be included in the employees' overall benefits package?

No – this is one of the core elements that spurred the introduction of The Act. The law explicitly prohibits employers from using tips or gratuities to make up for employees' basic wages. This ensures that tips are an addition to, not a substitute for, contracted pay.

Part 2: Policies, Records and Complaints



Policies, Records and Complaints

Employers are required to maintain certain policies and records related to tips and gratuities under the law:

Policy on Tips Distribution:

1. Employers must establish a clear policy on how tips and service charges are distributed among employees.
2. This policy should detail whether tips are pooled and how they are divided among staff. It should include both cash and electronic tips.
3. The policy must be consulted with employees, and they should be informed of any significant changes.

Display of Tips and Gratuities Notice:

1. Employers are required to display a notice that clearly outlines their policy regarding the distribution of tips, gratuities, and service charges.
2. This notice should inform customers and employees whether the service charges are distributed as tips to employees, and if so, how this distribution is managed.



Record Keeping:

1. Employers should keep records of the total amount of electronic tips received and how these are distributed to employees.
2. For electronic tips, employers are required to provide a statement to employees within a specified period (typically within the payroll cycle), detailing the amount of tips distributed to them.
3. While there's no specific requirement for record-keeping of cash tips handed directly to employees, maintaining records could be beneficial for transparency.

Compliance and Inspection:

1. If tips are allocated by you, the employer, and you are not paying the relevant taxes based on how you handle tips (such as PAYE and PRSI), you are at risk of an audit by Revenue.
2. The Workplace Relations Commission (WRC) is responsible for ensuring compliance with the Act. Employers must be prepared to demonstrate adherence to the law during inspections.
3. Employers should ensure that tips are not used to make up basic wages and are distributed according to the established policy.
4. Employees who are dissatisfied with the distribution of tips or feel that the employer has breached the legislation can file a complaint with the Workplace Relations Commission (WRC).
5. The WRC has the authority to award compensation to the employee. The compensation amount may be up to four weeks' remuneration.

Part 3: Compliance Options

Compliance Options

Let's take a look at the options that are available to you to ensure you are compliant with The Act, and what tax / cost implications each has for you and your staff.

A. Handle tipping distribution via payroll

B. Use a dedicated tipping app

C. Only accept cash tips

D. Send card tips directly to staff via PhorestTips

First, let's summarise the tax and cost implications of each option:

The below example shows how each option would impact a **monthly total of €5,000 in tips across your employee base**

Paid by client via	Standard Card Payment	Tipping App	PhorestPay card	Cash
Paid by employee via	Payroll	Tipping App	PhorestTips	Cash
Employer taxes & fees	€552.50	€0.00	€0.00	€0.00
Employer PRSI	€552.50	none	none	none
Employee taxes & fees	€1,200	€1,002	€1,000	€1,000
Income tax via PAYE	€1,000	none	none	none
Income tax at end of year declaration	none	€1,000	€1,000	€1,000
Employee PRSI	€200	€200	€200	€200
App fee	none	€2.00	none	none
Retained Tips	€3,800	€3,998	€4,000	€4,000

*This example assumes the employee is a standard rate tax payer – i.e. earning below €42,000 per year

Option A: Handle tipping distribution via payroll

Pros

- ✓ Staff can accept both cash and card tips
- ✓ Easier for staff to remain tax compliant as tax on tips is taken via PAYE.



Cons

- ✗ An additional cost for your business – you need to pay 11.05% PRSI on tips that are collected and distributed through the business, and this cannot be covered by your staff
- ✗ Additional admin required for tipping via payroll
- ✗ Staff may be waiting up to 2 months for tips to be paid into their accounts.

Option B: Use a dedicated tipping app

Pros

- ✓ You are outside the scope of the legislation as tips go directly from the customer's card to the employee account
- ✓ No employer PRSI contributions need to be paid as tips don't go through payroll
- ✓ No additional tipping admin in payroll



Cons

- ✗ Staff miss out on up to 25% of tips (according to Phorest statistics, salons taking tips in the same transaction as payments take in 25% more tips)
- ✗ A poor customer experience for your clients, asking them to make two separate transactions on their way out the door
- ✗ Staff need to pay a monthly fee for use of the app
- ✗ QR code chaos cluttering your front desk.

Option C: Only accept cash tips



Pros

- ✓ You are outside the scope of The Act as it only applies to 'employer-received' tips – cash tips are collected directly by staff
- ✓ No employer PRSI contributions need to be paid on cash tips as they don't go through payroll
- ✓ Immediate payment of tips to staff.

Cons

- ✗ Staff miss out on 25% of tips (according to Phorest statistics, salons taking tips via a card terminal take in 25% more tips)
- ✗ Difficult for staff to remain tax compliant – staff must maintain their own records on tips so they can report tip earnings pay income tax at the end of the year
- ✗ If cash tips are collected in a tip jar, they will fall under the remit of the legislation (as the employer has a hand in collecting and distributing them) and so will require PRSI contributions from both the employer and employees if they are distributed via payroll.

Option D: Send card tips directly to staff via PhorestTips

All pros, no cons!

- ✓ Remain 100% compliant with the tipping laws
- ✓ Allow employees to take card and cash tipsInstant
- ✓ Seamless experience for your clients
- ✓ No additional taxes or fees

Skip to Part 4 to learn how!



Phorest Go2.0

now

Annie just left you a tip! Tap to open.



£10.00
Tip from Annie Grey.

thanks

9:41



PhorestTips

Your next tip payout will be
£127.00

Active



Your tips

View recent tips from clients



Payouts

money sent to you

Part 4: Coming Soon: Phorest Tips

With Phorest, you won't need to worry about the new legislation

PhorestTips will allow your business and staff to accept tips on your PhorestPay Card Terminal without the need to worry about employer PRSI or extra tipping admin in your payroll. Instead, we will automatically send card tips directly to your employees, without ever being received by your business.



What does this mean for my business and my staff?

- 1. Transparent distribution of card tips for your employees, instantly & automatically**

The tip is fairly and instantly paid to the relevant service provider(s) accounts, without any extra admin time or costs.

- 2. Tax savings for your business**

No employer PRSI or app fees apply.

- 3. 100% compliance with the Payment of Wages (Amendment) (Tips and Gratuities) Act**

PhorestTips enables the fair distribution of tips automatically and transparently.

- 4. Employees can accurately record tips to stay tax-compliant**

Employees will be able to see records of their own tipping income throughout the year so they can report it at the end of the financial year and stay compliant with income tax laws.

- 5. More tips for employees!**

With more and more clients no longer carrying cash, it's no surprise that Phorest data shows employees receive 25% more tips through our PhorestPay Card Terminals. Now your employees can accept both cash and card tips, without having to pay additional taxes or fees.

PhorestTips is an ideal tipping solution for salon teams of all kinds, including those that have self-employed stylists and therapists.

What's next?

Sign up for early access

Sign up for early access at the link below, and we will provide more information about how you can ensure you are set up to take advantage of Phorest's tipping distribution feature. Until then, let us take care of it, while you take care of your clients!

Visit salontippingcompliance.ie





PhorestPay

Simple, Secure Payments