

## Factsheet

### Tax and National Insurance for Shared Lives carers

As a Shared Lives carer you are self-employed and are responsible for your own tax and national insurance.

You will need to register as a self-employed person for tax and national insurance with HMRC when you are ready to start offering a Shared Lives arrangement. You can do this online at: [www.gov.uk/register-for-self-assessment](http://www.gov.uk/register-for-self-assessment) or by phoning HMRC on 0300 200 33100 (**Don't answer any of the questions on the automated service and you will eventually be put through to an advisor who can register you**) HMRC will send you a UTR number which you will need before you can complete your tax return. If you want to fill in a paper self-assessment form rather than completing your return on-line you can request one to be sent out to you by phoning 0300 200 3500

If you are the only Shared Lives carer in your household, you register as a 'sole trader': if you are a joint carer, and the payments you receive are in both your names, you register as a 'partnership' and 'partners'. This will mean you will share both the qualifying allowances which are explained below. If you register as a partnership, then you will need to complete a partnership tax return as well as personal tax returns.

Once you are registered as self-employed, you'll be asked to send in a tax return each year, covering the period 6 April the previous year to 5 April in the current year. You have until 31st October following the end of the tax year to send in a paper tax return, or until 31st January following the end of the tax year to send in your tax return online. If you register online you will usually be sent email reminders to prompt you to send in your tax return on time. Be careful however, because HMRC do not provide an electronic copy of the partnership tax return, so you will have to complete a paper copy and file it by 31 October following the end of the tax year – or get an agent to prepare the tax return for you.

As a Shared Lives carer you can claim 'qualifying care relief' and it is available whether you offer longer term shared lives arrangements, respite, shared lives day support or any combination of the three. Currently this tax allowance means that you can claim £10,000 as a Shared Lives household per annum in addition to £250 a week for each individual you support for a week or part of a week (remember Shared Lives carers can only support up to 3 individuals as part of your household at any time). This tax allowance is in addition to your personal tax allowance (£11000 for the year 2016 -2017).

There are 2 methods of calculating any income tax you may be liable for as Shared Lives carers:

- **The simplified method** – You pay tax on the income you have received as a Shared Lives carer during the financial year minus your ‘qualifying amount’ (see below for further information) This is the method which most Shared Lives carers choose to use.
- **Profit method** – where you pay tax on your Shared Lives income during the financial year minus any eligible expenses and capital allowances as a Shared Lives carer. If you use this method you need to keep detailed records of all your expenses relating to your role as a Shared Lives carer throughout the tax year and keep any receipts as evidence for HMRC.

## How does Qualifying care relief work?

If the amount of money you receive as a Shared Lives carer (your ‘receipts’) in the tax year is less than your ‘qualifying amount’ you will not pay income tax on your Shared Lives income for that year. However any Shared Lives income you have received for that tax year that is over your ‘qualifying amount’ is your ‘profit’ and you will pay income tax on that ‘profit’.

## What is your qualifying amount?

Your ‘qualifying amount’ consists of two parts which should be added together:

- an annual fixed amount of £10,000 for each Shared Lives carer household.
- plus a weekly amount of £250 a week for each person you support as a Shared Lives carer (maximum 3 people supported by one Shared Lives household at any one time).

### PLEASE NOTE

A week runs from Monday – Sunday and the full weekly amount allowance of £250 is applicable for any part-week that you support an individual. i.e.:

- Lisa stays Monday – Thursday Qualifying amount applicable = £250
- Sayid stays Friday – Tuesday Qualifying amount applicable - £500 as Sayid stayed Friday, Saturday and Sunday of week one and Monday and Tuesday of week two.

Below are some examples:

### **Example 1**

*Jane is a sole Shared Lives carer for Tony and Mike.  
They have lived with her for the full financial year.*

*Jane's 'qualifying amount' would therefore be:*

- £10,000 – fixed amount
- 2 x £250 per week for Tony and Mike – weekly amount (£500 x 52)

£10000 Fixed amount  
+ £26000 Weekly amount  
£36000 Qualifying amount

Your total receipts are:

- the payments you receive (including any payments you receive to cover respite) from your Local Authority, HSS Trust, Health Service body or Shared Lives scheme for providing the Shared Lives arrangement(s) for the individual(s) you support
- Rent (this will often be paid through Housing Benefit) you receive from any person(s) living with you in a Shared Lives arrangement(s)
- Any payment you receive from the individual(s) e.g. for food and utilities
- Any additional monies you receive towards petrol etc. from an individual that you support or from your Shared Lives Scheme.

### **Using Jane's example again:**

*During the tax year Jane has received in total £325- per week for caring for Tony and £325 per week for caring for Mike.  
This is made up of £90 rent (through housing benefit) for each person £55 service user contribution from each person for food and utilities and a £180 payment for each person from the Local Authority  
Jane's total Shared Lives income (her 'receipts') would therefore be: £33,800 (£325x 52 x2) for caring for Tony and Mike*

So using qualifying care relief Jane would not be liable to pay any income tax on her Shared Lives income because this financial year her Shared Lives income (her receipts) is less than her 'qualifying amount' and she has therefore no profit.

## Example 2

Shanice and her husband Tom share their lives with Molly and Elsa. Elsa has lived with them for many years and Molly joined the family on 2nd June this year. Shanice and Tom also provide short break support for Jordan who spends 2 weeks per year with the family, staying from Wednesday – Tuesday (for tax purposes this would mean Shanice and Tom are can claim the weekly amount tax allowance for 4 weeks as Jordan stays for 2 part-weeks each time he visits the family)

Shanice and Tom are registered with HMRC as a partnership and share the £10,000 fixed amount and weekly amounts.

Their **qualifying amount** is:

10000 – fixed amount - shared between Shanice and Tom

+£13000 for Elsa (52x£250)

+£11000 – for Molly (44 weeks x £250 as Molly did not join the family until 2<sup>nd</sup> June)

+£ 1000 – for short break support for Jordan (4 weeks x £250)

35000 – Qualifying amount for Shanice and Tom

Shanice and Tom receive two payments of £375 per week for caring for Elsa and Molly (made up of £110 rent (through housing benefit) for each person £60 service user contribution from each person for food and utilities and a £205 payment for each person from their independent Shared Lives Scheme They also receive £350 for each of the 2 short break support weeks they provide for Jordan.

Their **total Shared Lives income (their 'receipts')** is:

£19,500 - £375 x 52 for caring for Elsa

+ £16,500 - £375 x 44 for caring for Molly

+ £700 - £350 x 2 for providing short break support for Jordan

36,700 – Total Shared Lives income

So for Shanice and Tom using qualifying care relief since their total Shared Lives income is £36,700 and their 'qualifying amount' is £35000, their taxable income will be £1700 - £850 each.

### **Example 3**

As a Shared Lives Carer, Pauline offers day support in her own home and also some respite care. Over 40 weeks of the year she has supported James Lola and Marvin for three half days a week Monday to Wednesday and Paul and Jamil for 1 full day a week on Thursdays. Over 8 of these weeks, Pauline has also provided Friday-Sunday respite for Amy and Gemma and during periods when she has not been providing day support she has provided two full weeks of respite for Jane.

Pauline's 'qualifying amount' is:

£10,000 fixed amount

+£40,000 - 32 weeks x 5 people x £250 = £40,000

+£14,000 - 8 weeks x 7 x £250 = £14,000

+ £500 - 2 weeks x £250 = £500

£54,500 Total

**Pauline's total 'qualifying amount is therefore £54,500**

Pauline has received payments of £30 per person for each half day she has provided day support and £60 per person when she has provided support for full days. For the respite she has provided, Pauline has received payments of £52 a night.

**Pauline's Shared Lives income (her receipts) over the financial year is therefore:**

32 weeks x £390 (£90 each for James Lola and Marvin and £60 each for Paul and Jamil)

+8 weeks x £390 +£208 (£390 for day support and £104 each for weekend respite for Gemma and Amy)

+2weeks x £364(respite for Jane)

Total Shared Lives income: £16,536

So for Pauline since her total Shared Lives income is £16,536 and her 'qualifying amount' is £54,500 she has no profit and therefore no income tax to pay on her Shared Lives income this year

If for the relevant tax year, your Shared Lives income is less than your 'qualifying amount', the full amount of your personal allowance will be used against any other income registered on your tax return.

If for the relevant tax year, your Shared Lives income is more than your qualifying amount you still may not pay tax for that year because HMRC will deduct your 'personal allowance' from your Shared Lives 'profit' and any other 'income' you register on your tax return.

It is important to remember that 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.

### **Completing your tax return**

If you have received the SA200 *Short Tax Return* 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* to be sent to you or you can, complete the SA100 *Tax Return* online.

The following guidance is for Shared Lives carers who wish to take advantage of Qualifying Care Relief and have received a paper SA100 *Tax Return*. *Self-employment* pages are supplementary to the main tax return and you should request these at the same time that you request a paper tax return. Make sure you complete the Self-employment (short) pages – form SA103S as these are much easier to complete. Note that if you are a partner (in other words you registered as a partnership with another carer in the same household), you would not complete the self-employment pages, but partnership pages.

**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 (profit) in boxes 21 and 31.

**National Insurance:** When you register as self-employed with HMRC you are also automatically registered for national insurance. As a self-employed person you will be required to pay class 2 contributions (£2.80 a week for 2015-2016). If however you have no profit or very little profit on your Shared Lives you will not be required to pay class 2 contributions. It would however be advisable to consider whether you should pay class 2 contributions to HMRC voluntarily as class 2 contributions provide eligibility for particular benefits. If your profits from your Shared Lives income together with any other self-employed income are over £8,060 in 2015-2016 you will also be liable to pay Class 4 National Insurance contributions.

You will be informed about any National insurance contributions owing with the information you are given by HMRC about any tax you are due to pay.

**FAQs**

**Is Qualifying Care Relief a payment?**

No this is a tax allowance. It means you can receive payments up to this amount without paying tax

**What if I am also a Foster carer, do I get two £10,000 fixed amounts?**

No, If you are both a Foster carer and Shared Lives carer, you will receive only one £10,000 fixed amount allowance but can claim £200 per week for each foster child you support under the age of 11 and £250 for each foster child aged 11 or over and each individual you support in a Shared Lives arrangement.

**What if I become a Shared Lives carer part-way through the tax year?**

You will be entitled to the relevant percentage of the £10,000 fixed amount tax allowance for that year i.e. if you become a Shared Lives carer in October, you would receive £5,000 tax allowance.

**What if I support many individuals in different ways throughout the year?**

It is important to keep detailed records so that you can work out your tax allowance on a weekly basis.

**If as a Shared Lives Plus carer member you need further assistance please contact:**

**Judith Holman Shared Lives carer support and development worker on 01772 723677 for advice about how Qualifying Care Relief works**

**ARAG Tax advice helpline 0117 9171698 for general tax advice.**

**Sue Stephens at BW McFarlane accountants on 0151 2361494 where you can ask for your tax return to be completed and submitted for you (a reduced rate is offered for Shared Lives Plus members)**