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## INCOME TAX RELIEF FOR SHARED LIVES CARERS

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### Who is likely to be affected?

1. Shared lives carers, including adult placement carers, staying put carers and certain kinship carers.

### General description of the measure

2. This measure will allow qualifying shared lives carers to claim the same income tax relief as foster carers. The new relief will be known as the qualifying care relief.
3. Qualifying shared lives carers will be entitled to claim a tax free allowance. Those whose shared lives earnings are less than the tax free allowance will not be taxed on their income from providing shared lives care. Those whose shared lives earnings are more than the tax free allowance have the option to choose a simplified method for calculating their profits.
4. The Government will legislate for this measure in a Finance Bill to be introduced as soon as possible after the summer recess.

### Operative date

5. This change will have effect on and after 6 April 2010.

### Current law and proposed revisions

6. Income from providing shared lives care is normally taxed under the trading income rules, or the rules for miscellaneous income.
7. HM Revenue & Customs (HMRC) provide simplified income tax arrangements for shared lives carers, known as the simplified arrangements for adult placement carers. These include a fixed rate of expenses (depending on the number of placements and the type of care provided e.g. day care), and a tax exemption for respite carers providing up to 182 days care a year. The new relief will replace the simplified arrangements for adult placement carers.

8. The new tax free allowance will be available to shared lives carers from 2010-11. For the tax year 2010-11 only, shared lives carers can choose between the current simplified arrangements for adult placement carers and the new tax free allowance. The simplified arrangements will then be withdrawn from 2011-12.
9. Qualifying shared lives carers:
  - provide accommodation, care and support for up to three individuals who have been placed with them under a local authority shared lives placement scheme; and
  - share their home and family life with the individuals placed with them under the shared lives scheme.
10. Qualifying shared lives carers may provide a maximum of three shared lives placements at any one time, but they may care for a number of different individuals during the tax year. Foster children are not counted as shared lives placements for this purpose. Siblings placed together in the same household will be counted as one shared lives placement for this purpose only.
11. The new relief will be based on the existing foster care relief (Part 7 of Chapter 2 of the Income Tax (Trading and Other Income) Act 2005).
12. Qualifying shared lives carers, whose total receipts from providing care do not exceed the tax-free allowance for the year, will be exempt from income tax on their income from providing shared lives care.
13. Qualifying shared lives carers, whose total receipts from providing care exceed the tax free allowance for the year, will be able to choose to pay tax on:
  - their total receipts from providing care less the tax free allowance; or
  - their actual profits computed using the normal tax rules for businesses.
14. The tax free allowance will be available per household, and consists of:
  - £10,000 fixed amount per tax year;
  - £200 per week (or part week), per placement aged under 11; and
  - £250 per week (or part week), per placement aged 11 or over.
15. Where there is more than one carer in the household, the household may provide care to a maximum of three shared lives placements, and the allowance will be shared equally between the carers.
16. Where a carer is both a foster carer and a shared lives carer, the household will only be entitled to claim one £10,000 fixed amount per year. The carer will pool their caring income and reliefs so that:
  - if their total income from providing foster care and shared lives care is less than their total foster care and shared lives care tax free allowance, then they will not be taxed on their income from providing care; or
  - if their total income from providing foster care and shared lives care is more than their total foster care and shared lives care tax free

allowance, they will be able to choose to pay tax on:

- their total foster care and shared lives care receipts less their total tax free allowance; or
- their actual profits computed using the normal tax rules for businesses.

### Example

For the tax year 2011-12, Sarah is paid £35,000 to foster three children aged 7, 10 and 13. She is also paid £15,000 to provide shared lives care to one young adult.

Sarah's total tax free allowance for the year will be £56,800, which is made up of:

- £10,000 fixed annual amount for the tax year;
- £10,400 = £200 x 52 for fostering the 7 year old child;
- £10,400 = £200 x 52 for fostering the 10 year old child;
- £13,000 = £250 x 52 for fostering the 13 year old child; and
- £13,000 = £250 x 52 for caring for the young adult.

Sarah's total caring income is £50,000, this is less than her total tax free allowance and so she will not pay income tax on her caring income.

17. The tax free allowance will only apply to income obtained from the provision of shared lives care or foster care. It will not affect the tax treatment of income received from other sources.
18. Special guardians, and kinship carers providing care to a child who has been placed with them under a residence order, will not be considered a qualifying carer for the purposes of this income tax relief. However, they will be entitled to claim the new income tax exemption for payments to qualifying guardians. For further information about that tax exemption, please see Budget Note 26: Income Tax: Special Guardianship Orders and Residence Orders.

### **Further advice**

19. This measure was previously announced at the 2009 Pre-Budget Report and a version of this note was published as PBRN22. This note supersedes that version.
20. For further information about the simplified arrangements for adult placement carers, please see Business Income Manual 52750, which can be accessed via the HMRC website.
21. A change is also being made to the capital gains treatment of adult placement carers. For further information please see BN28: Capital Gains Tax: Private Residence Relief and Adult Placement Carers.

22. If you have any questions about this change, please contact Jenni Rich on 020 7147 0686 (email: [jenni.rich@hmrc.gsi.gov.uk](mailto:jenni.rich@hmrc.gsi.gov.uk)). Information about Budget measures is available on the HM Revenue & Customs website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk)