

Nanny Share Agreement — Key Terms Checklist

A nanny share involves two families sharing a nanny's time and cost. This template covers the key points to agree on before starting. Always confirm the legal and tax position with an accountant or employment lawyer.

- Each family is a separate employer
- Why gross pay avoids a genuine tax problem
- Holiday entitlement is calculated separately
- Two separate documents, not one
- Frequently asked questions

Each family is a separate employer

In the UK, you cannot set up one joint PAYE scheme for a shared nanny — each family must register separately as an employer with HMRC and run their own PAYE scheme, deducting their own share of tax and National Insurance. Both families must also pay at least the National Minimum Wage individually, not as a combined total split between them.

Why gross pay avoids a genuine tax problem

This is the single most common mistake in nanny share arrangements. By default, HMRC allocates a person's full tax-free personal allowance to one job and taxes a second job at basic rate with no allowance — so if both families agree a net pay figure (the amount the nanny actually receives), one family ends up covering a disproportionately larger tax bill than the other, often unexpectedly.

Agreeing a gross pay figure with each family (the amount before tax, which each family's own payroll then calculates tax on correctly) avoids this problem entirely — each family's cost becomes predictable regardless of how the tax-free allowance happens to be split. The alternative is asking HMRC to split the nanny's tax code between the two employers, but this can only be requested by the nanny herself, not by either family.

Holiday entitlement is calculated separately

Holiday entitlement (5.6 weeks statutory minimum) is calculated per employer based on the days worked for that specific family, not as one combined figure across both. A nanny working 2 days a week for one family and 3 for another accrues holiday from each family separately, proportional to those days — coordinating actual time off between both families is a separate conversation the nanny-share agreement should cover.

Two separate documents, not one

A nanny share genuinely needs two different kinds of paperwork: each family's own employment contract with the nanny (a legal requirement, covering their specific pay, hours and terms), and a separate nanny share agreement between the two families themselves — not a legal contract in

the same sense, but a practical, written understanding covering things like shared house rules, how holiday is coordinated between both families, what happens if one family ends the arrangement, and day-to-day logistics like who provides food or activities.

Frequently Asked Questions

Is this template free to download?

Yes — download and print with no sign-up required. It isn't a substitute for professional payroll or legal advice on your specific arrangement.

Do we need employer's liability insurance?

Yes — this is a legal requirement for household employers in the UK. Many home contents insurance policies already include it, but it's worth checking explicitly rather than assuming, since operating without it when required can carry a significant daily fine.

Can one family be the only employer instead of both?

Yes, some nanny shares use a single-employer structure where one family employs the nanny formally and the other family pays a private contribution to them — this is simpler administratively, but the details of that arrangement should be agreed clearly in writing between both families regardless.

What happens if one family wants to end the share?

This is exactly the kind of thing the nanny share agreement (as distinct from each family's employment contract) should cover in advance — notice period expectations between the two families, and what happens to the nanny's hours and pay if only one family continues.

Should we handle payroll ourselves or use a specialist service?

Many families use a dedicated nanny payroll service given the genuine complexity of running two coordinated PAYE schemes correctly — this template helps you agree the arrangement itself, but ongoing payroll compliance is worth serious consideration given the tax-code issues above.