

REVENU
QUÉBEC



FAIR.
FOR ALL.



TAX MEASURES RESPECTING TIPS

revenuquebec.ca

REPORTING TIPS IS AN OBLIGATION YOU SHARE WITH YOUR EMPLOYEES.

Doing so not only helps your employees fulfill their tax obligations and gives them access to better benefits and other advantages, but it may also entitle you to a tax credit.



CONTENTS

What's new	5
1 General information	6
1.1 Introduction	6
1.2 Employers' responsibilities and obligations with respect to tips	6
1.3 Glossary	6
1.4 Penalties	7
2 Tips reported by an employee	8
2.1 Who has to report their tips?	8
2.2 How must your employees report their tips?	8
2.3 What tips do your employees have to report?	8
2.3.1 Tips on tippable sales	8
2.3.2 Net tips	9
3 Tips allocated to an employee	10
3.1 Who do you have to allocate tips to?	10
3.2 Calculating the tips allocated to an employee for a pay period	10
3.2.1 Tippable sales	12
3.2.2 Allocation rate	12
3.2.3 Tips on tippable sales reported by an employee	12
4 Source deductions and employer contributions	13
5 Filing the RL-1 slip	14
6 Employer's Statement of Tips and Tippable Sales	14
7 Tax credit for the reporting of tips	15

This guide contains information about tax measures related to tips. It does not constitute a legal interpretation of the *Taxation Act* or any other legislation.

For more information, contact us. Our contact information is given at the end of this guide.



WHAT'S NEW

Extensive update

This guide has been completely revamped. For example, it now contains information about filing the RL-1 slip.

New indemnities giving entitlement to the tax credit for the reporting of tips

You can now claim a refundable tax credit for the portion of indemnities for leave taken to fulfill family obligations or for health reasons that is attributable to tips and paid after December 31, 2018.

For more information about the tax credit for the reporting of tips, see Part 7.



1 GENERAL INFORMATION

1.1 Introduction

This guide sets out employers' responsibilities and obligations with respect to tips. You should read it if you are an employer in the restaurant, bar or hotel sector and your employees receive tips directly or indirectly as part of their work in an establishment subject to the tax measures respecting the reporting of tips.

1.2 Employers' responsibilities and obligations with respect to tips

At the end of every pay period, you must:

- accept the Statement of Tips (Part 2 of form TP-1019.4-V) or equivalent document that your employees give you to report their tips (see Part 2);
- allocate tips to your employees, if applicable (see Part 3); and
- add your employees' tips to their base wages to calculate their source deductions (see Part 4).

You must also report tips on your employees' RL-1 slips (see Part 5) and on the *Employer's Statement of Tips and Tipable Sales* (form TP-1086.R.1-V) [see Part 6].

You may be entitled to a refundable tax credit to offset the additional contributions and premiums you paid on your employers' tips (see Part 7).

1.3 Glossary

Fast-food outlet

Fast-food outlets provide counter service (sometimes combined with table service) and offer a specialized menu of light meals for consumption on the premises or for takeout. They do not generally serve alcoholic beverages. Typically, they are situated in simply furnished premises designed specifically for this type of food service.

Regulated establishment

"Regulated establishment" means:

- an establishment in Québec that is laid out specifically so that lodging and/or food for consumption on the premises can be provided on a regular basis in return for payment;
- an establishment in Québec where alcoholic beverages are sold for consumption on the premises;
- a train or vessel used by a business carried on entirely or almost entirely (90% or more) in Québec and on which meals or beverages are served; or
- a place situated in Québec where meals for consumption elsewhere than on the premises are sold and delivered or served by your personnel in the context of carrying on your business.

The following **are not** regulated establishments:

- an establishment in Québec that provides mainly lodging and/or food in return for payment on a weekly, monthly or annual basis;
- an establishment operated by an educational institution, a hospital institution, a shelter for needy persons or victims of violence, or any similar establishment;
- an establishment operated by a charity or similar organization where food and beverages are occasionally served;
- a cafeteria; and
- a fast-food outlet where employees do not ordinarily receive tips from the majority of customers.

NOTE

In general, the following **are** regulated establishments:

- hotels, motels and inns;
- restaurants, bars and resto-bars (including those in sports complexes, arenas, gyms, etc.);
- sugar shacks serving food for consumption on the premises;
- campgrounds serving food for consumption on the premises; and
- establishments where food for consumption elsewhere is served by a caterer.

Boarding houses and seniors' residences are **not** usually considered regulated establishments.

Tippable sale

Tippable sales are sales (before taxes) made at a regulated establishment and on which it is customary in Québec for customers to leave a tip. Sales of food or beverages for consumption elsewhere than on the premises of a regulated establishment are not tippable sales.

NOTE

Food court sales and deliveries **are not** tippable sales.

1.4 Penalties

If you refuse to accept an employee's Statement of Tips (Part 2 of form TP-1019.4-V or an equivalent document), you are liable to a penalty of \$100 per pay period.

If you fail to pay or remit an amount required under tax legislation and attributable to tips you failed to allocate to your employees, you are liable to a penalty equal to 50% of the amount.



2 TIPS REPORTED BY AN EMPLOYEE

2.1 Who has to report their tips?

All your employees (waiters, valets, door attendants, porters, delivery people and cloakroom attendants) working in a regulated establishment must report their tips to you in writing.

Reporting all their tips guarantees that they benefit from social programs such as Employment Insurance and Québec parental insurance based on their total income (wages plus tips).

2.2 How must your employees report their tips?

At the end of every pay period, every employee must complete Part 2 of the *Register and Statement of Tips* (form TP-1019.4-V) or an equivalent document, sign it and give it to you. Form TP-1019.4-V is available on our website. You and your employees can also order copies using our online service or by contacting our client services (contact information is given at the end of this guide).

2.3 What tips do your employees have to report?

At the end of every pay period, your employees must report their tips on tippable sales and their net tips.

They do not have to report tips received as mandatory service charges paid by customers (tips that you control).

2.3.1 Tips on tippable sales

An employee's tips on tippable sales are equal to the total of the following:

- tips in cash received from customers on tippable sales made during the pay period (regardless of whether the customer paid in cash or by credit or debit card); and
- tips customers left by credit or debit card that the employee received during the pay period.

Example 1

A customer pays their cheque and leaves a tip using a credit card. You give the tip to your employee when you receive the amounts for the sale from the credit card issuer.

In this case, the employee must report the tip in the pay period during which you received the amounts from the credit card issuer.

Example 2

A customer pays their cheque and leaves a tip using a credit card. You give your employee the tip at the end of their shift (in other words, before receiving any amounts for the sale from the credit card issuer).

In this case, the employee must report the tip in the pay period during which the sale was made.

2.3.2 Net tips

An employee's net tips for a pay period are the result of the following calculation:

- the total of the following amounts:
 - the employee's tips on tippable sales (see section 2.3.1),
 - the employee's other tips, such as tips for work as a valet, door attendant, porter, delivery person or cloakroom attendant, but not those received under a tip-sharing arrangement, and
 - tips the employee **received** under a tip-sharing arrangement;

minus

- tips the employee **remitted** to other employees or to you (for redistribution to other employees) under a tip-sharing arrangement.



3 TIPS ALLOCATED TO AN EMPLOYEE

3.1 Who do you have to allocate tips to?

For a given pay period, you must allocate tips to your employees whose tips represent less than 8% of their tippable sales (or a rate we determined after receiving a *Request for a Reduction in the Allocation Rate* [form TP-42.15-V]).

You do not have to allocate any tips to employees who did not make any tippable sales during the pay period (valets, door attendants, porters, delivery people, etc.).

Likewise, you do not have to allocate tips to the following employees:

- employees who receive 90% or more of their tips through the redistribution of the tips received by other employees;
- cloakroom attendants;
- if your business is a corporation, employees who hold more than 40% of the voting shares at the end of the pay period (the same also applies if the employee’s spouse holds the shares);
- if your business is a partnership, employees whose spouse would be entitled to more than 40% of the partnership’s profits at the end of the pay period if, for the purpose of determining the spouse’s percentage interest, it were assumed that the end of the partnership’s fiscal period coincides with the end of the pay period and the partnership’s income for the fiscal period is equal to \$1 million.
- if you are the sole proprietor of your business, an employee who is your spouse;
- employees who receive 90% or more of their tips as mandatory service charges paid by customers (controlled tips), if the following conditions are met:
 - service charges represent at least 10% of the tippable sales in all or nearly all cases,
 - customers are informed of the mandatory nature of the charges, and
 - you manage any tip-sharing arrangement in place.

3.2 Calculating the tips allocated to an employee for a pay period

The amount to allocate to an employee (see section 3.1) for a given pay period is equal to the result of the following calculation:

Tippable sales (see section 3.2.1)	×	Allocation rate (see section 3.2.2)	–	Tips on tippable sales: <ul style="list-style-type: none">• that the employee reported to you (see section 3.2.3); and• that represent mandatory service charges you redistributed to the employee.
---------------------------------------	---	--	---	--

If the result is **zero or negative**, you **do not** have to allocate any tips to the employee for the pay period.

The amount allocated must be included in the employee’s pay for the period. However, if you do not have enough time or if you are missing some of the necessary information when you prepare the employee’s pay for the period, you can include it in their pay for the next period.



Example 1

During a pay period, an employee makes \$2,000 in tippable sales. You did not distribute any mandatory service charges to them. The Statement of Tips (Part 2 of form TP-1019.4-V) the employee gave you at the end of the period contains the following amounts:

Tips on tippable sales		1	\$90
Other tips received	+	2	\$5
Tips received from other employees	+	3	\$15
Tips remitted to other employees	-	4	\$10
Net tips	=	5	\$100

The calculation is:

$$(\$2,000 \times 8\%) - (\$90 + \$0) = \$70$$

You must therefore allocate \$70 in tips to the employee for the pay period.

Example 2

During a pay period, an employee makes \$1,000 in tippable sales. You did not distribute any mandatory service charges to them. The Statement of Tips (Part 2 of form TP-1019.4-V) the employee gave you at the end of the period contains the following amounts:

Tips on tippable sales		1	\$150
Other tips received	+	2	\$5
Tips received from other employees	+	3	\$15
Tips remitted to other employees	-	4	\$90
Net tips	=	5	\$80

The calculation is:

$$(\$1,000 \times 8\%) - (\$150 + \$0) = -\$70$$

Because the result is negative, you **do not** have to allocate any tips to the employee for the pay period.

Example 3

During a pay period, an employee makes \$4,000 in tippable sales. You gave them \$30 in tips from mandatory service charges. The Statement of Tips (Part 2 of form TP-1019.4-V) the employee gave you at the end of the period contains the following amounts:

Tips on tippable sales		1	\$150
Other tips received	+	2	\$5
Tips received from other employees	+	3	\$15
Tips remitted to other employees	-	4	\$10
Net tips	=	5	\$160

The calculation is:

$$(\$4,000 \times 8\%) - (\$150 + \$30) = \$140$$

You must therefore allocate \$140 in tips to the employee for the pay period.



3.2.1 Tippable sales

The tippable sales to allocate to an employee for a pay period equal the total of the following:

- sales (before taxes) where customers left a tip in cash during the pay period (regardless of whether the cheque was paid in cash or with a credit or debit card);
- sales (before taxes) where customers left a tip by credit or debit card which was remitted to the employee during the pay period; and
- sales (before taxes) made during the pay period where customers did not leave a tip even though it would have been customary in Québec for them to do so.

Example 1

A customer pays their cheque and leaves a tip using a credit card. You give the tip to your employee when you receive the amounts for the sale from the credit card issuer.

In this case, you must allocate the sale to the employee in the pay period during which you received the amounts from the credit card issuer.

Example 2

A customer pays their cheque and leaves a tip using a credit card. You give your employee the tip at the end of their shift (in other words, before receiving any amounts for the sale from the credit card issuer).

In this case, you must allocate the sale to the employee in the pay period during which the sale was made.

Multiple employees serving a single table

When more than one employee serves a table, the tippable sale is deemed made by the head server. That said, we will accept any method of breaking down the sale that we find to be acceptable in the circumstances.

3.2.2 Allocation rate

The allocation rate is 8% or, if you or your employees filed a *Request for a Reduction in the Allocation Rate* (form TP-42.15-V), the rate we determined after processing the request.

Reduction in the allocation rate

If your employees' tips are often less than 8%, you can request a reduction in the allocation rate. While it is generally your responsibility to make the request, if you refuse to do so, your employees can file it under certain conditions, provided a majority of the establishment's employees or a majority of the employees who make a particular category of sales (such as bartenders) agree that the 8% rate is too high.

For more information, see form TP-42.15-V.

3.2.3 Tips on tippable sales reported by an employee

In the Statement of Tips (Part 2 of form TP-1019.4-V), an employee's tips on tippable sales are on line 1.

For more on calculating tips on tippable sales, see section 2.3.1.



4 SOURCE DEDUCTIONS AND EMPLOYER CONTRIBUTIONS

When calculating your source deductions and employer contributions, you must take into account the tips included in your employees' pay. However, if you do not have enough time or if you are missing some of the necessary information when you prepare the employee's pay for the period, you can include them in their pay for the next period.

Table 1 below shows which tips are subject to source deductions and employer contributions. For more information, see the *Guide for Employers* (TP-1015.G-V).

TABLE 1 Tips subject to source deductions and employer contributions

Tip type	Québec income tax	Québec pension Plan (QPP)	Québec parental insurance plan (QPIP)	Health services fund	Labour standards	Workforce Skills Development and Recognition Fund (WSDRF)
Net tips reported by the employee ¹	Yes	Yes	Yes	Yes	Yes	Yes
Tips allocated to the employee ²	Yes	Yes	No	Yes	Yes	Yes
Controlled tips distributed to the employee ³	Yes	Yes	Yes	Yes	Yes	Yes

1. See section 2.3.2. This amount is on line 5 of the Statement of Tips (Part 2 of form TP-1019.4-V).

2. See Part 3.

3. These are the mandatory service charges you distributed to the employee.



5 FILING THE RL-1 SLIP

You must file an RL-1 slip for every employee who received tips directly or indirectly during the year.

Table 2 below shows where to enter tips on the RL-1 slip. For more information on the RL-1 slip, see the *Guide to Filing the RL-1 Slip* (RL-1.G-V).

TABLE 2 Entering tips on the RL-1 slip

Tip type	Boxes of the RL-1 slip				
	Box A	Box G	Box I	Box S	Box T
Net tips reported by the employee ¹	Yes	Yes	Yes	Yes	No
Tips allocated to the employee ²	Yes	Yes	No	No	Yes
Controlled tips distributed to the employee ³	Yes	Yes	Yes	Yes	No

1. See section 2.3.2. This amount is on line 5 of the Statement of Tips (Part 2 of form TP-1019.4-V).
2. See Part 3.
3. These are the mandatory service charges you distributed to the employee.

6 EMPLOYER'S STATEMENT OF TIPS AND TIPPABLE SALES

For each of your regulated establishments, you must file an *Employer's Statement of Tips and Tippable Sales* (form TP-1086.R.1-V) to report your employees' tips and sales for the calendar year.

Enclose the completed statement with your RL-1 summary (form RLZ-1.ST-V or RLZ-1.S-V) for the year.



7 TAX CREDIT FOR THE REPORTING OF TIPS

You may be entitled to a tax credit for the following indemnities and contributions:

- the employer contributions you paid to the Québec and federal governments on tips;
- vacation pay calculated on tips and the employer contributions paid on it; and
- indemnities calculated on tips and attributable to statutory holidays, leave for family events (birth, marriage, adoption or death) and leave taken to fulfill family obligations or for health reasons.

To learn more or find out how to calculate the tax credit, refer to the related form:

- form TP-1029.8.33.13-V, *Tax Credit for the Reporting of Tips*, if your business is operated by a sole proprietor or if your business is a partnership and the tax credit is being claimed by an individual who is a member of the partnership; or
- form CO-1029.8.33.13, *Crédit d'impôt relatif à la déclaration des pourboires*, if your business is a corporation or if your business is a partnership and the tax credit is being claimed by a corporation that is a member of the partnership.

Form TP-1029.8.33.13-V or CO-1029.8.33.13 must be enclosed with the personal income tax return (form TP-1-V), the *Déclaration de revenus des sociétés* (form CO-17) or the *Trust Income Tax Return* (form TP-646-V).



TO CONTACT US

Online

revenuquebec.ca



By telephone

Individuals and individuals in business

Monday to Friday: 8:30 a.m. to 4:30 p.m.

Québec City

418 659-6299

Montréal

514 864-6299

Elsewhere

1 800 267-6299 (toll-free)

Businesses, employers and agents for consumption taxes

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

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

Québec City

418 659-4692

Montréal

514 873-4692

Elsewhere

1 800 567-4692 (toll-free)

Complaints – Bureau de la protection des droits de la clientèle

Monday to Friday: 8:30 a.m. to noon and 1:00 p.m. to 4:30 p.m.

Québec City

418 652-6159

Elsewhere

1 800 827-6159 (toll-free)

Individuals with a hearing impairment

Montréal

514 873-4455

Elsewhere

1 800 361-3795 (toll-free)

By mail

Individuals and individuals in business

Montréal, Laval, Laurentides, Lanaudière and Montérégie

Direction principale des relations avec la clientèle des particuliers

Revenu Québec

C. P. 3000, succursale Place-Desjardins

Montréal (Québec) H5B 1A4

Québec City and other regions

Direction principale des relations avec la clientèle des particuliers

Revenu Québec

3800, rue de Marly

Québec (Québec) G1X 4A5

Businesses, employers and agents for consumption taxes

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

Direction principale des relations avec la clientèle des entreprises

Revenu Québec

C. P. 3000, succursale Place-Desjardins

Montréal (Québec) H5B 1A4

Québec City and other regions

Direction principale des relations avec la clientèle des entreprises

Revenu Québec

3800, rue de Marly

Québec (Québec) G1X 4A5

Complaints – Bureau de la protection des droits de la clientèle

Revenu Québec

3800, rue de Marly

Québec (Québec) G1X 4A5