

AnyDay: the winning formula for CRA compliance

This guide is your key to effective tip compliance. With insights on tip systems and best practices, AnyDay aligns your business with CRA standards, ensuring transparency and accuracy.

Ensure compliance with AnyDay.

4 key reasons restaurants should protect their business and ensure tip compliance

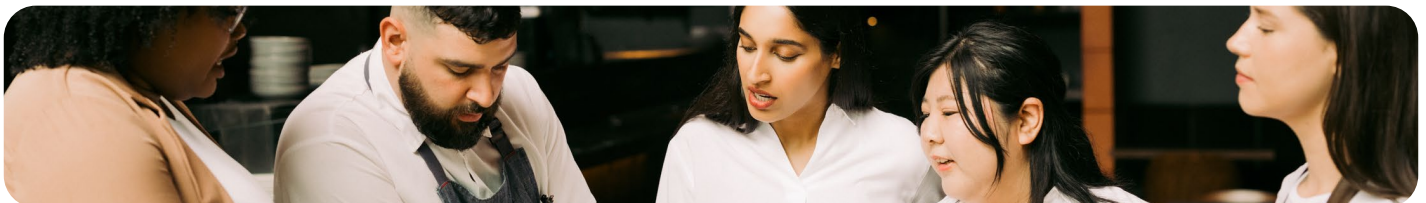
- 01 Restaurants are facing renewed scrutiny from CRA around compliance on employee's tips.
- 02 Most restaurants are unaware that they operate in a controlled tip system, opening themselves up to liability of paying source deductions.
- 03 CRA can historically audit a restaurant by up to 3 years and the responsibility for both employer and employee contributions can fall on the restaurant, as was the case with Ristorante a Mano (RAM) vs Canada (National Revenue) in August 2022¹.
- 04 When it comes to staff and their tips, there is ambiguity for what Canada Revenue Agency deems a "controlled" vs "direct" tip system, especially as digital payments have outpaced cash.

If gratuities are deemed "controlled" by CRA, the employer is required to pay contributions on the gratuities and required to withhold source deductions from employees².



How to determine if your restaurant operates in a “Controlled” or “Direct” tip system

Factors	Controlled Tip System - Distribution from Employer	Direct Tip System - Distribution from Employees
Possession	Tips are distributed to and paid by the employer	Tips distributed directly to employees via Tip Committee & separate settlement account
Frequency	Employer's discretion as to when and how often employees are paid their tips	Ideally at the end of each shift
Tip Pooling	Employer's discretion as to who participates in the pool and how it's divided	Employees decide who participates in the pool via Tip Committee and division framework
Autograt	Yes	No
Benefits		
Cost and control of labour market	Helps combat market labour forces, employer can distribute more share of the tip to where the labour needs are	Eliminates additional costs: source deductions, administrative time from payroll and/or accounting department Restaurants can save a minimum of \$30k per year per \$1M in revenue*
Employee morale and retention	Have full control of when and how often to be paid out (usually with wages)	More harmonious, transparent and equitable working environment (better recruitment/retention)



Creating a compliant direct tip system for your restaurant

01 Establish a pre-funded gratuity settlement account

- The AnyDay platform includes a pre-funded settlement wallet that is held in trust and eliminates employer possession.
- The employer is not physically touching money that is paid out for tip disbursement, only the appointed Tip Committee facilitates payouts.
- Funds flow into the trust account via an automated pre-authorized debit in advance of revenue generation.
- To prohibit the employer from controlling, the settlement trust account is held with the issuing bank.



02 Facilitate the creation of a restaurant Tip Committee

- Employees of the restaurant appoint 3 or more trusted, senior employees to lead the tip committee and tip pool program.
- Tip committee is in charge of rules and Collective Agreement (CA) for tip pooling, tip out and governance rules (e.g. how often they will meet).
- The AnyDay platform enables the appointment of employees as 'tip out managers' to facilitate the payouts for the team, with various permissions and access levels for each Tip Committee member.
- Tip Committees encourage staff engagement and build trust, which ultimately helps to improve culture and retention.
- For more information on best practices for establishing a Tip Committee, download our white paper [here](#).





03 Leverage tip calculation software for transparent and equitable tip pooling

- Tip calculation software empowers staff to facilitate their Tip Committee led Tip Pool, with transparent breakdowns of each service's gratuity payouts.
- Respective team members have visibility of their respective job code and other team members within the same job function.
- Employee appointed tip out manager(s) has full visibility and control of entire breakdown.
- Enables accurate, organized reporting in case of a CRA audit.
- To learn more and have a self-guided demo of AnyDay's Tip Calculation solution with POS integration, visit [here](#).

04 Ensure a Collective Employee Agreement is in place

- A Collective Agreement ensures the formation and governance guidelines around gratuities have been clearly communicated and approved by the entire staff.
- This places the onus on the employee to agree with and adhere to the operator's implementation of Direct Tip System.
- A Collective Agreement is a written legal contract between an employer and the Tip Committee representing the employees.
- Employers should file it should a CRA audit occur.
- AnyDay clients can access our industry-leading CA template. Available upon request.



05 Leverage a Third-Party Provider

- Using a third-party provider to enable the tip disbursements by the Tip Committee absolves the employer from controlling gratuities.
- The AnyDay platform is a third party provider of payouts, which takes the onus off the employer and gives control to the employees.



When it comes to CRA compliance, don't just take our word for it. Learn what an AnyDay Client from BC, who was recently audited by the CRA and received a favourable ruling, has to say about how AnyDay supports compliance.

“

When the CPP/EI Rulings Officer called, we chatted about our system for tipping. I explained that we used **AnyDay Payments** and how that worked (third party wallet, etc.). He then sent a letter with a ruling and it was a **favourable outcome identifying our system as direct tips**. It seems the AnyDay Payments system passes muster!

AnyDay Payments Client
British Columbia

CRA compliance is no loafin' matter 🍞

It's important to keep in mind that CRA compliance is much like baking a beautiful loaf of bread. You need to ensure that all steps are followed correctly and all the prescribed “ingredients” are used in order to ensure your restaurant is compliant with a direct tip system.

1. <https://www.nortonrosefulbright.com/en-ca/knowledge/publications/b785480b/electronic-tips-trigger-cpp-and-ei-contributions-federal-court-of-appeal>
2. <https://canada.ca/en/revenue-agency/services/tax/canada-pension-plan-cpp-employment-insurance-ei-rulings/cpp-ei-explained/tips-gratuities.html#control>

Happy employees get paid any day

Give employees fast, flexible and convenient access to their earnings.

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