NHALL_Tips

Version	Corporate Area	Approved by:	Approval date		
1	Organization & IT	Organization & IT	November 2014		
	Administration	Administration			
	RRHH	SVP RRHH			
	Operations	SVP Operations	September 2018		
	Organization & Business Transformation	Organization Director			
2	Taxes - Finance	SVP Tax & Finance			
	Administration	SVP Administration			
	Treasury	SVP Treasury			
	Consolidation & Internal Control	SVP Consolidation			

Definition

Any mandatory or voluntary monetary compensation done by a customer to NH Group Employee due to the provision of service by the hotel (customer pays a greater price than NHHG has established for any service / product provided).

Examples of TIPS: TIPS received in POS (F&B, Shops, SPA), TIPS received in Front Office (front office staff), TIPS received for M&E services (F&B staff), mandatory TIPS charged in breakfast, minibar and laundry services.

Objective

How to handle the tips settled at all hotels across all Business Units (record, approval and reimbursement). As the principal rule, this process must be implemented in accordance with local tax and labour framework

Administration, Operations and Human Resources departments are in charge of the communication to the hotels within their Business Units about how this procedure / policy must be implemented according to the local tax and labor regulations of each country

scope

This document describes how to do the following:

- 1. <u>Voluntary tips management</u> added to invoices and tickets (TMS forHotels / TMS forPOS):
 - ✓ On-desk payment. To avoid cash imbalances TIPS settled by credit card or by room charge must be charged in TMS forHotels / TMS forPOS.
 - ✓ Credit payment. BU Financial and Operation Management have to approve this
 practice (tips in a credit invoice) in any country in their BU.
- Mandatory tips management and/or determined by law or custom and practices of the country added to invoices or tickets in accordance with the local labour legislation (or in a collective labour agreement with the hotel) which are received in cash, by credit card or by room charge.
- 3. <u>Compensations management for special services contracted with agencies and companies</u> due to special sales services (they are not considerated as TIPs).



PROCESS RESTRICTIONS

- ➤ <u>TIPS IN INTERCO INVOICES</u>: It is not allowed to include TIPS in InterCompany credit invoices. TIPS charges only can be included in an "On-desk payment" folio of the reservation.
- FEW EXCEPTIONS IN TIPS POLICY / PROCEDURE IN NHHG:
 - Argentina: Record TIPs in SAP_TMSforHotels and SAP_POS are not allowed
 - Italy: TIPS are not allowed

OPEN POINT - ACCOUNT IMPACT IN TIPS CHARGE POSTING

How to account the received TIPS and their subsequent settlement / reimbursement are still pending to be validated in some countries:

- Received TIP: P&L (revenue) or liability account
- > TIP reimbursement: P&L (640* Payroll expense) or liability account (counterparty)

Responsible for the resolution:

- Consolidation & Internal Control Department
- Tax & Finance Department



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 - 1.1.1.Record in SAP_TMS forHotels
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 - 1.1.3. Settlement / Reimbursement
 - 1.1.4.TIPS invoiced to credit
 - 1.2. TIPS SAP_TMS forPOS
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 - 1.2.2. Review and approval
 - 1.2.3.Settlement / Reimbursement
- 2. Mandatory TIPS and/or determined by law or custom and practices of the country (special considerations)
 - 2.1. TIPs in SAP TMS forHotels (special considerations)
 - 2.2. TIPS SAP_TMS for POS (special considerations)
- 3. TIPS distribution between employees
- 4. Accounting impact in TIPS process
- 5. Compensations for special services arranged with agencies or companies
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1. Voluntary TIPs

TIPS received by a **credit card** or by a **room charge** when customer pays a greater price than NHHG has established for any service / product provided.

1.1 SAP_TMS forHotels

KEY TASKS

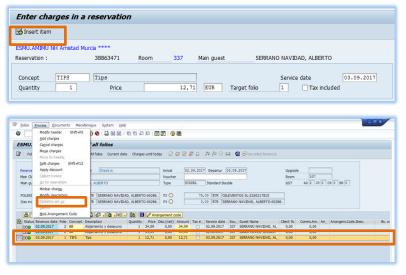
In the event of hotels with M&E Area (or other departments which may receive TIPS through SAP_TMS), and to differentiate the TIPS received from other departments, it is recommended to modify the charge description and include the TIP recipient department for a proper and subsequent settlement and reimbursement.

1.1.1. Record

If a customer wants to pay a TIP through the invoice, we will add a TIP charge for the desired amount in the reservation folio.

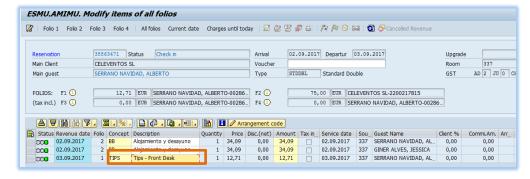
SAP TMS Transaction: Enter charges in a reservation

Task: Add the TIP in an "On-desk payment" folio of the reservation



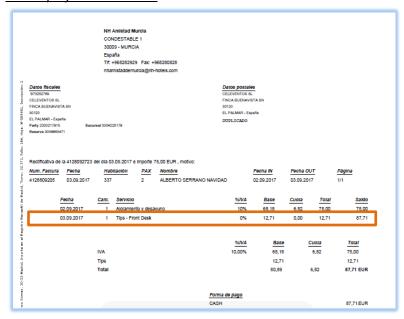
SAP TMS Transaction: Modify items of all folios

Task: Change the charge description and include the TIP recipient department



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TIP display on the invoice:



1.1.2 Review and approval:

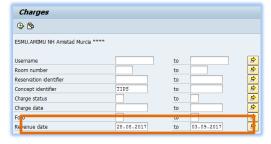
PROCESS TASKS

- 1. At least with the reimbursement frequency (as explained in point 1.1.3), Front Office, M&E and F&B Managers (if applicable) will review all TIPS charged in SAP_TMS.
- 2. They will print the TIPS report (see next point) and they will review it to ensure that all TIPS charges are correct. The TIP report must be signed by all Department Managers involved.
- 3. Once the TIP report has been reviewed by Department Managers involved, this will be signed by the General Manager (giving its approval on all TIPS recorded in SAP_TMS).
- 4. File system and periods: See document Templates and File periods.xls

SAP_TMS browsing: Charges report:



TIPs report:



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<u>SAP TMS Transaction</u>: Charges report Task: TIPs report by recipient department

Charges																	
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ESMU.AMIMU NH Amistad Murcia ****																	
User E00000088078 Hotel date 03.09.17 / 15:00																	
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03.09.2	38863471	2		337	TIPS	Tips - Front Desk	11.10.2017		1	12,71	EUR		0,00	(,00	12,71	EUR
									1 .	12,71	EUR			- 0	,00 =	12,71	EUR

1.1.3 <u>Settlement / Reimbursement of TIPS "On-desk payment" (Front Desk, M&E Departments, etc):</u>

PROCESS TASKS

- ➢ BU HHRR and Administration Departments will determinate which form of settlement / reimbursement will be applicable, complying always with the local tax and labour framework.
- > Settlement / Reimbursement types:
 - 1. In cash by cheque or bank withdrawal and subsequent individual distribution, or by individual bank transfer separately from regular payroll payment (unless TIPS are not subject to withholding tax at the time of reimbursement):
 - 1.1 Once all TIPS loaded in SAP_TMS are approved by Hotel General Manager, Department Managers involved, Union Committee, etc must be submitted for reimbursing to BU Treasury Department (by nominative cheque, bank cash withdrawal or individual bank transfer). Administration / Treasury Department must keep the signed payment receipt from the tips distribution responsible (not applicable to reimbursement by individual bank transfer).
 - 1.2 If reimbursement is in cash (by cheque or bank withdrawal), the Department Manager will distribute the TIPS between their employees. Fill and sign the TIPS Distribution and Reimbursement_period.xls template with the individual payments done for each employee.
 - Within the regular payroll payment: Once all TIPS loaded in SAP_TMS are approved by Hotel General Manager, Department Managers involved, Union Committee, etc, the said sum must be submitted with the other payroll issues in order to pay them in the employee payroll.
- Settlement / reimbursement frequency: At least once a month.
- File system and periods (TIPS Distribution and Reimbursement_period.xls): See document Templates and File periods.xls



KEY TASKS: Fund for breaks and losses (china, glassware, silverware, etc)

<u>Definition</u>: Amount or percentage retained by the hotel from TIPS received (in accordance with the labour regulations or in a collective labour agreement with the hotel) set to cover potential breaks and losses caused by employees that receive regular TIPS. These TIPS will not be reimbursed in the regular settlement done by the Hotel.

Some points must be considered:

- The percentage or amount of the retained TIPS and the final settlement period shall be the one stated by labour regulations or agreement established between Hotel and employees.
- The amount retained must be reclassified in accounting by the GL Administration Department to account 41400008-CLEARANCE ACCOUNT FO 2.
- At the end of the established period, (normally one year), Hotel and employees must determinate the value of the breaks and losses incurred:
 - ✓ If fund / retained amounts are higher than the real breaks and losses incurred: The excess amount will be refund to the employees (extraordinary settlement).
 - ✓ If fund / retained amounts are lower than the real breaks and losses incurred: The negative balance will be accrued over the next period and it will be evaluated if an

1.1.4 TIPS in credit invoices (special considerations):

KEY TASKS

- TIPS credit invoicing must be expressly approved by BU Administration and Operations
 Department. SVP Operations, SVP Administration and Organization Director must be
 informed about this practice.
- 2. Only voluntary TIPS at M&E Area are allowed in credit invoices.
- 3. There must be a signed mandate by the customer accepting the TIP credit invoicing (contract / agreement signed by the customer).
- 4. If a TIP in a credit invoice is not finally collected / accepted it will be immediately cancelled from SAP_TMS forHotels (indicate "TIPS from M&E Area" in the cancel description).
- BU Administration Department must do regular checks in order to verify that the TIPS in credit invoices not collected are cancelled from the Hotels and deducted in subsequent settlements.

SAP TMS Transaction: Modify items of all folios

Task: Change the cancellation charge description and include the TIP recipient department



TASKS

Review, approval and settlement / reimbursement of TIPS: In accordance with points 1.1.2 and 1.1.3 respectively taking into account the special considerations in this point 1.1.4



PROCESS RESTRICTIONS

- It is not allowed cash withdrawal from front desk cash float in TIPS invoiced to credit. Settlement and reimbursement will be done by nominative cheque, bank cash withdrawal, individual bank transfer (whether such practice is allowed by the local labour / tax regulations) or in payroll payment, as established by BU RRHH / Administration Departments and according to law regulations of each country.
- It is not allowed to retain any amount from voluntary or mandatory TIPS received (for breaks and losses) whether such practice is not contemplated by the local labour regulations or by collective agreement signed between Hotel and employees.

1.2 TIPs in SAP_TMS for POS

KEY TASKS

In order to properly settlement / reimbursement and in accordance with the amounts and percentages established by the hotel, **split manually the mandatory / voluntary TIPS** received and recorded in each POS whenever they must be distributed among a few departments or positions within the hotel.

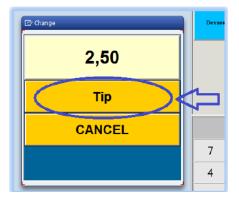
1.2.1 Record in SAP_TMS forPOS

Close the ticket / invoice in POS using the method of payment room charge, credit card or cash and indicate that the amount in excess must be recorded as TIPS.

An example of a TIP charged to a credit card:







ONDESTABLE 1
1 30000 - MURCIA
NH HOTELES ESPARA, S.A.
ESASSS11882

Sala Unica

Bar 1

08.10.2014 - 10.12:59

NY FACTURA 0302001165
EMFLEADO FATRICIO KU
MESA 1008
CUBIERTOS 1

CANT. ARTICULO PU DESC. TOTAL
1,00 Ensalada Cesar 10,00 10,00
1,00 Sprite (0.21) 2,50 2,50
1,00 Sprite (0.21) 2,50 5,00

BASE IMPONIBLE 17,50
TOTAL 17,50
TOTAL 17,50
FOFINAS AMEX 2,50

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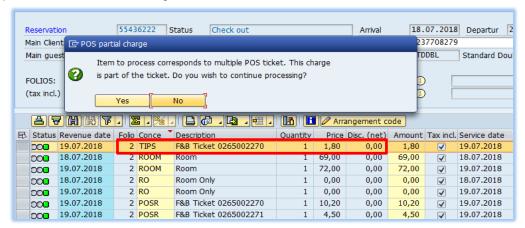
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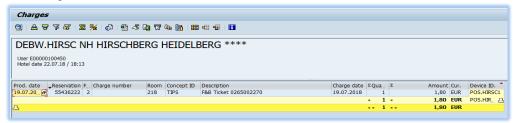
TIPS cancellation in a room charge:

In the event that a customer declines a TIP charged in his / her room at check-out, the TIP charge must be immediately cancelled in SAP_TMS forHotels. The reason of the cancellation must be included in the description of the cancelled charge (i.e., "TIPS declined by the customer").

Example of how to cancel a charged TIP:



Before the charge is cancelled:



After the charge is cancelled:



1.2.2. Review and approval:

PROCESS TASKS

- 1. At least with the settlement / reimbursement frequency, F&B Manager must review the TIPS charges loaded in SAP_TMS forHotels.
- 2. TIPS report must be printed (see next point) and once the TIPS report has been validated, it must be signed by the F&B Manager.
- Once the TIPS report has been approved and signed by the F&B Manager, it will be submitted to the Hotel Manager for approving and signing of the TIPS settlement / reimbursement.

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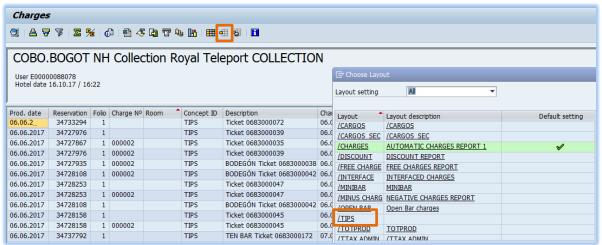
Reports to be printed and signed in order to properly review of TIPS to be settled to POS employees:

SAP TMS Transaction: Charges report

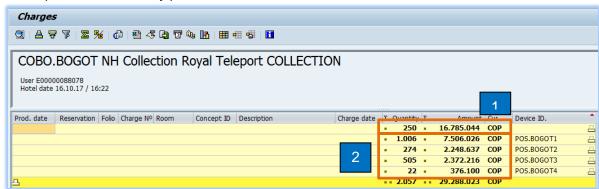
Task: TIPs report by recipient department or point of sale



Task: Choose /TIPS layout



TIPS report broken down by point of sale:



- 1
- 1.- "Device ID" is not indicated: TIPS charged from SAP_TMS forHotels (i.e. TIPS from Front Office and/or M&E Departments)
- 2.- "Device ID" is indicated (i.e., POS.BOGOT1, POS.BOGOT2, etc): TIPS from POS tills

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1.2.3. Settlement / reimbursement of the TIPS recorded in POS:

PROCESS TASKS

Follow the process tasks stated in point 1.1.3

PROCESS RESTRICTIONS – Mexico specific peculiarities

- Review and approval (points 1.1.2 and 1.2.2.): If additional approvals are required (i.e., Union Committee) it will be necessary to get these additional signatures on the printed TIPS report.
- Settlement and reimbursement (points 1.1.3): If Union Committee acts as a link between Hotel and employees and it is in charge of receiving the payment from hotel and subsequent distribution to employees, the Union Committee Head must sign the receipt as a proof of payment received. Likewise, Union Committee must submit to Hotel the TIPS Distribution and Reimbursement_period.xls template with the individual payments done for every employee.



Mandatory TIPS and/or determined by law or custom and practices of the country

TIPS received in cash, by credit card or by room charge established by:

- Local legal regulations: A mandatory charge TIP must be recorded in the issued invoice (ticket)
- Custom and practices of the country: It is mandatory to add the received TIP in the issued invoice (ticket) if the customer gives his/her explicit consents.

2.1 TMS forHotels TIPS (special considerations):

KEY TASKS

- 1. Comply with mandatory TIPS policy in accordance with local regulations or collective agreement signed between Hotel and employees (also with regard to amounts and percentages to be applied).
- 2. Record TIPS manually and immediately once the charge which generate the TIP is loaded in SAP_TMS forHotels (if mandatory TIPs are not automatically set in SAP). Indicate the department which is the recipient in the loaded charge description.
- 3. Responsible for loading the TIP charges in SAP_TMS must assure that they are correct.
- 4. Some examples of mandatory TIPS to be manually loaded in SAP_TMS (if they are not automatically set in SAP): Laundry, M&E and minibar

PROCESS TASKS

Review, approval and settlement / reimbursement of the TIPS: In accordance with points 1.1.2 and 1.1.3 respectively taking, into account the special considerations in this point 2.1.

2.2 TIPS in TMSfor POS (special considerations):

KEY TASKS

- 1. Comply with mandatory TIPS policy in accordance with local regulations or collective agreement signed between the Hotel and their employees (also with regard to amounts and percentages to be applied).
- 2. The POS till Responsible must ensure that the TIPS setting (if applicable) and the TIPS charged in TMS for POS are properly loaded.

PROCESS TASKS

Review, approval and settlement / reimbursement of the TIPS: In accordance with points 1.2.2 and 1.1.3 respectively taking, into account the special considerations in this point 2.2.

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3. TIPS distribution among the employees

The distribution criteria of the TIPS among the departments and employees within the hotel must be established jointly by the employees and the Hotel Management, unless it is defined by local and labor legislation or by internal collective agreement.

KEY TASKS

- 1. In accordance with the **Policy of Transparency of NH Hotel Group**, the distribution criteria of the TIPS reimbursements must be public and known and it must be available if it is requested by any employee.
- 2. Hotel Manager must provide to any employee the distribution criteria of the TIPS collected by the Hotel.
- 3. The TIPS distribution criteria can be documented in the following template or any other that Hotel Manager or BU HHRR Department can consider appropriate. *TIPS distribution criteria among employees.xls*
- 4. File period of this template (or equivalent): See Templates and File periods.xls document.

4. Account impact in TIPS charge posting

Responsible: BU Administration & Finance Department

OPEN POINT - ACCOUNT IMPACT IN TIPS CHARGE POSTING

How to account the received TIPS and their subsequent settlement / reimbursement are still pending to be defined in some countries:

- Received TIP: P&L (revenue) or liability account
- > TIP reimbursement: P&L (640* Payroll expense) or liability account (counterparty)

Responsible for the resolution:

- Consolidation & Internal Control Department
- Tax & Finance Department
- a) In countries where TIPs <u>is not considered</u> a hotel revenue: Liability account 41400004 –
 C/A Employee:

KEY TASKS

- The TIP charge is recorded in SAP_FI as "Open Items" in a movement of the type "NK" when the invoice with TIPS included is issued. When TIP charge is loaded in SAP_TMS for Hotels, two "NA" movements are generated and automatically cleared in 414000004 account.
- 2. As a general rule, the settlements will not match with the balance in the 414000004 account (for the reason given above)
- 3. The TIPS settlements will always be done by the reports issued in SAP_TMS forHotels.
- 4. The TIPS reimbursements done in cash by cheque, bank withdrawal or by individual bank transfer (separately from regular payroll payment) must be debited to the 414000004 sheet account.
- 5. The TIPS reimbursements done by payroll payment and posted in any 640 Payroll P&L account must be reclassified to the 414000004 sheet account.
- 6. The compensations reimbursements to the Front Desk Staff due to special services provided (see point 3 in this procedure) must be considered as higher amount of the 640 Payroll P&L account (they are not posted in 414000004 sheet account).
- 7. On a quarterly basis, the credit balances that have not been settled must be adjusted: At the adjustment date, the 41400000 account balance of three months ago must be zero. It means that if we are in June-17 closing we must adjust the credit balance in this sheet account to 31/03/17, and so on. Debit balances must not be adjusted and they must be analyzed.
- b) In countries where TIPs is considered a hotel revenue: P&L account 705XXXX TIPS:

TAREAS CLAVE DEL PROCESO

- As general rule, settlement amounts must match with the figures and the balance of the P&L account for each period (VAT differences must be taken into account when TIP service is subject to VAT).
- 2. The TIPS settlements will always be done by the reports issued in SAP_TMS forHotels.
- The TIPS reimbursements will be done by payroll payment and posted in a 640 Payroll P&L account.



Compensations for special services contracted with agencies / companies

<u>Definition</u>: Amounts (which are not considerated as TIP) to be paid to employees due to the invoicing of a hotel service which is reflected and included into a commercial arrangement signed with an agency and/or Company.

The service provided by the hotel has an additional task or extra work for the employee not contemplated within her/his tasks and/or jobs functions (in accordance with local labour laws and regulations), if this service is not provided by the Hotel it will entail an extra cost for the Company and/or a loss of business with the customer who requires the service. For Example: "Porterage service".

KEY TASKS

- 1. This type of compensations must be previously approved by BU HHRR Department. If they are not, these compensations shall under no circumstances be reimbursed.
- 2. The amount or the percentage of the service to be paid to the employees must be established by the Hotel Manager (unless such practice is regulated by the local labor legislation)

PROCESS TASKS

- 1. The concept identifier to be used in SAP_TMS forHotels must be **PORT-Maletero** (with IVA if applicable). If the type of the service included into a commercial arrangement is not "porterage", the charge description must be modified.
- 2. These compensations to be paid to the employee must be posted in the **64010000 EXTRA PAYROLL PROVISIONS** account.
- 3. Settlement / reimbursement considerations of these compensations:
 - The amounts to be reimbursed must be communicated to BU HHRR Department by the Hotel Manager.
 - The reimbursement must be done in accordance with the local tax and labor framework (normally, in the payroll payment).
 - If the compensation is paid in payroll payment, it will be necessary to ask the BU Payroll Department the payroll concept to be used.

PROCESS RESTRICTIONS

- 1. These types of services or concepts must not be invoiced if they are not included into a commercial arrangement signed with an agency and/or company.
- 2. The amounts to be paid to the employees will under no circumstances be higher than the tax base of the charge to be invoiced to the customer (not including VAT).



6. Summary

Type of TIP	Collection: Credit / On - desk payment	Record	Special consideration in the record	Review / approval	Settlement frequency	Settlement / Reimburs. form	Special considerations	
1.1 Voluntary TIPs in SAP_TMS4H:	On-desk payment (credit card / room charge)	Manual TIPS	Modify the "descrip." field	According to the settlement frequency	At least, monthly	Cheque / Bank Transfer.	Exception for cheque / individual bank transfer: Not applicable to TIPS subject to withholding tax at the time of reimbursement	
M&E					According to payroll payment period.	Payroll	N/A	
	Credit	Manual TIPS	Modify the "descrip." field	According to the settlement frequency	At least, monthly	Cheque / Bank Transfer.	This practice must be approved by the BU Administration and Operations Departments.	
1.1.4 In TMS4H: M&E Area					According to payroll payment period.	Payroll	Exception for cheque / individual bank transfer: Not applicable to TIPS subject to withholding tax at the time of reimbursement	
1.2 Voluntary TIPs in SAP_ TMSforPOS Hotels which charge TIPS in	On-desk payment (credit card or room charge)	Manual TIPS	N/A	According to the settlement frequency	At least, monthly	Cheque / Transfer.	Exception for cheque / individual bank transfer: Not applicable to TIPS subject to withholding tax at the time of reimbursement	
room charges, or by credit cards and they must be recorded in the POS ticket		TIFS			According to payroll payment period.	Payroll	N/A	
2.1 Mandatory TIPs in SAP_	Credit / On – desk	Manual or automatic	According to local legal regulations	According to the settlement	According to local legal regulations	Cheque / Bank Transfer.	Make a manual split if different departments are	
TMSforHotels	payment	TIPs	or internal agreement	frequency	(at least, monthly)	Payroll	TIPS recipients	
2.2 Mandatory TIPs in SAP_TMSforPOS	Credit / On - desk payment	TIPS	Automatic charge	According to the settlement	According to local legal regulations (at least,	Cheque / Bank Transfer.	Exception for cheque / individual bank transfer: Not applicable to TIPS subject to withholding tax at the	
	Paymont			frequency	monthly)	Payroll	time of reimbursement	
5. Compensations for special services contracted with agencies / companies (porterage TIPS, etc)	On – desk payments / Credit	Revenue concept: "Port"	Use the concept with or without VAT as applicable	According to the settlement frequency	According to payroll payment period.	Payroll ((or according to local legislation)	Compensations for special services must not be invoiced if they are not included into a commercial arrangement signed with an agency and/or company	

7. Related documents

Templates:

- TIPS Distribution and Reimbursement_period.xls
- TIPS distribution criteria among employees.xls

(**Note:** These templates can be internally adapted by each country / BU according to established criteria for TIPs distribution and reimbursement)

Others:

- SAP-TMS_SAP-MM_ Templates and File Periods
- TMS forPOS FOH Manual

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