

ESC 19 Foster Care Payments

Under the Taxes Ordinance, there is no provision for a specific allowance against tax for foster care payments which are therefore treated as self-employment income, with expenses that are wholly and exclusively incurred for the purpose of providing foster care being offset against the payments to work out the taxable income.

It is recognised it can be difficult for FIG approved foster carers to evidence the expenses wholly and exclusively incurred for foster caring. From 2011, the Commissioner was prepared to accept an amount per year as expenses automatically with FIG approved foster carers able to claim additional relief if they show they incur expenses above the amount set.

ExCo has signalled their intention to change the policy for all foster care payments (including remuneration elements) to be exempted from tax in due course. The change in policy when confirmed would be put under the statutory footing when an appropriate legislative vehicle is available.

In the interim, the Commissioner of Taxation can treat all FIG approved foster care payments as expenses, this concession gives taxpayers a reduction in tax liability to which they would not be entitled under the strict letter of the law. The concession is to be applied retrospectively from tax year 2014 onwards.