Actual x RANS RESTAURANT ASSOCIATION of NOVA SCOTIA

Direct Tips and a Deep Dive into Building a Tip Committee

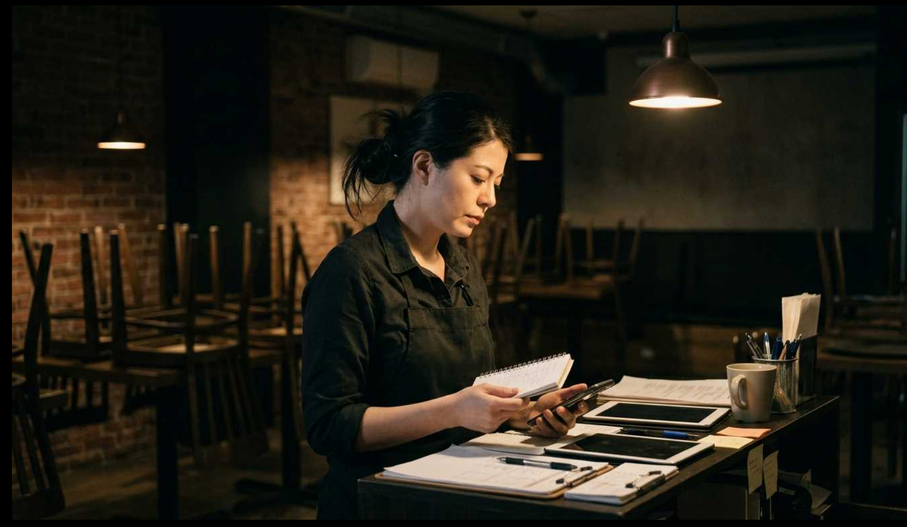


Afshin Mousavian
CEO, Actual (formerly Atlas)



James Rhodes
Principal Lawyer, TaxationLawyers







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Today's agenda

1. Intro to Actual
2. Direct vs Controlled Tips (refresher)
3. What is a Tip Committee
4. Steps for Establishing Tip Committee

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We’re a hospitality automation company

Our products empower operators and teams.

OPS

ACTUAL OPERATIONS

Everything in one place

TIPS

ACTUAL TIP MANAGEMENT

Automated tip division and distribution

PAY

ACTUAL PAYROLL

Schedule and automate your payroll







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Empowering operators of all sizes

Actual supports international hotels, restaurants, cafes, salons, spas, golf courses, and wineries.



NOVA SCOTIA

THE CANNERY KITCHEN & SOCIAL

NOVA SCOTIA

LEGENDARY HOSPITALITY

NOVA SCOTIA

CABOT

NOVA SCOTIA

SALT SHAKER DELI AND INN

NOVA SCOTIA

Boston Pizza

NOVA SCOTIA

SULLY + PORTER

CACTUS CLUB CAFE

Earls KITCHEN + BAR

JOEY RESTAURANTS

NOBU HOTEL TORONTO

Hilton

ANDREW PELLER LIMITED

RUTH'S CHRIS STEAK HOUSE

CRAIG'S COOKIES

MR MIKES SteakhouseCasual

Marriott

BROWNS SOCIALHOUSE restaurant . bar . socialize

Fairmont

TIGH-NA-MARA SEASIDE SPA RESORT & CONFERENCE CENTRE

LONE STAR TEX-MEX AND MARGARITAS

BLACK+BLUE

DELTA HOTELS

Sheraton HOTELS & RESORTS

and many more...

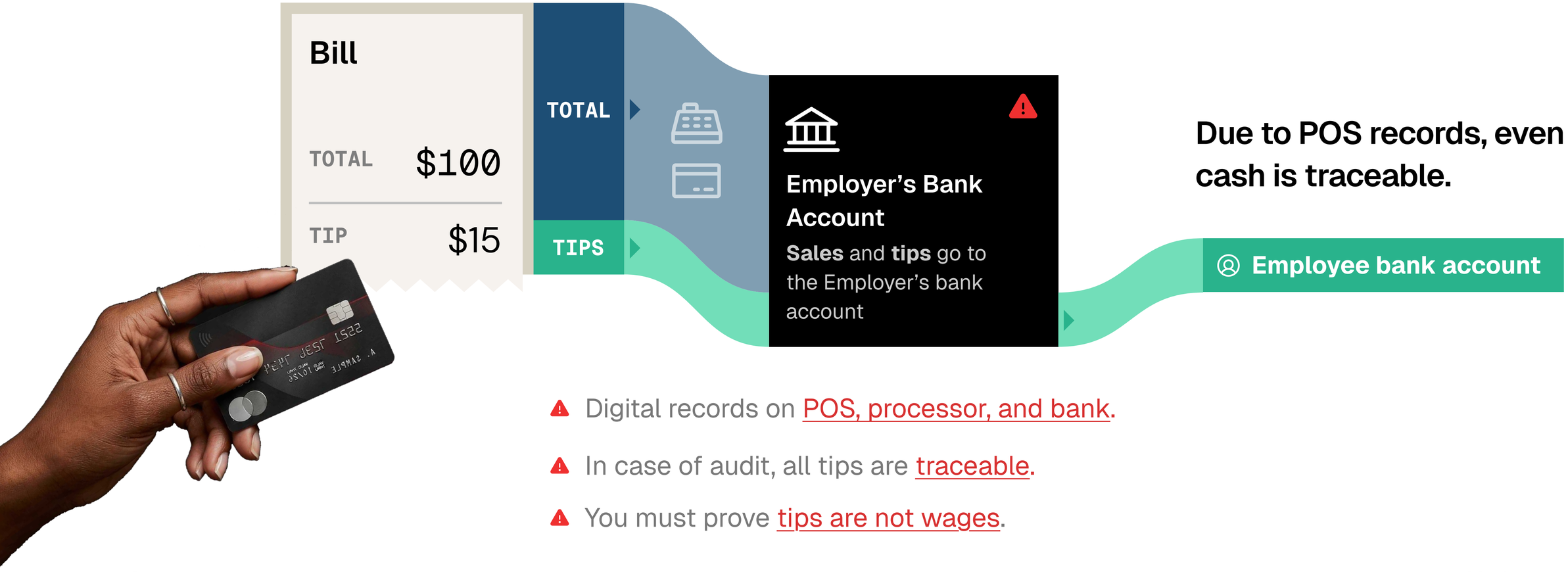
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Presently: Tips and gratuities are mostly credit card



Due to POS records, even cash is traceable.

- Digital records on POS, processor, and bank.
- In case of audit, all tips are traceable.
- You must prove tips are not wages.

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Wages vs. Tips

The only way to keep tips off of payroll is through a Direct Tips system to help separate wages and tips



	Wages		Tips
Who pays the Employee?	Employer	**Should be Separated**	Customer Business not involved
Federal & Provincial Tax	Employer takes source deductions		Employee reports it in their tax return as Other Income: line 104*
CPP (5.95%) + EI (1.63%) = 7.58%	Employer takes source deductions		Exempt, but employee can report tips for optional CPP coverage.**

* For operators outside of Quebec.
** Employee can report for optional CPP coverage.

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Controlled Tips vs. Direct Tips

	Controlled tips	Direct tips	
Voluntarily paid by the customer?	No	Yes	Auto-gratuity is treated akin to wages and automatically is a controlled tip regardless if met rest of direct tip tests. Must also charge GST/HST on auto gratuity.
Division model decisions	Employer	Employees	Did the Employer only make suggestions? Did Employees make final decision? What can you prove?
Possession of tips at end of shift	Employer	Employees	The CRA views the employer having the tips past the end of the shift as having control and possession of them even if merchant bank has not paid them to employer yet.
Processes tip payments to employees	Employer	Employees	Employer should minimize and avoid if possible processing/handling tips other than payout to employee committee. Where required ensure that acting as agent of employees.
Paperwork for proof	Payroll stubs	Required	What can you prove to the CRA?

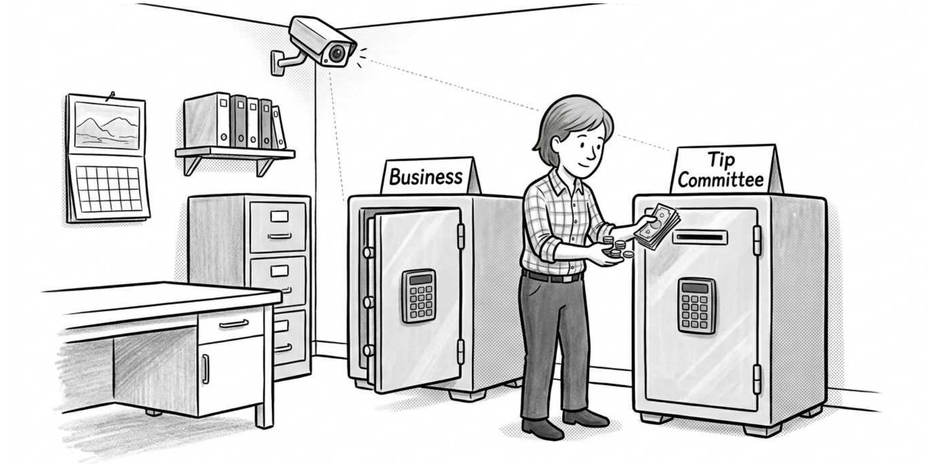
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Managing Money Movement with Cash

Want to manage all of this yourself with cash?

1. Keep the Business safe stocked with enough cash to cover upcoming shifts
2. Buy a second safe with a pin pad and deposit slot that only the Tip Committee can open
3. At the end of every shift, calculate the electronic tips owed
4. Move that amount from the Business safe into the Tip Committee safe, with a deposit slip
5. It’s recommended that the safe room camera records every deposit
6. The Tip Committee counts the cash, fills envelopes, and pays each employee
7. Collect a signed receipt for every payout
8. Reconcile any shortages, and keep every record for at least 7 years



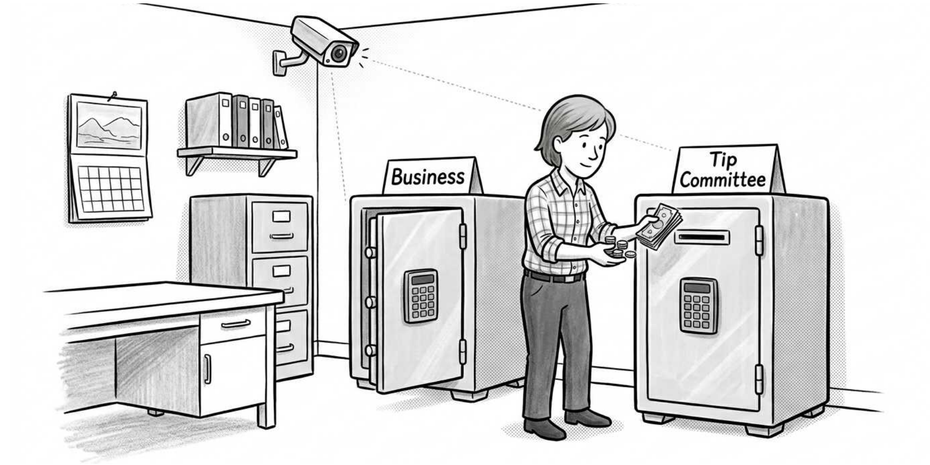
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Managing cash will cost you time and money.

Estimated time needed to manually process weekly cash tips for 50 person operation is 42 hours a month.
At $35 per hour, that's $1,479/month.

Hidden costs:

- Frequent bank runs or paid cash deliveries to keep enough cash on hand
- Higher risk of theft and loss, and higher liability insurance premiums
- You can't come up short, so amounts get rounded up and have to be balanced
- The Tip Committee is responsible for shortages, errors, and missing tips
- Missing receipts or records mean the CRA estimates tips from your POS data

Actual™ Tip Management does more & costs less.

OnActual.com/tips

Estimate assumes: 2 shifts a day, 6 days a week, a $35/hour manager rate, and 50 employees paid weekly: end-of-shift safe deposits (10 min per shift), tip calculations (15 min per shift), envelopes and receipts (15 min per shift), bank runs (45 min, twice a week), and reconciliations, records and disputes (15 min a week). Excludes safe purchase, cash delivery fees, and insurance.

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Actual streamlines Direct tips

Tip division, distribution, reporting and compliance all in one platform.



The Business

Owner & Operators

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Selected by the **Business** and the **Tip Committee** to manage a **Direct Tips** system.



The Employees

Tip Commitee Members

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What is a Tip Committee

An employee committee that decides how gratuities are shared and distributed among employees, so that the employer has no control over their division.

1. **Employee-led:** the Business can start the process, but Employees make the final decisions
2. **Required for Direct Tips:** the committee shows the CRA that the Business doesn't control tip division
3. **Small and balanced:** always an odd number (3, 5, or up to 7), with every team represented
4. **Accountable:** it writes the tip model, sets the rules, and is re-elected every year



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How to Establish a Tip Committee

Steps for creating and maintaining a Tip Committee

PREPARE · BUSINESS STARTS

1 **Educate everyone**
Explain Direct Tips. Collect signed acknowledgments.
BUSINESS
Templates A, B

2 **Set the size**
Odd number: 3, 5, or up to 7. Every team represented.
BUSINESS

ELECT · EMPLOYEES LEAD

3 **Open nominations**
Nominate a peer or yourself.
EMPLOYEES
Template C

4 **Secret-ballot vote**
One vote each. Open 7 days max.
EMPLOYEES
Template D

5 **Record results**
Two counters sign. Ties go to a runoff.
EMPLOYEES
Template E

GOVERN · TIP COMMITTEE DECIDES

6 **Write the tip model**
Plain language. 100% agreement required.
TIP COMMITTEE
Template G

7 **Set the rules**
Quorum, disputes, vacancies, meetings.
TIP COMMITTEE
Template F

MAINTAIN · EVERY YEAR

8 **Share and post**
With every employee and on site.
TIP COMMITTEE
Template I

9 **Keep records**
Signed and filed for at least 7 years.
EVERYONE
Templates H, J, K

Repeat at least once a year: annual elections, and open seats filled as soon as possible

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Step 1. Educate Everyone

Before anyone votes, everyone needs to understand why Direct Tips matter.

- Share the Direct Tips handout with every tip-earning employee
- Hold a short session and leave time for questions
- Collect a signed acknowledgment from each employee
- Repeat for every new hire
- File it all: this is your proof



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Step 2. Set the Size

Small enough to run well,
balanced enough to be fair.

- Under 20 tip-earning employees: 3 members
- 20 or more: 5 members
- 100 or more: up to 7, though 5 is often easier to manage
- Always an odd number, so decisions can't deadlock
- Represent every team: FOH, BOH, and a manager
- If you have multiple locations, Tip Committee should be set at each location. Do not create one Committee for all restaurants owned or managed.



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Step 3. Open Nominations

The Business may have to get things started, but it is critical to show Employees took over shortly after.

- Announce the election, the seats, and the deadline
- Any tip-earning employee can nominate a peer or themselves
- Each team nominates someone from their own team
- Experienced, trusted employees make the best members
- Collect nomination forms before the deadline



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Step 4. Hold a Secret-Ballot Election

Employee led.

One person, one vote, no pressure.

- Every tip-earning employee gets one ballot
- Keep voting open for no more than 7 days
- Two people who aren't candidates count the ballots together
- If there's a tie, run a quick runoff between the tied candidates only so that the process does not drag on



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Step 5. Record and Announce the Results

A fair vote only counts if you can prove it.

- Both counters complete and sign the results record
- Share the results with all tip-earning employees
- File the record together with the ballots
- Keep it for at least 7 years



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Step 6. Write the Tip Model

How tips are shared, in plain language, agreed by everyone on the Tip Committee.

- Describe how tips are split, including edge cases
- Every member must agree: 100%, no exceptions
- This protects every group from being voted down to 0%
- Every Tip Committee member signs it
- Any future change needs the same full agreement



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Step 7. Set the Governance Rules

Clear rules keep the Tip Committee running, and make it hold up in an audit.

- Quorum: a majority of members, never fewer than 2
- Concerns are raised in writing and answered within 14 days
- Fill open seats as soon as possible
- Meet at least once a year
- Send election reminders so no one is caught off guard

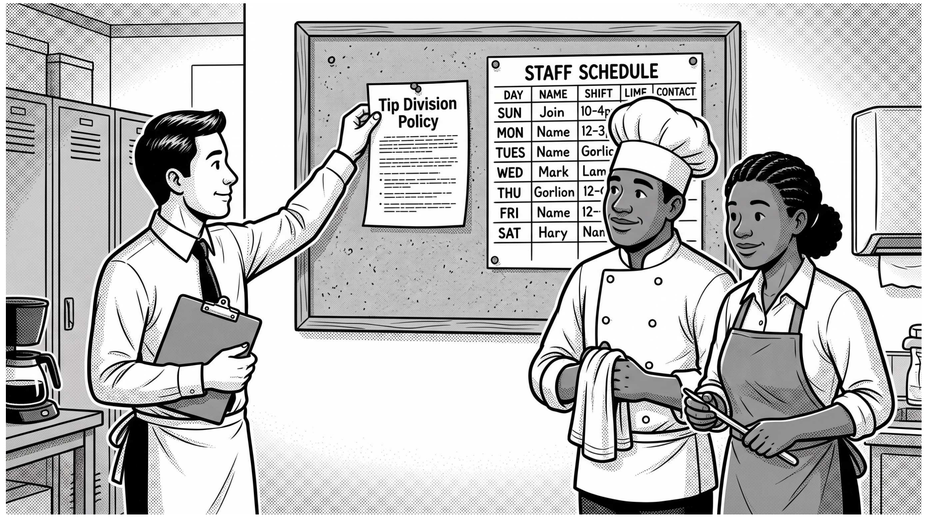


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Step 8. Share It and Post It

Everyone should know how tips are shared.

- Share the approved tip model with every tip-earning employee
- Post it where all staff can see it
- Required in some provinces, recommended everywhere
- Update the posting whenever the tip model changes



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Step 9. Keep the Records

If it isn't written down and signed, it didn't happen.

- Education acknowledgments, nominations, ballots and results
- The tip model, governance rules, and every change
- Employee concerns and the Tip Committee's written responses
- Tip distribution reports and signed payout receipts
- Keep everything for at least 7 years



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Actual™ Tip Committee Builder (Coming Soon)

The Compliance Add-on (Tip Committee Builder) handles every step, from education to elections to records, right inside Actual™ Tips.

EARLY ACCESS · COMING SOON

5 locations per province get 50% off

Be one of the first to run your Tip Committee on Actual: education, voting, and records, all handled for you. **Contact us after the webinar to save your spot.**

50%
off for early access

5
locations per province

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Thank you!

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