

Legal Responsibilities

If you employ a nanny in the UK and you pay her more than the National Insurance and Tax thresholds (please refer to www.nannytax.co.uk for current rates) the law requires you to:

- Register as an employer with HMRC
- Keep a payroll record and provide payslips on her behalf
- Pay Employee's income Tax and National Insurance Contributions
- Pay Employer's National Insurance Contributions
- Provide an annual summary of all these deductions and payments

These obligations also apply:

- If your nanny has two part-time jobs and her total weekly earnings exceed the current thresholds (please refer to www.nannytax.co.uk for rates) even if you pay her below the threshold
- In short-term employment (i.e. a week or longer)
- To any employment taking place in the UK – irrespective of the country of origin of the nanny or employer

As an employer you are also responsible for paying Statutory Sick Pay and Maternity Pay – but the latter may be reclaimed in full from the state.

Remember that NI Contributions go towards your employee's entitlement to unemployment and state pension benefits. Nannies are increasingly aware of their rights as employees, and an employer who takes care of their nanny's PAYE properly will be considered a good employer in this respect and enjoy the increased confidence of their nanny.

Net or Gross Wage

When nannies and nanny agencies agree a salary with the parents they often talk about the net wage – the amount the nanny has in her hand at the end of the week. But in reality the nanny is always paid a gross wage (net wage + Tax + NI), and on top of the gross wage the parents are obliged to pay employer's NI. Therefore there is a considerable difference between the net wage and the true cost of employing a nanny. Parents are advised to find out the true cost before agreeing on a net wage.

Penalties

Failure to register as an employer if you are paying your nanny above the weekly threshold is an offence, which can potentially lead to heavy penalties and career-damaging publicity.

Consider the following:

- Failure to file employer's annual returns by 19 May can result in penalties of £100 per month filed late
- Failure to pay all Tax/NI liabilities before 19 April results in interest being charged on the amount outstanding

Self-employment

With few exceptions (maternity nurses and nannies in continuous temporary employment), nannies simply do not meet HMRC criteria for self-employment.

Remember if liability to pay tax is not declared to HMRC and it comes to light, it is you, the employer who will be pursued for payment, not your nanny.

National Minimum Wage (NMW)

- Please refer to our website at www.nannytax.co.uk for current NMW rates
- Please note that the NMW usually increases every October
- Nannies who live as part of the family household are exempt from NMW

How to get started

Becoming an employer for the first time can be a source of great concern. If you do not have a working knowledge of the tax system the responsibilities and legal obligations involved can be both time-consuming and complex. Fortunately inexpensive, friendly, professional help is at hand. Nannytax is the UK's original and leading payroll service for employers of nannies and other domestic staff. Nannytax offers a complete support service to parents and will not only take care of all your payroll responsibilities for you but will also guide you through any legal issues that may arise.

Businesses use skilled payroll, legal and human resources professionals. You can too – at a fraction of the price by contacting Nannytax. Alternatively you can do it yourself by contacting your local tax office. Or you can use an accountant to run your PAYE scheme for you – but this will certainly cost a lot more.