Qualifying Care Relief: personal tax

Personal tax

01 February 2018

Autumn Budget extends scope of relief to self-funders.

Qualifying care relief may be claimed by shared lives carers and foster carers to reduce the administrative burden of completing and submitting a full tax return to HMRC. Broadly, if their total receipts from qualifying care for a year are less than their annual maximum limit, then they can report a nil profit for tax purposes. Or if their income is higher than that amount, they can report the excess only as a profit. Of course, they retain the right to compute their actual profit or loss, if they wish.

The annual maximum limit is found by taking a round sum (£10,000 for the year, which may be apportioned, for example if the carer does not operate for the full year) and adding to it a fixed sum per adult or young person per week that they are in the carer's care.

Until this proposed change, in order to be eligible for qualifying care relief, the provision of care must essentially (amongst other things) have been paid for by the Local Authority or an authorised scheme. Following the Budget announcement, the scope of qualifying care relief will be expanded so that it covers payments made from individuals who self-fund their shared lives scheme.

Why change was needed

In recent times and in line with the 'independent living' agenda, the delivery of care in the community, particularly for adults, by authorised carers has changed – and so has the way the care is funded. It used to be the case that it was normally local authorities or approved shared lives schemes who arranged the care and placed the adult with their carer. The local authority or scheme then paid the carer direct.

This landscape has now changed significantly. For example, some individuals pay for their care from direct payments given to them by the local authority or use their own

resources. Strictly, these payments to carers may not be qualifying care receipts since the carer may not ‘receive payment’ from a local authority or relevant social care scheme. Of course, the carer would be providing the same care and support regardless of the source of the payments and indeed in some cases the carer may not have known the actual source of their receipts. Carers might therefore have claimed qualifying care relief where it was not due.

When will the change take place?

This is not clear. The budget announcement was made in November 2017, however instead of including provisions in the Finance Bill, it is intended to make the changes via regulations. LITRG has been campaigning on this matter and we hope to be able to comment on any draft regulations before they are laid before Parliament. It would also make sense for the regulations to recognise this change on a backdated basis.

Other issues with qualifying care relief

We are working with HMRC in an attempt to have some guidance and forms changed and clarified. We would be very pleased to hear from you if you or your clients are experiencing any difficulties with the operation of qualifying care relief. Real life examples always help us when presenting our case for change.