[15.1.29] Home Carer's Tax Credit

Section 466A Taxes Consolidation Act 1997

Updated January 2016

Reference Material:

Leaflet IT 66

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1. Introduction

The home carer's tax credit may be claimed by a married couple /civil partners where the carer spouse / carer civil partner (the "home carer") cares for one or more dependent persons. If the home carer has some income in his/her own right the tax credit may still be claimed (see "conditions" following). Only one tax credit is due irrespective of the number of persons being cared for. Relief in respect of a dependent person is granted to only one qualifying claimant.

This article outlines the conditions which must be met to claim the tax credit and the interaction between the credit and the increased standard rate band for dual income married couples /civil partners.

The tax credit for the year of assessment 2016 and subsequent years is €1,000.

For the years 2013-2015 inclusive the tax credit was €810

2. What are the conditions?

The conditions which must be met are as follows:

- The married couple / civil partners must be jointly assessed to tax - it does not apply where married couples / civil partners 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 Department of Social Protection Child Benefit is payable.

  (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 married couple / civil partners for the tax year. For rules regarding relatives, see paragraph 3.
- To obtain the full credit the home carer's income must not exceed €7,200 in the tax year. Where the income is between €7,200 and €9,200 some measure of relief will still be given.

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3. **Does a relative have to reside with the home carer?**

No. Dependent persons who are relatives 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 a person for whom the claimant acts as a legal guardian.

4. **How does the income of the home carer affect the tax credit?**

If the Home Carer's income does not exceed €7,200 in the tax year the full tax credit may be claimed. Where the income is between €7,200 and €9,200 some measure of relief will still be given. For the purposes of this tax credit, *income* is taken as income chargeable to tax such as income from a part-time job, rents, dividends etc., but does *not* include the Carer's Allowance payable by the Department of Social Protection. Income which is disregarded for tax purposes or which is exempted from the charge to tax is excluded.

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If the income of the home carer exceeds €7,200, the tax credit is reduced by one half of the income of the home carer that exceeds this limit

For example, for 2016:

Income of Home Carer	Reduction in credit (half of excess of income over cut off point)	Full credit less reduction ..	equals credit due
€7,200	(€7,200 - €7,200) = €0 ÷ 2 = €0	€1000 - €0 = 1,000	€1,000
€7,500	(€7,500 - €7,200) = €300 ÷ 2 = €150	€1,000 - €150 = €850	€850
€8,000	(€8,000 - €7,200 = €800 ÷ 2 = €400	€1,000 - €400 = €600	€600
€8,250	(€8,250 - €7,200 = €1,050 ÷ 2 = €525	€1,000 - €525 = €475	€475
€8,500	(€8,500 - €7,200) = €1,300 ÷ 2 = €650	€1,000 - €650 = €350	€350
€8,750	(€8,750 - €7,200 = €1,550 ÷ 2 = €775	€1,000 - €775 = €225	€225
€9,000	(€9,000 - €7,200) = €1,800 ÷ 2 = €900	€1,000 - €900 = €100	€100
€9,200	€9,200 - €7,200 = €2,000 ÷2 = €1,000	€1,000 - €1000 = 0	€0

If the income is €9,200 or more the Home carer's tax credit is not due.

5. 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 the limit 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 year. However, if the married couple /civil partners claim the increased Standard Rate Cut Off Point for dual income couples/ civil partners, the Home Carer's Tax Credit will not be due.

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Example 1

A married couple /civil partners are granted the Home Carer's Tax Credit for 2015. In 2016 the home carer takes up employment and earns €9,400. The tax credit will still be due for 2016, provided that the increased Standard Rate Cut Off Point for dual income couples /civil partners is not claimed and the other conditions for the tax credit are met.

6. Can married couples /civil partners claim both the Home Carer's Tax Credit and the increased standard rate tax band for dual income couples/ civil partners?

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

Note: For 2016, the Standard Rate Cut Off Point for dual income married couples / civil partners is €42,800 subject to an increase of up to €24,800. The increase is limited to the lower of €24,800 or the amount of the income of the spouse /civil partner with the smaller income. This increase is not transferable between spouses /civil partners.

[NB – figures for 2016 used throughout examples]

Example 2

Home Carer has no income.

Home Carer's tax credit of €1,000 is due.

Example 3

Home Carer has income of €7,500.

Therefore Home Carer's Tax Credit of €850 is due

i.e. €7,500 - €7,200 = €300 ÷ 2 = €150 restriction

€1,000 less €150= €850 Home Carer's Tax Credit

Spouse /civil partner has income of €30,000.

The increased Standard Rate Cut Off Point is not relevant as the combined incomes of the married couple /civil partners are below €42,800.

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Example 4

Home Carer has income of €6,800.

Spouse / civil partner has income of €40,000.

Calculate whether the Home Carer’s Tax Credit or the Increased Standard Rate Cut Off Point (SRCOP) is more beneficial.

Home Carer’s Tax Credit computation

Home Carer’s income is less than €7,200 so the full tax credit of €1,000 is due. The tax position is:

€42,800 x 20%	=	€8,560
€ 4,000 x 40%	=	€1,600
Total	=	€10,160
Less, Home Carer’s tax credit	–	<u>€1,000</u>
Tax (before relief for Personal tax credits)	=	€9,160

Increased SRCOP computation

The tax position is:

€46,800 x 20%	=	€9,360
Tax (before relief for Personal tax credits)	=	€9,360

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

Example 5

Home Carer has a salary of €9,300.

Spouse has income of €35,000.

The Home Carer’s tax credit is not due as the Home Carer’s income exceeds the limit of €9,200.

Example 6

Home Carer has investment income of €8,000.

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Spouse /civil partner has income of €41,500.

Calculate whether the Home Carer's Tax Credit or the increased Standard Rate Cut off Point is more beneficial.

Home Carer's Tax Credit computation

Home Carer has investment income of €8,000.

Therefore Home Carer's Tax Credit of €600 is due.

i.e €8,000 - €7,200	=	€800 ÷ 2
	=	€400 restriction
€1,000 less €400	=	€600 Home Carer's Tax Credit

€42,800 x 20%	=	€ 8,560
€ 6,700x 40%	=	€ 2,680
Total	=	€ 11,240

Less, Home Carer's tax credit of, €600

Tax (before relief for Personal tax credits) = €10,640

Increased SRCOP computation

The tax position is:

(€41,500+ €8,000) x 20% = €9,900

Tax (before relief for Personal tax credits) €9,900

The Increased Standard Rate Cut Off Point is more beneficial in this example.

7. Can employees working in Ireland on short term assignments claim the home carer tax credit in respect of a dependent child where the claimant is not in receipt of child benefit in this State?

The definition of "dependent person" in Section 466A(1) TCA 1997 includes at (a) a child in respect of whom either the qualifying claimant or his or her spouse / civil partner is, at any time in a year of assessment, in receipt of child benefit under Part IV of the Social

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Welfare (Consolidation) Act, 1993. Individuals on short term assignments normally remain within their home country social security system for the duration of their assignment to Ireland. Such individuals do not therefore claim child benefit under Part IV of the Social Welfare (Consolidation) Act, 1993. In such circumstances, if the claimant is in receipt of a similar type payment in their home country, Revenue is prepared to accept that condition (a) in Section 466A TCA 1997 is satisfied. The other conditions as set out in the section (for example, the child must reside with the qualifying claimant) must also be met.

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