

Home Carer Tax Credit

ver 12.04



Introduction

The home carer tax credit may be claimed by a couple in a marriage or civil partnership where one spouse or civil partner (the “Home Carer”) cares for one or more dependent persons. If the home carer has some income in their own right, the tax credit may still be claimed. Only one tax credit is due irrespective of the number of persons being cared for.

This leaflet outlines the conditions which must be met to claim the tax credit and also contains a claim form to enable you make your claim.

What are the conditions?

The conditions, which must be met, are as follows:

- ♦ The couple in a marriage or civil partnership must be jointly assessed to tax - it does not apply where couples are taxed as single persons.
- ♦ The home carer must care for one or more dependent persons. A dependent person is:
 - (a) a child for whom Social Welfare Child Benefit is payable - this includes all children under 16 and children in full-time education under 18, or
 - (b) a person aged 65 years or over, or
 - (c) a person who is permanently incapacitated by reason of mental or physical infirmity.

A dependent person does not include a spouse or civil partner.

- ♦ The dependent person(s) must normally reside with the couple for the tax year. For rules regarding relatives, see further on.
- ♦ The Home Carer’s income must not exceed €5,080 in the tax year. Where the income is between €5,080 and €6,700 (€6,620 for the year 2007 and €6,880 for the years 2008 to 2010 incl.) some measure of relief will still be given.

Does a relative have to reside with the Home Carer?

No. Dependent persons who are relatives (including relatives of a spouse or civil partner) can be cared for outside the home, if they reside:

- ♦ next door in a neighbouring residence, or

- ♦ on the same property, or
- ♦ within 2 kilometres of the claimant.

There must, however, be a direct communication link (e.g. telephone, alarm system) between the two residences. A relative includes a relative by marriage or civil partnership or a person for whom you act as a legal guardian.

How does the income of the Home Carer affect the tax credit?

If the home carer earns income of up to €5,080 in their own right for the tax year, the full tax credit may be claimed. For the purposes of this tax credit, income means any taxable income such as income from a part-time job, dividends, etc., but does not include the Carer's Allowance payable by the Department of Social Protection.

Note: Even though Carer's Allowance is not taken into account in assessing your eligibility for home carer tax credit, it is a taxable source of income and you should notify your Revenue office of the amount you are receiving.

However, if the income exceeds €5,080 the tax credit is reduced by one half of the income of the home carer that exceeds this limit.

For example:

Income of Home Carer	Tax Credit Due	Restriction of Tax Credit
€5,080	€810	
€5,250	€725	$€5,250 - €5,080 = €170 \div 2 = €85$
€5,500	€600	$€5,500 - €5,080 = €420 \div 2 = €210$
€5,750	€475	$€5,750 - €5,080 = €670 \div 2 = €335$
€6,000	€350	$€6,000 - €5,080 = €920 \div 2 = €460$
€6,250	€225	$€6,250 - €5,080 = €1,170 \div 2 = €585$
€6,500	€100	$€6,500 - €5,080 = €1,420 \div 2 = €710$
€6,600	€50	$€6,600 - €5,080 = €1,520 \div 2 = €760$
€6,700	€0	$€6,700 - €5,080 = €1,620 \div 2 = €810$

If the income is €6,700 for the year 2011 (€6,620 for 2007 and €6,880 for the years 2008 to 2010 incl.) or more then the home carer tax credit is not due.

What happens if the tax credit is granted and in the next year the Home Carer's income exceeds the limit?

If the home carer's income exceeds €6,700 in the next year, the tax credit will still be due for the year, provided that:

- ♦ the other conditions for the tax credit are met, and
- ♦ the tax credit was granted for the immediately preceding tax year.

The amount of the tax credit is restricted to the amount granted for the immediately preceding tax year. However, if the couple claim the increased standard rate band for dual income couples, the home carer tax credit will not be due.

Example A couple in a marriage or civil partnership are granted the home carer tax credit for 2010. In 2011 the home carer takes up employment and earns €7,000. The tax credit will still be due for 2011, provided that the increased standard rate band for dual income couples is not claimed and the other conditions for the tax credit are met.

Can couples in a marriage or civil partnership claim both the Home Carer Tax Credit and the increased Standard Rate Band for dual income couples?

No. But they can claim whichever of the two is more beneficial. In practice, Revenue will grant the more beneficial treatment.

Note: For 2011, the standard rate band for dual income couples in a marriage or civil partnership is €41,800 subject to an increase of up to €23,800. The increase is limited to the lower of €23,800 or the amount of the income of the spouse or civil partner with the smaller income. This increase is not transferrable between spouses or civil partners.

Example 1 Home carer has no income. Therefore home carer tax credit of €810 is due.

Example 2 Home carer has a social welfare pension of €5,500. Therefore home carer tax credit of €600 is due
 i.e. $€5,500 - €5,080 = €420 \div 2 = €210$ restriction
 $€810 \text{ less } €210 = €600$ home carer tax credit

Spouse or civil partner has income of €30,000. The increased standard rate band is not relevant as the combined incomes are below €41,800.

Example 3 Home carer has rental income of €5,000. Spouse or civil partner has income of €37,000. Calculate whether the home carer tax credit or the increased standard rate band is more beneficial.

Home Carers Tax Credit computation

Home carer's income is less than €5,080 so the full tax credit of €810 is due. The tax position is:

€41,800 x 20%	=	€8,360
€200 x 41%	=	<u>€82</u>
Total		€8,442
Less Home carer's tax credit		<u>€810</u>
Tax (before relief for personal tax credits)		€7,632

Increased Standard Rate Band computation

The tax position is:

€42,000 x 20%	=	<u>€8,400</u>
Tax (before relief for personal tax credits)		€8,400

The Home Carer tax credit is more beneficial in this example.

Example 4 Home carer has a salary of €8,000. Spouse or civil partner has income of €38,000. The home carer tax credit is not due as the home carer's income exceeds the limit of €6,700.

Example 5 Home carer has investment income of €6,000. Spouse or civil partner has income of €41,700. Calculate whether the home carer tax credit or the increased standard rate band is more beneficial.

Home Carer Tax Credit computation

Home carer has investment income of €6,000.
Therefore home carer tax credit of €350 is due,
i.e.

€6,000 - €5,080	=	€920 ÷ 2 = restriction	€460
€810 less €460	=		tax credit €350
€41,800 x 20%	=		€8,360
€5,900 x 41%	=		<u>€2,419</u>
Total			€10,779
Less home carer tax credit			€350
Tax (before relief for personal tax credits)			€10,429

Increased Standard Rate Band computation

The tax position is:

(€41,700 + €6,000) x 20%	=	€9,540
Tax (before relief for personal tax credits)		€9,540

The increased standard rate band is more beneficial in this example.

How do I make a claim?

The home carer tax credit can be claimed using any of the following methods

Internet - You can claim over the Internet using our **PAYE Anytime** service. For further details visit www.revenue.ie

Text Message - Text **CREDIT PPS-number PIN CARER** to 51829 (the PIN requested is the number used to access PAYE Anytime). For example, if your PPS number is 1234567A, your PIN is 654321 and you want to claim home carer tax credit simply text to 51829: **CREDIT 1234567A 654321 CARER**

Telephone - Contact your Regional PAYE LoCall Service whose number is listed on the next page.

Claim Form - Complete and submit the claim form attached to this leaflet to your local Revenue office.

Further Information - For further information visit www.revenue.ie or you can contact your Regional PAYE LoCall Service whose number is listed below

- ◆ **Border Midlands West Region** **1890 777 425**
Cavan, Monaghan, Donegal, Mayo,
Galway, Leitrim, Longford, Louth,
Offaly, Roscommon, Sligo, Westmeath
- ◆ **East & South East Region** **1890 444 425**
Carlow, Kildare, Kilkenny,
Laois, Meath, Tipperary,
Waterford, Wexford, Wicklow
- ◆ **Dublin Region** **1890 333 425**
Dublin (City and County)
- ◆ **South West Region** **1890 222 425**
Clare, Cork, Kerry, Limerick

If you are calling from outside the Republic of Ireland please telephone +353 (1) 702 3011.

Please note that the rates charged for the use of 1890 (LoCall) numbers may vary among different service providers.

4 year time limit - A claim for tax relief must be made within 4 years after the end of the tax year to which the claim relates

Accessibility - If you are a person with a disability and require this leaflet in an alternative format the Revenue Access Officer can be contacted at accessofficer@revenue.ie

This leaflet is intended to describe the subject in general terms. As such, it does not attempt to cover every issue which may arise in relation to the subject. It does not purport to be a legal interpretation of the statutory provisions and consequently, responsibility cannot be accepted for any liability incurred or loss suffered as a result of relying on any matter published herein.

Revenue Commissioners
April 2012