

Do Employees Have to Hand Over Tips to Their Employer?

Rav Baruch Meir Levin

Question: In the last segment, we said that some benefits generated from a sale have to be handed over by an employee to his employer. What about tips? Do employees have to give part of their tips to their employer?

Answer: Many Rishonim say that if a benefit is received as the result of a purchase, it has to be shared with the employer; however, if the benefit is given as a gift that is specifically intended for the employee, it is not considered to be part of the purchase and the employee may keep it all. Tips are not considered to be part of a purchase; rather, they are given by the customer to the employee as appreciation for his service. Since they are not part of the purchase, the employee can keep all of the tips.

Question: What if a party planner receives gifts or kickbacks from vendors in exchange for using their services at events. Does the party planner have to hand over part of the kickbacks to the people making the event?

Answer: This would be similar to tips. The vendors are specifically giving gifts to the party planner in exchange for bringing them customers; therefore, the kickbacks are not considered part of the sale and belong solely to the party planner.

I would point out that there are other problems involved in taking kickbacks from vendors. This could negatively impact the customers, as the party planner might not be getting them the best price or products if he is biased because of the kickbacks he is receiving. As it relates to our topic, however, the entire benefit would go to the party planner.