Home Carer Tax Credit

Part 15-01-29

This document should be read in conjunction with section 466A of the Taxes Consolidation Act 1997

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Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

Table of Contents

1. Introduction

The Home Carer tax credit may be available to married couples or civil partners where one spouse/civil partner (the “home carer”) cares for one or more dependent persons.

From 1 January 2018, the maximum value of the credit is €1,200.

The table below shows the value of the Home Carer tax credit for the years 2011 to 2018:

Year	Amount of Credit
2018	€1,200
2017	€1,100
2016	€1,000
2011- 2015	€810

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

2. Conditions for the Home Carer Tax Credit

The conditions which must be met are as follows:

1. The married couple/civil partners must be jointly assessed to tax. No credit is available where married couples/civil partners are taxed under separate treatment as single persons.

2. The home carer must care for one or more dependent persons. A dependent person is:

    - a child for whom Department of Employment Affairs and Social Protection Child Benefit is payable;

    - a person aged 65 years or over; or

    - a person who is permanently incapacitated by reason of mental or physical infirmity.

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

3. The dependent person(s) must normally reside with the married couple/civil partners for the tax year. Certain exceptions apply where the dependent person is a relative. See Chapter 3 for further detail.

4. To obtain the full credit the home carer's income must not exceed €7,200 (€5,080 for 2011 to 2013) in the tax year. Where the income is over €7,200, a reduced credit may still be available (See Chapter 4 for further detail).

5. The couple must not claim the increased Standard Rate Band for Dual Income Couples in the year they wish to claim the Home Carer tax credit (See Chapter 6 for further detail).

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,
- 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, but not a spouse or civil partner.

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

From tax year 2016 onwards, where the home carer's income does not exceed €7,200 in the tax year the full tax credit may be claimed.

If the home carer's income is between €7,200 and €9,600 in 2018 a reduced tax credit is still available.

The table below shows the upper income limits for receiving a portion of the Home Carer tax credit.

Year	Maximum Home Carer Income
2018	€9,600
2017	€9,400
2016	€9,200

For the years 2011-2013, the income threshold for the Home Carer tax credit was €5,080. A portion of the credit was available where income was between €5,080 and €6,700 in a tax year.

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 Employment Affairs and Social Protection. Income which is disregarded for tax purposes or which is exempted from the charge to tax is also excluded.

If the income of the home carer exceeds €7,200 (€5,080 for 2011-2015) the tax credit is reduced by one half of the excess.

Examples of how the tax credit is calculated for different levels of income for the tax year 2018 are shown below:

Income of Home carer	Difference Between Income and €7,200	Half of Difference	Reduced Tax Credit
€7,200	€7,200 - €7,200 = €0	€0	€1,200 - €0 = **€1,200**
€7,450	€7,450 - €7,200 = €250	€250 ÷ 2 = €125	€1,200 - €125 = **€1,075**
€7,950	€7,950 - €7,200 = €750	€750 ÷ 2 = €375	€1,200 - €375 = **€825**
€8,200	€8,200 - €7,200 = €1,000	€1,000 ÷ 2 = €500	€1,200 - €500 = **€700**
€8,450	€8,450 - €7,200 = €1,250	€1,250 ÷ 2 = €625	€1,200 - €625 = **€575**
€8,700	€8,700 - €7,200 = €1,500	€1,500 ÷ 2 = €750	€1,200 - €750 = **€450**
€8,950	€8,950 - €7,200 = €1,750	€1,750 ÷ 2 = €875	€1,200 - €875 = **€325**
€9,050	€9,050 - €7,200 = €1,850	€1,850 ÷ 2 = €925	€1,200 - €925 = **€275**
€9,200	€9,200 - €7,200 = €2,000	€2,000 ÷ 2 = €1,000	€1,200 - €1,000 = **€200**
€9,400	€9,400 - €7,200 = €2,200	€2,200 ÷ 2 = €1,100	€1,200 - €1,100 = **€100**
€9,500	€9,500 - €7,200 = €2,300	€2,300 ÷ 2 = €1,150	€1,200 - €1,150 = **€50**
€9,600	€9,600 - €7,200 = €2,400	€2,400 ÷ 2 = €1,200	€1,200 - €1,200 = **€0**

For the year 2018, if the income is €9,600 or more the Home Carer tax credit is not due.

Example 4.1

Tom and Alan are civil partners and jointly assessed. Alan is a Home Carer to a dependent relative who lives less than 2km away. Alan has no personal income.

The couple are entitled to the full Home Carer tax credit of €1,200 in 2018.

Example 4.2

Kate and Allison are married and jointly assessed. Kate is a Home Carer to a dependent relative who lives less than 2km away. Kate earns €10,000 per annum of employment income.

The couple are not entitled to the Home Carer tax credit as Kate’s income is above the upper income limit for the credit.

Example 4.3

John and Mary are married and jointly assessed. Mary has been a Home Carer to a dependent relative who has lived with John and Mary since 2015. John has income of €30,000 per annum. Mary has annual income of €7,500 per annum.

Mary has been entitled to the following Home Carer Tax Credits for the past 4 years:

2018

Home Carer Income:	€7,500
Difference between €7,500 and €7,200:	€300
Half of the Difference/Excess	€150
Home Carer Tax Credit Due (€1,200 - €150):	€1,050

2017

Home Carer Income:	€7,500
Difference between €7,500 and €7,200:	€300
Half of the Difference/Excess	€150
Home Carer Tax Credit Due (€1,100 - €150):	€950

2016

Home Carer Income:	€7,500
Difference between €7,500 and €7,200:	€300
Half of the Difference/Excess	€150
Home Carer Tax Credit Due (€1,000 - €150):	€850

2015

Home Carer Income:	€7,500

The income is in excess of €6,700 (the upper income limit for 2015). Therefore, no Home Carer tax credit is due in 2015.

Note: As the combined income of the couple is below the Standard Rate Cut-Off Point for 2015-2018, the increased Standard Rate Band does not need to be considered in Example 4.3.

5. What happens if the tax credit is granted and in the next year the home carer's income exceeds the limit?

If a home carer's income exceeds the upper income limit in a year (€9,600 in 2018), 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 a married couple/civil partners claim the increased Standard Rate Band for dual income couples in a year after the Home Carer tax credit was claimed by the couple, the Home Carer tax credit will not be due in that year.

Example 5.1

Anna and Tom married in 2000 and are jointly assessed. Anna has been a Home Carer since 2007 and qualified for the Home Carer tax credit from 2007 to 2017. In 2018, Anna intends to take up employment, which will pay her more than €9,600 in 2018.

The Home Carer tax credit will still be due to Anna and Tom in 2018 if they do not claim the increased Standard Rate Band in 2018 and the other conditions for the credit are met in 2018.

The credit will be limited to the amount Anna and Tom were able to claim in 2017. If Anna continues her employment and continues to earn income in excess of €9,600, Anna and Tom will not be able to claim the credit again in 2019.

6. Home Carer Tax Credit vs. Increased Standard Rate Band for Dual Income Couples

A couple cannot claim both the Home Carer tax credit and the increased Standard Rate Band for dual income earners in a year. They may claim whichever of the two is more beneficial. In practice, Revenue will grant the more beneficial treatment.

Note: For 2018, the Standard Rate Cut-Off Point is €43,550 for dual income married couples/civil partners subject to an increase of up to €25,550. The increase is limited to the lower of €25,550 or the amount of the income of the spouse/civil partner with the smaller income. This increase is not transferable between spouses/civil partners.

Example 6.1

Mark and Andrea are married and jointly assessed. Mark is a Home Carer with no personal income. The couple have qualified for the Home Carer tax credit since 2011. Mark plans to take up employment in 2018 where he will earn an annual income of €6,800 per annum.

Mark and Andrea are unsure if it would be more beneficial to claim the Home Carer tax credit for 2018 or if they should claim the Increased Standard Rate Band instead. Andrea earns €40,000 per annum.

Tax Computation if Home Carer Tax Credit is claimed:

Note – Mark's income is less than €7,200 so the full tax credit of €1,200 is due

€43,550 x 20%	€8,710
€3,250 x 40%	€1,300
Total	€10,010
Less Home Carer Tax Credit	€1,200
Tax Due (before relief for Personal tax credits)	€8,010

Tax Computation if Increased Standard Rate Band is claimed:

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

The Home Carer tax credit is more beneficial for Mark and Andrea.

Example 6.2

Alice and John married in 2015 and are jointly assessed. Alice has no employment income and is a Home Carer for her children. Alice made a number of investments in 2017 with her personal savings and will receive investment income of €8,000 from these investments in 2018.

Alice and John are unsure if it would be more beneficial to claim the Home Carer tax credit for 2018 or if they should claim the Increased Standard Rate Band instead. John earns €41,500 per annum.

Tax Computation if Home Carer Tax Credit is claimed:

€43,550 x 20%	€8,710
€5,950 x 40%	€2,380
Total	€11,090
Less Home Carer Tax Credit	€800
Tax Due (before relief for Personal tax credits)	€10,290

Tax Computation if Increased Standard Rate Band is claimed:

€49,500 x 20%	€9,900
Tax Due (before relief for Personal tax credits)	€9,900

The Increased Standard Rate Band is more beneficial for Alice and John.

7. Employees in Ireland on short term assignments - Availability of Home Carer Tax Credit for Dependent Children

The definition of “dependent person” in Section 466A(1) TCA 1997 includes:

“(a) a child in respect of whom either the qualifying claimant or his or her spouse or civil partner is, at any time in a year of assessment, in receipt of child benefit under Part 4 of the Social Welfare Consolidation Act 2005.”

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, 2005. 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.