

# UNDERSTANDING ONTARIO'S BILL 149

## NEW TIPPING LAWS IN ONTARIO AS OF JUNE 21 2024

In Ontario, tipping and gratuity laws have undergone updates with the introduction of Bill 149 under the Employment Standards Act. This legislation aims to clarify and protect the rights of both employees and employers, ensuring fair practices and transparency.

### Key Updates of Bill 149 and Employment Standards Act Regarding Tipping:

- 1 Approved Methods of Payment:** Employers must distribute tips using approved methods such as cash, cheque, direct deposit, or electronic transfer to an employee-designated account.  
*Notably, tips cannot be placed on credit or debit charge cards.*
- 2 Tip Pooling and Distribution:** The bill also updates the rule concerning owners, directors, and shareholders who participate in tip pooling. While owners, directors, and shareholders could share in the tip pool if they performed the same tasks as tipped employees, the update now mandates that operators with this setup must maintain records of these arrangements for three (3) years after they cease.

On the following page you'll find a table that provides an overview of requirements for a Controlled or Direct Tip system, with Federal and Provincial requirements.

**It's critical to note tip models classified as Direct Tips are exempt from CPP and EI for the Employer and Employees.**

### Resources and Further Reading:

**Ontario Employment Standards Act - Bill 149:** For a detailed understanding of the legislative text, refer to the [official Bill 149 document](#).

**Legal Advice:** For legal advice please consult James Rhodes at [james@taxationlawyers.ca](mailto:james@taxationlawyers.ca)

**Atlas Direct Tips** meets all federal and provincial requirements for a Direct Tip model that provides CPP and EI exemption for Employers and Employees on tips generated.  
**CPP and EI can cost you over \$30K per every \$1M of sales.**

\*Owners, Directors and Shareholders participating in tip pool sharing can contact Atlas for additional details to ensure they are compliant.

In partnership with:



**Hospitality Automation**

Atlas Direct Tips Benefits for Employers and Employees.



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### Resources:

2024 CPP Contribution is 5.95%  
2024 EI premium is 1.66%

**Ontario Employment Standards Information Centre:**  
1-800-531-5551

# STARTING JUNE 21, 2024

## NEW TIPPING LAWS APPLY IN ONTARIO

### How to Meet Requirements for a Direct Tip System

**Tippling laws are established at both federal and provincial levels.**

To comply with both, determine if you're operating a Direct or Controlled tip system.

Direct Tip systems are exempt from CPP (Canadian Pension Plan) and EI (Employment Insurance) while Controlled Tips are not exempt as they're considered wages.

From the columns below, you must meet requirements:

- **For Direct Tips:** Requirements in column **B and C**
- **For Controlled Tips:** Requirements in column **A and C**

	FEDERAL REQUIREMENTS		PROVINCIAL REQUIREMENTS
	A	B	C
	CONTROLLED TIPS NOT EXEMPT FROM CPP AND EI	DIRECT TIPS EXEMPT FROM CPP AND EI	BILL 149 UPDATES
TIP AMOUNTS	Mandatory Tips or Auto-gratuity are controlled Tips. HST must be charged on these Tips.	Must be voluntarily left by customer No mandatory or automatic tips allowed.	No update here.
TIP COMMITTEE	No need for a tip committee.	Establish a Tip Committee to prove that Employer does not control tip division or distribution.	Owner, Directors and Shareholders participating in the tip pool must keep records for 3 years after they cease.*
TIP DIVISION	Employer can decide on tip division model as long as Employment Standards Act deems it fair.	Employer can make suggestions but Employees must decide on tip division model.	No update here.
TIP DISTRIBUTION	Employer can pay tips to employees. CPP & EI must be contributed by employer & deducted from employees.	Employee or Tip Committee to be in possession of tips at the end of shift. Employer can not make payment.	Tips must be paid via Check, Cash, or Direct Deposit. <u>Can not put tips on Credit or Debit charge cards.</u>
PAPERWORK & POLICIES	Tips must be on payroll for employer and T4s for employees.	Onus of proof for Direct Tip model is on the Employer. No paperwork, then it is not considered Direct.	Employer must transparently share Tip Division Model and keep records for 3 years after the division model ceases.

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