

## **DomesticPaye Guide to Net V's Gross Pay & Other Payroll Choices**

The first and foremost thing to mention is that DomesticPaye does not recommend either net or gross pay as the best way to employ a nanny. Each employment of a nanny is unique which will mean that the taxes each nanny is charged will be different. If as an employer you fix a net wage you may end up paying less than you expected. In other situations you may end up paying more.

At DomesticPaye we recommend that you call us before you agree anything with your nanny then we will give you our opinion of the best option for you based on our predictions of how the taxes will accrue with your particular employee.

As an employer however if you do want fixed costs, having a gross agreement is your only choice it just may not be your lowest cost.

### **Paying Net**

Paying a net salary is the easiest and most popular way of passing a salary to your nanny. A net pay amount is the pay after all taxes have already been deducted, leaving you with a set regular figure to give to your nanny.

For example you may wish to give your nanny £200.00 per week and put the taxes on top. In this situation DomesticPaye would produce payslips each payday with that exact £200.00 amount showing. In this situation your employer costs are directly affected by your nannies personal tax situation so you should be particularly aware of anything that can affect her tax code. Please call DomesticPaye for us to guide you through this.

### **Net Pay Disadvantages**

By agreeing a net salary amount you are effectively agreeing to pick up your nanny's PAYE and NI tax bill. Normally this is a predictable amount of money but it can leave you open to unpredictable changes in your nanny's tax coding.

### **Paying Gross**

Paying a Gross salary lets you more effectively fix the cost you are prepared to pay for your nanny but is slightly more time-consuming on your part to administer. To pay a gross salary to your nanny simply tell DomesticPaye how much Gross you are paying her and we will then post payslips directly to you. Each payday open the payslip and simply pay the net amount we indicate to your nanny. The net amount will vary very slightly each payday due to tax fluctuations.

### **Weekly or Monthly Payslips?**

There are no tax differences between paying your nanny on a weekly or monthly basis so DomesticPaye advises employers to make this decision based on the practicality of either option to you and your nanny. In our experience most employees would like to be paid weekly, however you may want to align the nanny's pay alongside other large monthly bills such as a mortgage payment. You may also find it tiresome to take time out of your schedule to arrange a payment to your nanny each week, however if you have a net weekly agreement you could set up a standing order between your accounts which then leaves you with no involvement. In fact, around 70% of the DomesticPaye clients pay their nanny on a monthly fixed net agreement.

### **What if my nanny has other employment?**

If your nanny has other work this can greatly affect your tax situation. Please call us to discuss this directly with a member of our team or refer to our Nanny Share section.