

DomesticPaye Guide to Paying Expenses

Paying a genuine expense to a nanny is a fairly straightforward and stress free process that does not necessarily need to involve DomesticPaye. Parents should be careful however to ensure that they follow HMRC guidelines to make sure that they only pay to the nanny the exact expense value and do not follow a 'rounding up' approach as this is likely to be inexact and is very obvious to HMRC as an item for investigation.

Most expenses are fairly routine such as shopping, trips out etc. DomesticPaye suggests a petty cash float that can be used to pay for these items as long as a receipt is provided by your nanny. Again, always ensure these are genuine expenses.

Mileage

A common and very genuine expense for a nanny is an amount per mile for each mile she uses her own car for business/work use. You should negotiate between you and your nanny at the start of employment what the rate per mile you will pay for each mile she completes for you. You can agree at a rate of up to 40p per mile for the first 10,000 miles and thereafter up to 25p per mile.

If your nanny is not paid by you up to the full amount she can claim tax relief via a personal tax return on the difference. This is not usually that much of a saving however for example if your nanny drives 10,000 miles and you pay a typical 30p per mile she can apply for relief on £1000.00 saving her around £200.00.

DomesticPaye can organise this tax return for you should your nanny wish us to.

It's very important that employers ensure that they keep exact logs of the miles the nanny has driven and the amounts paid to her. Employers should not round up the amounts to an estimated amount per week/month.