

Qualifying care relief: Foster carers, adult placement carers, kinship carers, staying put carers and parent and child arrangements

i Contacts

Please phone:

- the number printed on page TR 1 of your tax return
 - the SA Helpline on 0300 200 3310
 - the SA Orderline on 0300 200 3610 for helpsheets
- or go to hmrc.gov.uk/sa

This helpsheet gives you information to help you fill in boxes in:

- the *Self-employment (short)* and (*full*) pages of your personal tax return, or
- the *Trading* pages of the Partnership Tax Return and the *Partnership* pages of your personal tax return.

Qualifying care relief

This helpsheet describes those carers eligible for qualifying care relief.

Your local authority will be able to help you understand if the care you are providing will qualify for qualifying care relief – in particular they can tell you if the person you are caring for is a ‘looked after’ child.

You may be eligible for qualifying care relief if you provide any of the following.

Foster care – if you provide foster care to children and young people placed with you either by local authorities (Health & Social Services (HSS) Trusts in Northern Ireland) or voluntary fostering organisations.

Adult placement care – if you provide adult placement care to people placed with you by a local authority (HSS Trusts in Northern Ireland), a health service body or a voluntary Shared Lives Scheme and you receive payments for providing care from a local authority or health service body.

Kinship care – this generally refers to arrangements in Scotland. If you provide care for a ‘looked after’ child and receive payments from a local authority or health service body for doing so. The child must be related to you (by blood, marriage or civil partnership) but you cannot be the parent or step-parent of the child.

Please note that if the child is with you under a ‘residence order’ or a ‘special guardianship order’, qualifying care relief will not apply. This is because qualifying guardians are exempt from Income Tax on qualifying payments they receive as a guardian.

Staying put care – where a carer of a previously ‘looked after’ child continues to care for that person when they stop being looked after. The person who you care for must be aged 18, 19 or 20 or in further education, higher education or vocational training. Also, in Scotland the person you care for can also be over school age but under 19. You must be receiving payments for providing care from a local authority or health service body and the person you care for must have a pathway plan.

Parent and child arrangements – local authorities may make arrangements for a parent and child to live with a foster carer or adult placement carer. Where this applies to you and you receive a payment from the local authority for providing care and accommodation to the parent and child, you will be eligible for qualifying care relief.

Where you provide these types of care you may be treated as being self-employed. However, your income or profits from such care will usually be exempt from Income Tax. We will be happy to discuss whether the arrangements under which you provide care will mean that you are treated as self-employed.

This exemption does not include private care arrangements. So if you receive payments in a private arrangement for providing care you will not qualify for qualifying care relief. Private carers should work out their profits in the normal way.

Qualifying care relief applies on a tax year basis. If you start to be a carer for the first time during the tax year, or you decide to stop being a carer during the tax year you should ask us or your tax adviser for advice on how to complete your tax return.

Supported lodgings schemes – there are many supported lodgings schemes and some providers of supported lodgings may be within qualifying care relief if they meet the criteria for the schemes noted above. Your local authority should be able to let you have the information that will help you decide. If you do not qualify for qualifying care relief you can apply the normal tax rules and get full relief for your actual allowable expenses incurred in providing accommodation and support to young people. Guidance on the normal rules can be found on our website. Go to hmrc.gov.uk/worksheets/sa105-notes.pdf Alternatively, providers of supported lodgings who do not qualify for qualifying care relief may choose to use Rent a Room provided they meet the rules of the scheme. Go to hmrc.gov.uk/helpsheet223

How does qualifying care relief work?

If your total receipts from qualifying care in the tax year (the period from 6 April 2013 to 5 April 2014) do not exceed your qualifying amount, those receipts will be free from Income Tax for that year. This means that, for tax purposes, we will treat you as having made no profit or loss from caring for the year.

What is your qualifying amount?

Your qualifying amount consists of two parts which you should add together:

- an annual fixed amount of £10,000 for each household for 2013–14
 - if two or more carers within the same household separately receive payments for qualifying care, the fixed amount should be shared between them
 - if you are a carer for less than a full year either because you started being a carer during the year or stopped being a carer altogether, you can claim an appropriate proportion of your fixed amount
- **plus** a weekly amount for each person placed with you. For the tax year 2013–14, the amount is £200 a week (or part of a week) for each child aged under 11 and £250 a week (or part of a week) for each adult and child aged 11 or over.

i Contacts

Please phone:

- the number printed on page TR 1 of your tax return
 - the SA Helpline on **0300 200 3310**
 - the SA Orderline on **0300 200 3610** for helpsheets
- or go to hmrc.gov.uk/sa

Your qualifying amount does not affect your personal tax allowance.

If your qualifying care receipts are exempt, the full amount of your personal allowance is available to use against any other income you might have.

Qualifying care relief does not affect any income you may have from other sources, for example, from employment or from investments. Such other income will be taxed in the normal way.

What happens if your total qualifying care receipts exceed your qualifying amount?

If your total receipts from qualifying care exceed your qualifying amount, you have two options for working out the tax you have to pay:

- the **profit method**, where you pay tax on your actual caring receipts minus your actual expenses and capital allowances, or
- the **simplified method**, where you pay tax on your actual receipts from caring minus your qualifying amount. If you use this method, no account is taken of your expenses or capital allowances.

You may want to use the profit method if your allowable expenses and capital allowances are more than your qualifying amount, in which case your taxable profit will be less than that if you use the simplified method. If you decide to use this method, you will have to keep a detailed record of your receipts and expenditure.

If you want to use the simplified method you must tell us no later than 31 January 2015. You can tell us by completing your tax return and submitting it by the filing date.

What are your total receipts from qualifying care?

Your total receipts from qualifying care are all the payments (fees, salaries, reward payments, allowances and so on) that you receive from your local authority, HSS Trust, health service body, voluntary fostering organisation or under a qualifying care scheme, including those payments you have previously treated as being non-taxable.

Example 1

John's total receipts from qualifying care for one child aged 14 for the whole of the year and one child aged eight for ten weeks of the year is £20,000. No other carers live in his house. His annual accounting date is 5 April. His qualifying amount will be made up as follows:

Fixed amount	£10,000
Child 1 (52 x £250)	£13,000
Child 2 (10 x £200)	£2,000
Qualifying amount	£25,000

As John's total receipts of £20,000 are less than his qualifying amount, they are exempt from Income Tax for 2013-14.

Example 2

John's circumstances are the same as in Example 1, except that his total receipts from qualifying care for the year are £30,000. His total receipts are now greater than his qualifying amount (£25,000). He can therefore choose between the profit method or the simplified method to work out the tax he has to pay.

John's total expenditure and capital allowances for the year are £22,000 and so his profits from providing qualifying care are £8,000.

Under the profit method, John will pay tax on his actual profit for the year of £8,000.

If he chooses the simplified method, John will pay tax on the difference between his total receipts of £30,000 and his qualifying amount of £25,000, that is £5,000.

Capital allowances

If you decide to use qualifying care relief you cannot claim capital allowances and there is no need to read this section.

In working out your business profits you must not take off any expenditure incurred on (for example, the cost of) buying or improving items such as a car, equipment or tools that you use in the business, or depreciation or any other losses which arise when the items are sold. Instead, you can claim tax allowances called capital allowances, which you deduct from your profits to arrive at taxable profits, or add to your losses to arrive at allowable losses. There is general guidance on the allowances available and how to work them out in [Helpsheet 252 Capital allowances and balancing charges](#). If you want to claim capital allowances you should read that helpsheet first.

You may claim capital allowances against any profits you make from caring but **only if you pay tax using the 'profit method', that is, on your actual care receipts minus your actual expenses**. Capital allowances are worked out for the period for which you draw up your accounts (your accounting period). You may not claim capital allowances if you are entitled to the Income Tax exemption, or if you choose to use the 'simplified method' of working out your profits as a qualifying carer.

If you do not work out your profits from caring using the same method each year, then there are special capital allowances rules to follow because you may be able to claim capital allowances in one year but not in the next and so on. For further information, go to hmrc.gov.uk/manuals/bimmanual/bim52775.htm or ask your tax adviser or us for help.

What if your accounting date is not 5 April?

If your annual accounting date is other than 5 April, qualifying care relief treats your total receipts from qualifying care in your accounting year as though they were the total receipts of the tax year in which your accounting year ends. Likewise, the qualifying amount for the tax year is treated as being the qualifying amount for your accounting year.

i Contacts

Please phone:

- the number printed on page TR 1 of your tax return
 - the SA Helpline on **0300 200 3310**
 - the SA Orderline on **0300 200 3610** for helpsheets
- or go to hmrc.gov.uk/sa

Example 3

Ruth's annual accounting date is 30 September. Her total receipts from providing qualifying care for one child aged 15 for the whole of the year to 30 September 2013 and one child aged six for 20 weeks of the same year are £20,000. She is the only carer in her house. Her qualifying amount for 2013-14 will therefore be made up as follows:

Fixed amount	£10,000
Child 1 (52 x £250)	£13,000
Child 2 (20 x £200)	£4,000
Qualifying amount	£27,000

As Ruth's total receipts from qualifying care for the year ended 30 September 2013 of £20,000 are less than her qualifying amount of £27,000, they are exempt from tax for the year.

Example 4

Ruth's circumstances are the same as in Example 3 except that her total receipts from qualifying care for the year ended 30 September 2013 are £32,000, which are greater than her qualifying amount. Her total expenses and capital allowances are £22,000 and so she has made a profit of £10,000 from providing qualifying care for 2013-14. She can therefore choose between:

- the profit method, so she would pay tax on her actual £10,000 profit, or
- the simplified method, which would mean that she pays tax on the difference between her total receipts of £32,000 and her qualifying amount of £27,000, that is £5,000.

Completing the Self-employment pages

If you have received the SA200 *Short Tax Return* 2014 and wish to take advantage of the qualifying care relief, please phone the Self Assessment Helpline on 0300 200 3310 and ask for form SA100 *Tax Return* 2014 to be sent to you or, if you can, complete the SA100 *Tax Return* 2014 online.

The following guidance is for carers who wish to take advantage of the qualifying care relief and have received a paper SA100 *Tax Return* 2014 or are completing the return online. *Self-employment* pages are supplementary to the tax return.

Enter the following details on the *Self-employment (short)* pages:

- if your total receipts from qualifying care are not more than your qualifying amount
 - enter 'Qualifying carer' in box 1, put 'X' in box 4 and enter zero, '0', in box 31
 - leave the rest of the *Self-employment (short)* pages blank
- if your total receipts from qualifying care exceed your qualifying amount and you use the simplified method
 - enter 'Qualifying carer' in box 1 and fill in boxes 2 to 8, as appropriate
 - enter your total receipts in box 9, your qualifying amount in box 20 and the net amount in boxes 21 and 31.

Enter the following details on the *Self-employment (full)* pages:

- if your total receipts from qualifying care are not more than your qualifying amount
 - enter 'Qualifying carer' in box 1, put 'X' in box 13 and enter zero, '0', in box 76
 - leave the rest of the *Self-employment (full)* pages blank

- if your total receipts from qualifying care exceed your qualifying amount and you use the simplified method
 - enter ‘Qualifying carer’ in box 1 and fill in boxes 2 to 14, as appropriate
 - enter your total receipts in box 15, your qualifying amount in box 31 and the net amount in boxes 47, 64, 73 and 76
- if your total receipts from qualifying care exceed your qualifying amount and you do not want to use the simplified method, fill in the *Self-employment (full)* pages by entering your total receipts, allowances and balancing charges in the normal way.

Losses

Normally there cannot be a tax loss in a year when your qualifying care receipts are exempt. So if your total receipts are less than your qualifying amount you have no tax loss for that year. However, overlap relief can create a tax loss. This may occur when you change your accounting date or you cease to provide qualifying care. In such circumstances you should approach your tax adviser or ask us for help.

Any losses from earlier years, when you were not exempt, are not lost – they are dealt with as follows:

- losses can be set against your profits from your qualifying care in the usual way if your total receipts from qualifying care exceed your qualifying amount. This applies whether you have worked out your profit by using the profit method or by using the simplified method
- losses brought forward will be carried forward to set against the profits from qualifying care of a later year, if your total receipts from qualifying care do not exceed your qualifying amount and you therefore have no tax to pay on that income.

What about qualifying care in partnerships?

People cared for are placed with individuals, not with partnerships. However, we accept that a partnership can carry on a business of providing qualifying care. Where this is the case, a Partnership Tax Return should be completed on the basis that the qualifying amount relates to the partnership rather than to the individuals involved in the partnership.

How will this affect National Insurance contributions (NICs)?

In practice, we will treat your taxable profit from qualifying care as earnings from self-employment for NICs purposes. If you are exempt, your taxable profit is nil.

Registration

All self-employed people aged 16 and over who are below State Pension age are liable and must register to pay Class 2 NICs. These are set at £2.70 a week for 2013–14.

If you have not previously registered to pay Class 2 NICs, you can get more information by phoning the Newly Self-Employed Helpline on 0300 200 3504. If you are currently registered to pay Class 2 NICs, you can get more information by phoning the National Insurance Self-Employed Helpline on 0300 200 3505 instead.

i Contacts

Please phone:

- the number printed on page TR 1 of your tax return
- the SA Helpline on **0300 200 3310**
- the SA Orderline on **0300 200 3610** for helpsheets or go to hmrc.gov.uk/sa

Small Earnings Exception

If your annual earnings from self-employment are low (less than £5,725 a year for 2013–14), you can apply for a Small Earnings Exception once you have registered. This means that paying Class 2 NICs is optional if your earnings are below £5,725. However, if you choose not to pay Class 2 NICs, your entitlement to Incapacity Benefit, State Pension and Bereavement Benefit may be affected.

Class 4 National Insurance contributions (NICs)

All self-employed people are liable to pay Class 4 NICs on taxable profits above a threshold. For 2013–14 the rates are 9% on profits between £7,755 and £41,450, and 2% on profits above that. If your qualifying care receipts are exempt, and you have no other self-employed income, you will not have to pay Class 4 NICs for the year.

If the taxable profit exceeds the Class 4 NICs exempt threshold, you should complete boxes 100 to 102 of the *Self-employment (full)* pages and boxes 36 and 37 of the *Self-employment (short)* pages as appropriate. Further explanation is included in the *Self-employment notes*.

Tax credits

Where you are self-employed, you may be able to claim Working Tax Credit. For more information, go to hmrc.gov.uk/taxcredits or phone the Tax Credits Helpline on 0345 300 3900.