Tax Treatment of Foster Care Payments

Part 07-01-31

This document should be read in conjunction with section 192B of the Taxes Consolidation Act 1997

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Overview

This instruction sets out the tax treatment of payments (sometimes known as 'boarding out' allowances) made to foster parents.

1. Exemption

Section 192B of the Taxes Consolidation Act 1997 provides a statutory exemption from income tax for payments made to a "carer". These payments are also exempt from the Universal Social Charge (USC).

2. Carer

A "carer" means an individual who is or was a foster parent or relative or who takes care of an individual on behalf of the Health Service Executive.

3. Payments

The payments that qualify for exemption are:

(a) payments made to a carer by the Health Service Executive in accordance with -

- article 14 of the Child Care (Placement of Children in Foster Care) Regulations 1995; or
- article 14 of the Child Care (Placement of Children with Relatives) Regulations 1995;

(b) payments made at the discretion of the Health Service Executive to a carer in respect of a child –

- who had been in the care of a carer until reaching the age of 18 years; and
- on whose behalf a payment referred to at (a) above was made to the carer until the child reached the age of 18 years; and
- who since reaching the age of 18 continues to reside with a carer; and
- who has not reached the age of 21 years or, where he or she has reached the age of 21, suffers from a disability or is in full time education, and the disability or full time education commenced before he or she reached the age of 21;

or

(c) payments made in accordance with the law of any other EU Member State which correspond to the payments referred to in paragraphs (a) or (b) above.