Business

Tax break: Many carers are unaware of the valuable tax reliefs that can save them a lot of money

The tax reliefs that can put some extra cash in the pockets of carers

Advice
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Most people will be aware of the various tax reliefs and credits that relate to the care and maintenance of dependent relatives, but many are unclear as to when and how these reliefs can be claimed.

Occasionally, I have encountered people who were totally unaware of the existence of certain valuable reliefs that could have applied to them and could have saved them a lot of money. In this article I will deal with the following reliefs,

- Dependent relative tax credit
- Incapacitated child credit
- Home Carers Tax Credit
- Employing care.
- Home Nursing
- Nursing Home fees

DEPENDENT RELATIVE TAX CREDIT

Over the years I have frequently found that the dependent relative tax credit has escaped peoples' attention.

This is usually because the relative may only recently have satisfied the criteria to qualify as dependent and it did not occur to them to inform their accountant of the fact.

In some instances, I encountered people simply were not aware of the relief.

Up until the 2020 Finance Act the credit was only worth €70 but from 2021 onwards it has been increased to €245 which is not an insignificant sum to lose out on.

An individual may claim the tax credit if he or she maintains a qualifying relative where that relative is incapacitated by old age or infirmity from maintaining themselves.

The income of this relative must not exceed €15,740 for the year 2021.

The people who qualify as dependent relatives are as follows:

- A relative of the claimant, or of the claimant's spouse or civil partner where that relative is incapacitated by old age or infirmity from maintaining himself or herself.
- The widowed father or widowed mother of the claimant or of the claimant's
- Spouse or civil partner whether incapacitated or not
- A son or daughter of the claimant on whose services the claimant, by reason of old age or infirmity, must depend.

It is worth noting that once the rules as referred to above are observed the dependent relative does not necessarily have to reside in the same house as the claimant or indeed in the same country.

INCAPACITATED CHILD TAX CREDIT

A tax credit of €3,300 is available in the case of a child who is permanently incapacitated by reason of mental or physical infirmity.

The incapacity must be such that the child is unlikely to maintain themselves even with the benefit of any treatment, device, medication or therapy.

For the purposes of this credit, 'maintaining' means the ability to support themselves by earning a living from working.

In the vast majority of cases, the claimant will be the child's parent(s) but if you are not the parent of the incapacitated child, you must have custody of the child and maintain the child at your own expense.

Only one Incapacitated Child Tax Credit may be claimed in respect of an incapacitated child. If your child is maintained by more than one person, the tax credit is divided between them.

HOME CARER TAX CREDIT

You can claim the Home Carer Tax Credit worth €1,600 if you are married or in a civil partnership, and you care for one or more dependent persons.

To claim the full credit, your income cannot exceed €7,200 per annum and you must be jointly assessed for tax.

You can only claim one credit, regardless of the number of people you care for and you cannot claim this credit if the dependent person is your spouse or civil partner.

The dependent person you care for must be either a child for whom you receive child benefit or, a person aged 65 years or over or a person who is permanently incapacitated.

Employing a carer for yourself or to care for a family member can be fully tax allowable. A family member is a spouse, civil partner, child or a relative, including a relation by marriage or civil partnership.

The person does not have to live with you but must reside within 2 km of your home.

EMPLOYING CARE

Employing a carer for yourself or to care for a family member can be fully tax allowable. A family member is a spouse, civil partner, child or a relative, including a relation by marriage or civil partnership.

You can employ the carer directly or you can use an agency that employs carers. If you employ the carer yourself, you should register them for tax and PRSI as an employee.

You will also have other duties and obligations as an employer regarding hours of work, contracts of employment, holidays etc.

The cared for person must be totally incapacitated for the complete tax year in which you are claiming the tax relief but the carer does not have to be employed for the full tax year.

The term totally incapacitated means the person is disabled and requires a carer.

The maximum allowed for tax relief purposes is €75,000. It should be noted that you cannot claim tax relief for employing a carer if the carer only carries out housekeeper duties.

Where this relief is being availed of you cannot also claim Dependent Relative Tax Credit or an Incapacitated Child Tax Credit.

HOME NURSING TAX RELIEF

You may also claim full tax relief on up to €75,000 per annum for home nursing. If you, or a family member has a serious illness and you employ a qualified nurse, you must provide the Revenue Commissioners with:

- The name, address and qualifications of each nurse providing care
- Receipts for all payments made to the nurses
- A medical certificate from a doctor (either your GP or consultant) stating the nature of that illness and confirmation that constant nursing care by a qualified nurse in the patient's home is required.

NURSING HOME CARE

The cost of nursing home care is allowable in full against income tax at your marginal rate regardless of whether the cost of care is for yourself or another person. There is no limit to the amount you can claim.

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