

# nannytax<sup>+</sup>

Payroll **plus** for parents & nannies

*Valid for tax-year 2008/2009*



the UK's leading payroll support service  
for employers of nannies

*as recommended by*

**Little Masters and Misses**

Nanny & Babysitting Service — established 1985

## why use nannytax?



I would like to thank you for your service and support over the past five years. I've always found you all to be responsive, friendly, and patient with me. I would have certainly found life much harder without you.

Mr D B – Reading

**Domestic employers** have the same legal obligations as commercial employers under UK employment law. If you employ a nanny and pay them above the weekly threshold (£105 in tax-year 08/09), you are legally required to register with HMRC as an employer and operate a PAYE scheme on their behalf.

**This obligation applies even for short periods** of employment, and to all employment taking place in the UK, irrespective of the country of origin of the nanny, or of the employer!

**National Insurance contributions** go towards your nanny's statutory entitlements such as unemployment benefit, state pension and SMP. Not declaring your nanny's salary in full is not only illegal but also affects these and other rights.

**Self-employment is not an option** as nannies do not meet the HMRC criteria for self-employment. If liability to pay tax is not declared to HMRC, and this comes to light, then it is you, the employer, and not your nanny, who will be pursued for payment.

**Becoming an employer**, especially for the first time, can be both stressful and confusing. Without working knowledge of the tax system and current employment law you are entering a minefield. Businesses use skilled payroll, legal and human resources professionals. Now you can too – at a fraction of the price.

**Nannytax has an outstanding** reputation for customer service. Our team of specialist payroll advisors are available at the other end of the phone to provide you with friendly support and help guide you through any pay or employment related issues.

**You also have unlimited** access to our comprehensive legal advice helpline. Clear and readily accessible legal advice is a key element in keeping employment on the right track and preventing a breakdown in communication.

**We file all clients'** end-of-year returns electronically, which means that as long as you pay tax and NI contributions on behalf of your nanny you *automatically* qualify for a £75 tax-free rebate from HMRC. It's as simple as that.

**Our low-cost fixed-fee service** offers outstanding value for money. There are no extra costs – and no meter running – when you use Nannytax.

## always agree a gross wage with your nanny

When it comes to negotiating a salary we all know that the taxman will take a fair chunk of it, and we learn quickly enough what our gross annual salary means in real terms. But in the nanny industry net-wage agreements are surprisingly common.

A net wage agreement can have serious financial implications for both the employer and the nanny. By agreeing a net salary the employer is essentially writing a blank cheque – committing to pay ALL nanny's tax and National Insurance contributions, irrespective of any changes in the legislation and without taking into account nanny's individual tax code or tax position.

The solution is to agree nanny's salary on a gross wage basis. This protects the employer's total costs and means they will not normally be affected by any changes in the legislation, nor will they run the risk of getting lumbered with any unpaid tax from their nanny's previous employment.

Many first-time nanny employers don't realise that they must pay tax and NI on top of a net salary, and when the true cost of employing a nanny becomes apparent it may become clear to them that they cannot afford to employ her. Or, perhaps even worse, they may decide to only declare part of her salary.

Neither situation is of course ideal, but by only declaring part of her salary not only is the employer committing a criminal offence, the nanny's future pension and benefits entitlements will be affected. She will also be entitled to less if she wants to apply for a loan or a mortgage.

The Government regularly increases the personal tax-free allowances and has cut the basic rate of income tax several times in recent years. If the nanny has a net pay deal, her employer does not have to pass any potential savings on to her. Only employees on a gross wage will automatically receive the benefit of any cuts by paying less tax and NI.

Nannytax has been advising parents, nannies and nanny agencies for many years to always discuss and agree salaries in gross terms. For more information on this topic, please visit our website or call our office to speak to one of our friendly payroll advisors.

“Your service has been absolutely invaluable – prompt, accurate, professional and approachable. Many thanks indeed.

Mrs J B – London SW16”





Excellent service. Every time I have been in panic, I have had utter confidence that Nannytax would sort me out. Thank you so much for the many years of patient and professional advice, support and servicing.

Ms S D — London N12

## the national minimum wage (NMW) & the working time directive

It is a criminal offence to pay below the NMW (except for exemptions — see below), carrying a fine of up to £5,000. For current NMW rates, please go to [www.nannytax.co.uk/rates.html](http://www.nannytax.co.uk/rates.html)

Nannies who live as part of the family household and are not provided with separate accommodation are excluded from the NMW. There is an off-set allowance for employers who provide separate accommodation for their nannies. For the current off-set allowance, go to [www.nannytax.co.uk/rates.html](http://www.nannytax.co.uk/rates.html)

Domestic employees, including nannies, are exempt from the measures concerning working hours but are entitled to a 20 minute rest break for every six hours worked.

**Holiday entitlement:** The European working time directive grants all employees (including nannies who live as part of the family household) the statutory right to a minimum of 4.8 weeks paid holiday a year (pro-rata the number of days worked per week), which includes 4 bank holidays.

## benefits in kind

If you provide your nanny with separate accommodation (with a separate front door and separate metering for gas, water and electricity) it is considered a taxable benefit and must be reported as such.

The use of a car is not considered a taxable benefit if your nanny only uses it during working hours. However, if they are permitted to take the car home and use it as a means to get to and from work, then it must be reported as a benefit in kind.

You can lend your nanny up to £5,000 tax-free. Above this amount the loan is considered a benefit in kind and tax is charged at the standard rate of tax on the difference between the interest charged by you, the employer, and the official rate of interest.

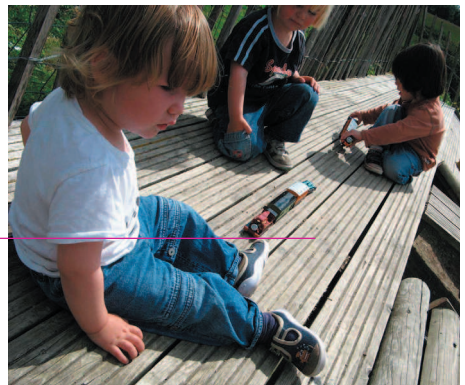
Benefits that further your nanny's skill base, such as courses (providing these are directly related to their role), are not usually considered taxable benefits.

Benefits in kind provide a very good example of why it is important to always agree a gross wage. If you agree a net pay, it is you, the employer, who is responsible for paying this tax, which can potentially be very expensive indeed.

If your nanny is on a gross wage then the tax is deducted from their gross income at their current rate of tax.

You make simple what could be a nightmare — namely being an employer and having to deal with the Inland Revenue.

Mr M D — Chegwell



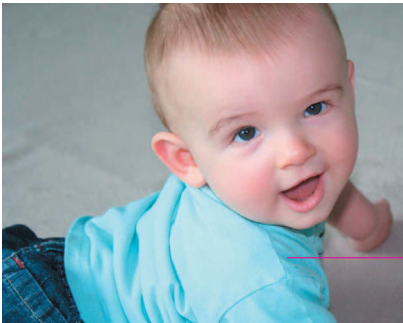
## nanny public liability insurance

Introducing Nannyinsure — a public liability insurance policy created specifically for professional nannies, brought to you by Nannytax.

Perhaps you have just employed your first nanny, but whether you're a first-time employer or you've had nannies in the past, have you considered the importance of a public liability policy for your nanny?

A public liability policy doesn't just protect the nanny if the children in her care have an accident due to her negligence; it also covers third party and third party property.

For more information please call 0845 226 7329 and speak to Kirsty or visit [www.nannyinsure.co.uk](http://www.nannyinsure.co.uk)



I have been consistently impressed by the efficiency of your service and the cheerful courtesy and prompt help that I have received when phoning for help and advice. It has made my life — and that of my nanny — easier.

Mrs L B — Tunbridge Wells

## the ofsted childcare register

Parents who employ an Ofsted registered nanny can receive some financial support towards their childcare costs. The Ofsted Childcare Register replaced the childcare approval scheme in September 2007.

In order to register nanny needs to confirm that:

- she is suitable to work with children and has training in the common core skills
- she has a valid paediatric first aid certificate
- she has public liability insurance
- she must also have an enhanced CRB check, but this will be done as part of the registration process

There are two types of financial support available: Employer-supported childcare vouchers and working tax credits.

The registration is valid for 12 months and costs £100 per year including the cost of an enhanced CRB disclosure. The costs of a first aid certificate, public liability insurance and any core skills training, if nanny doesn't hold any professional qualifications, will be in addition to the £100.\*

There is no direct equivalent to the Ofsted register available in Scotland. Parents must employ a nanny through a Child Care agency registered with the Care Commission. Wales has a childcare approval scheme.

More information on the scheme is available on the Ofsted website. Please visit [www.ofsted.gov.uk](http://www.ofsted.gov.uk)

\* All prices are correct as of March 2008

## nannyshares — a speciality

“ Thank you for your fantastic support and patience in helping us sort out the mess we’d made of our nannyshare situation — and for saving us money in the process!

Mrs A L — London SW17 ”



*With part-time employment on the rise, nannyshares are becoming increasingly common. Nannyshares are particularly complex from a tax and NI perspective. At Nannytax we have a dedicated team that specialise in nannyshares — we can help transform your hassle into peace of mind.*

**What is a nannyshare?** A nannyshare is where two (or more) families employ the same nanny and agree to share the overall cost proportionately.

**When friends share a nanny** it is not advisable for only one family (family A) to register with the Revenue and for the other family (family B) to pay their share directly to family A. Partly because in the event of a disagreement family A would have to cover all costs; and also because registering as one employer actually ends up costing more in NI contributions.

**Saving money by sharing a nanny.** If only family A registers they must pay NI contributions on nanny’s salary above £105 a week. If both families share the cost, they both benefit from the £105-a-week exemption, so less of the nanny’s salary is subject to NI contributions. The joint saving can be as much as £1,500.00 per year.

**How does it work?** If you have agreed a gross wage then technically speaking family A will be classed as the main employer, which means they will use nanny’s tax-free allowance, while family B pays tax at basic rate (20%). Therefore the nanny will appear to take home more from her first job. Both families must ensure that they agree a rate in line with NMW (turn to page 4 for more information).

**If you have agreed a net wage** we can arrange for nanny’s tax-free allowance to be split proportionately between her two jobs. Both employers must check that when this split has taken effect they are still paying the NMW.

**Agree a gross and protect your total cost.** In a nannyshare it’s particularly important that both families agree a gross pay. A gross pay agreement will automatically protect the total cost, and so it doesn’t matter if the families fall out or if the existing share dissolves. With a gross wage agreement there is no need to split nanny’s tax allowance.

## what we do...



The service from Nannytax has been consistently excellent, from the administration to the manner and speed in which ad hoc queries have been resolved for me over the years. I have recommended you to many of my friends without hesitation, and will continue to do so.

Mrs J D – Maidenhead

**Register you** as an employer with HMRC. All their correspondence and paperwork is then sent to us.

**Keep complete payroll records** on your behalf.

**Provide you with payslips** for your nanny – weekly or monthly – showing tax and NI deductions made on her behalf. It is a legal requirement for you to pass these on to your nanny.

**Process a P45** every time a nanny joins or leaves you.

**Send you a quarterly summary** of tax and NI due to HMRC.

**Electronically file** an employer's annual return (P35) and employee's pay and deductions summary (P14) with HMRC at the end of each tax year and provide you with a summary (P60) for your nanny.

**Send you a quarterly newsletter** covering the most up-to-date news items and articles of interest.

**Keep you up to date** with tax rates and other changes that may affect your employment responsibilities, and implement these on your behalf.

**Guide you through** any pay-related issues that may arise.

**Provide access to Nannytax Legal**, prompt and professional advice from a team of solicitors specialising in UK employment law is only a phone call away.

**Give you concise information** on how to handle key employment issues such as absenteeism, redundancy, maternity, disciplinary issues and dismissal procedures.

**Offer case-specific guidance** on any employment issue that may arise.

**Send you a comprehensive** employment contract for your nanny or advise you on how to customise a nanny agency (or other) contract to your precise requirements.



## benefits of using nannytax

**Online advice and guidance** on all relevant payroll and employment law issues, with a comprehensive members' area for Nannytax subscribers.

**Expert assistance** to avoid potentially costly and distressing disputes and prevent them from getting out of hand.

**We ensure compliance** with your statutory liabilities and help you to avoid penalties.

**Avoid the risk of employment tribunals** or vexatious litigation by following correct dismissal and disciplinary procedures.

**Any number of nannies** employed consecutively in a twelve month period are covered by a single annual subscription

**Short subscriptions** are available for employment periods of less than a year.

**We can backdate your subscription** to enable you to catch up with any retrospective employment – we bring you up to date with the minimum of fuss.

**Nannyshares and part-time jobs** are a speciality – please turn to page 7 for more information.

**If you cease to employ a nanny** we can refund you a portion of your subscription, based upon our short subscription tariff. Just contact our office for a refund form. If you prefer we can also suspend your subscription until you employ again.

**The Enable Group also provides** specialist payroll services for personal care assistants and domestic staff (Stafftax) and for small businesses and charities (PayRole). Call 0845 226 2208 for more information.

I have used the Nannytax service since it first started in 1993, and you have saved me countless hours of stressful work. Fantastic value for money! Thank you for everything.

Mrs A E A C - London SW11



## what are the alternatives?

**Not declaring employment**, or only declaring part of your nanny's salary, to avoid tax, is a criminal offence, which can potentially result in heavy penalties and career-damaging publicity.

**Doing it yourself is not easy**. It is difficult enough to master HMRC tax tables with several tax bands currently in force. Never mind trying to become an expert in employment law!

**Just using an accountant** is usually much more expensive than using Nannytax. Add to that the cost of using a lawyer if the employment relationship turns sour and you could be looking at ten or more times the cost of an annual Nannytax subscription. That's why even accountants and lawyers use Nannytax!



“During the time I have subscribed to Nannytax I have been extremely happy with it. I truly think that the typical free-time-starved dual income couple with children and a nanny have to be crazy not to hire you.

Mr M T – Twickenham”

## to subscribe to nannytax

**For a fixed fee of just £260 per year** Nannytax provides peace of mind for you – that your statutory obligations are taken care of, and for your nanny – that their interests as an employee are being properly looked after.

**Just provide us** with a few essential payroll details to start with and keep us up to date with any changes.

**Then you just pay your nanny** on the basis of the payslips we provide, and pay HMRC on the basis of our quarterly summary.

**To subscribe** simply fill in the subscription form (opposite) and return it to us with payment details.

**You can also subscribe** online by visiting our website on [www.nannytax.co.uk](http://www.nannytax.co.uk).

**Alternatively call us** on 0845 226 2203 and Sue or Kirsty will be happy to take your details over the phone.

# nannytax subscription form tax-year 2008/2009

## YOUR DETAILS

Title (Mrs/Mr/Miss/Ms/Dr/Other):

Forename:

Surname:

Address:

Town/City:

County:

Postcode:

Tel home:

Tel work:

Mobile:

Fax:

Email:

## HOW DID YOU HEAR ABOUT NANNYTAX?

Little Masters and Misses

## PAYROLL INFORMATION FORM

On receipt of your subscription we will send you a Payroll Information form to complete with employee and employment details. To ensure we receive the appropriate paperwork, please indicate:

1. Do you have a PAYE scheme already set up? Yes  No
2. When did/will your nanny start with you (exact date if known):

**TO SUBSCRIBE:** An annual Nannytax subscription costs £260 (including VAT)

**A. Online:** Go to [www.nannytax.co.uk](http://www.nannytax.co.uk) and subscribe direct

**B. By credit or debit card:** Please debit my: Mastercard  Visa  Maestro  Solo  Delta

Card No:

Issue No. (Maestro Only):

Valid from:

Expiry date:

The last three digits of the security number found on the back of your card:

Signature:

Date:

**C. By cheque:**  I enclose a cheque for £260 made payable to Enable Limited.

**D. To set up an annual direct debit (payable in advance) please contact us for more information.**

## history & ethos

Nannytax, founded in 1993, introduced the concept of a dedicated, user-friendly payroll service for parents employing nannies.

More than just a payroll service, at Nannytax we support our clients throughout the entire employment process and after 15 successful years we have earned an enviable reputation for providing excellent customer service.

We are keenly aware of the unique relationship that exists between families and their nannies. We aim to provide support and advice to both parties so as to help build and maintain a strong working relationship.

As a leading spokesman on payroll issues for smaller UK employers, we are in regular communication with HMRC and several departments of Government on a range of employment issues and policy initiatives. We have successfully petitioned Government to extend tax credits to benefit nanny employers.

Nannytax, as part of the Enable group, is a leading contributor to the Institute of Payroll Professional's (IPP's) thinking and policy, specifically on small employer issues.



Nannytax Legal has provided an outstanding level of professional service. I received an instant response and a full letter, drafted and ready to be sent in under 24 hours.

It made me appreciate all of the services which Nannytax offers, and I would not hesitate in recommending Nannytax and the legal advice team to others.

Mrs F D — London SW4