



# Are you aware that all your tips and gratuities are taxable?

Restaurant and bar servers, hairdressers, valets, taxi drivers and others who earn tips need to be sure those amounts are included as income when they file their income tax and benefit returns.



If you receive tips or gratuities as part of the type of work you do, this information is for you.



1. Keep track of all your tips and gratuities received throughout the year (for example, on a calendar, a mobile app or in an agenda)
2. Calculate the total received between January 1 and December 31
3. Report the total amount received on line 10400 of your **income tax and benefit** return

In Canada, the law is clear about the treatment of income received from tips and gratuities: **all tips and gratuities are taxable, and it is your responsibility to track and report any amounts received.**

## How to report your tips

Enter the total amount of tips you received during the year on line 10400 of your income tax and benefit return. If you are an employee, tip income might already be included on your T4 slip. If you're not sure, ask your employer.

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## If you report all your tips and gratuities, you will see the following benefits

- The additional income you report can be an advantage to you when applying for a loan or mortgage
- Tips qualify as earned income for purposes of registered retirement savings plan (RRSP) contribution limits—you will be able to invest more, and deduct more, in RRSPs
- You can choose to pay Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) contributions, which will increase your CPP or QPP pension amounts when you retire

## Get back on track with past returns

The **Voluntary Disclosures Program (VDP)** gives you a second chance to correct a return you filed if you didn't fully declare your tips and gratuities. If you file a VDP application and it is accepted by the CRA, you will have to pay the taxes owing, plus interest in part or in full. However, in some cases, you may be eligible for relief from penalties that you would otherwise have to pay. For more information about the VDP, go to [canada.ca/taxes-voluntary-disclosures](https://canada.ca/taxes-voluntary-disclosures).

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## Avoid the consequences of not reporting your tips

If the CRA reassesses your return and you haven't declared all your tips, you will have to pay what you owe, plus interest and possibly penalties. This would mean you end up paying significantly more than if you had reported correctly.

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## How to contact the CRA

If you have questions, feel free to call the CRA individual income tax enquiries line **1-800-959-8281**.

## Quebec residents

Quebec requires employees to declare their tips to their employer. For more information, visit [revenuquebec.ca](https://revenuquebec.ca).

