

# Tax & National Insurance Made Easy for Foster & Shared Lives Carers.

Everything you need to know about managing  
your tax and National Insurance.



Your selfless commitment to fostering is invaluable, and we understand that managing your finances may sometimes take a back seat. That's where our specialised accounting services come in.

In partnership with

**The  
Fostering  
Network**



## Making Tax Simple for Foster & Shared Lives Carers.

With over 80 years of combined experience, our growing team of Foster Carer Tax Specialists has proudly supported the fostering community for more than three decades.

As an independent practice of Business Advisors and Accountants, we work with Foster Carers across the UK as part of a respected national group. At Xeinadin, we know all the quirks of fostering and can give you sound advice on any financial matter; there is nothing about fostering tax and accounts that we don't know!

We work in close partnership with The Fostering Network, ensuring our services stay aligned with the needs of the sector and the carers who make it all possible.

### In This Guide.

- ✓ Unique tax rules for foster carers, HS236, and registering as self-employed
- ✓ Key dates
- ✓ National Insurance for carers
- ✓ How we can help





## Unique Tax Rules for Foster Carers, HS236, and Registering as Self-Employed.

Foster Carers and Shared Lives Carers are self-employed, which means you need to be in the Self-Assessment system and complete a Self-Assessment Tax Return each year.

To do this, you need to register as self-employed with HMRC. You will need to apply for a Government Gateway/Personal Tax Account: <https://www.gov.uk/register-for-self-assessment>

There is a special set of tax rules in place for foster carers and shared lives carers, which means carers are not required to keep complex books and records like other self-employed businesses. Traditional accounting methods can be applied to fostering income; however, this is not likely to produce a tax saving and is unlikely to be time efficient for most busy carers!

### What are the special rules?

The special rules are known as Qualifying Care Relief, and detailed information can be found on the HM Revenue and Customs help sheet HS236.

The total amount of money received from the Fostering Service in the tax year is treated as total income, also known as Turnover.

From the total income, carers can deduct Qualifying Care Relief (QCR), which are allowances based on the length of time fostering and children cared for based on their age.

QCR is made up of two parts. The following are the rates for the 2025/26 tax year:

- ✓ Deducted is an initial household allowance of £19,690 per annum.  
This does not change for a couple, but may be proportioned
- ✓ Further allowance of £415 per week for a child below the age of eleven or £495 per week for children over eleven

In terms of allowances, each week runs from Monday to Sunday.

If the QCR exceeds the income received, you do not need to enter any figures on your Tax Return. You only need to 'tick' the box to say that you are a Foster Carer or Shared Lives Carer

If QCR is less than total income received and the taxable element has been calculated, this can then be inputted onto your Tax Return

QCR is now increased annually and is increased by the CPI, so you will need to check the rates annually when completing your tax return.





## Key dates.

Understanding the key dates and deadlines set by HMRC will help you avoid penalties and ensure your tax affairs are kept in order. The UK tax year runs from **6 April to 5 April**, and your Tax Return must cover all relevant income during this period, including any qualifying care receipts.

Below is a guide to the essential submission deadlines, payment schedules, and potential penalties that may apply if deadlines are missed. Keeping track of these dates will help you stay compliant and avoid unnecessary charges.

### Tax Return Submission Deadlines

- ✓ Online Submission: Deadline is **31 January** after the end of the tax year
- ✓ Paper Submission: Deadline is **31 October** after the end of the tax year

### Payment Deadlines

- ✓ Tax and National Insurance are due by **31 January** following the end of the tax year
- ✓ Payments on Account may apply if your total tax liability exceeds £1,000:
  - 1st payment: **31 January**
  - 2nd payment: **31 July**

Failure to meet deadlines set by HMRC will result in penalties and late payment charges being raised.

We can help you to avoid this.

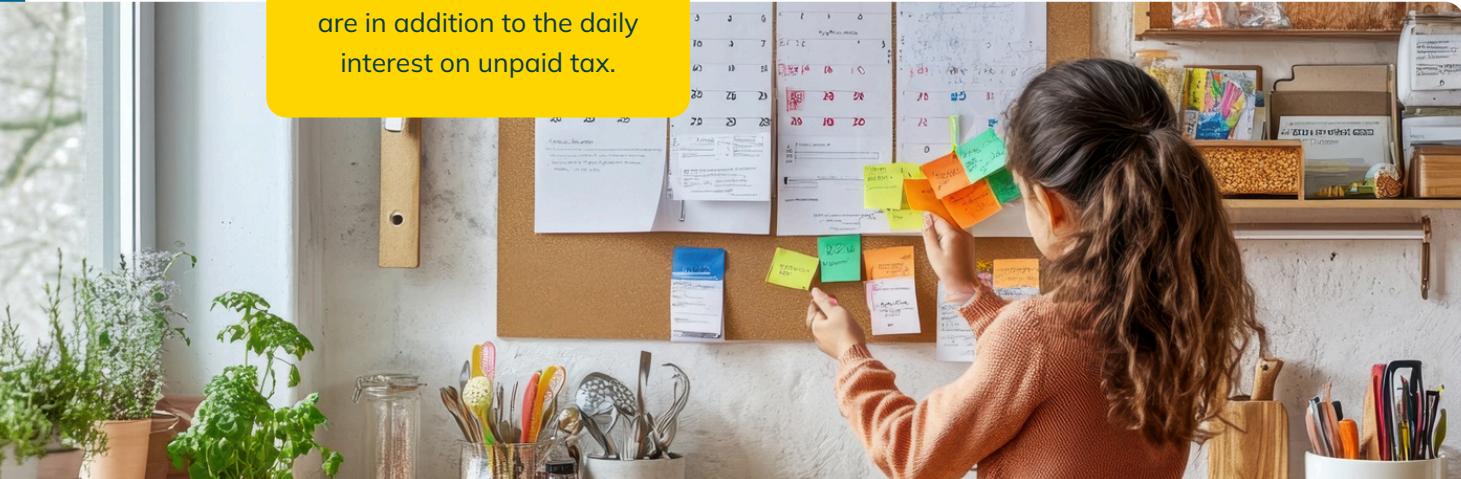
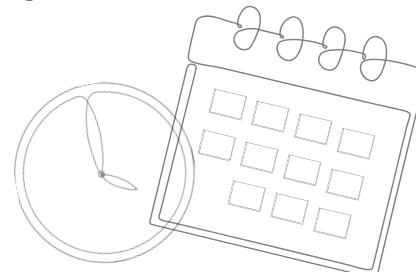
### Penalties for Late Filing

- ✓ Missed Deadline: £100 penalty
- ✓ Over 3 Months Late: Additional £10 per day (up to 90 days = £900 max)
- ✓ 6 Months Late: Extra £300 or 5% of tax due (whichever is greater)
- ✓ 12 Months Late: Another £300 or 5% of tax due (whichever is greater)

### Late Payment Surcharges

- ✓ 30 Days Late: 5% of the outstanding tax.
- ✓ 6 Months Late: Additional 5%.
- ✓ 12 Months Late: Another 5%.

Note: These surcharges are in addition to the daily interest on unpaid tax.





## Understanding National Insurance for Foster and Shared Lives Carers.

National Insurance (NI) is a UK tax on earnings that helps fund vital public services such as the NHS, the State Pension, and other social security benefits. Everyone who works — whether employed or self-employed — contributes to the system, and in return, they gain access to certain benefits and entitlements. You are only required to pay National Insurance until you reach State Retirement age. Currently, to receive the new state pension, individuals need 35 qualifying years of contributions to get the full state pension.

As a foster carer, you are classed as self-employed for tax purposes. This means you are responsible for managing your own National Insurance contributions (NICs) and ensuring your record is maintained to protect your future benefit entitlements, including the State Pension.



Here's what you need to know:

### Self Assessment & National Insurance

- ✓ Foster carers must register for Self Assessment and submit a tax return annually
- ✓ NICs are calculated and paid alongside your tax through the Self-Assessment system

### Types of National Insurance Contributions

- ✓ Class 2 NICs (2025/26)
  - Paid voluntarily if your profits are under £6,845 per year
  - Cost: £3.50 per week
  - Helps protect your entitlement to the State Pension and other benefits

If profits exceed £6,845, your record is credited automatically — you don't need to pay Class 2 manually

- ✓ Class 4 NICs (2025/26)
  - Applied automatically on self-employed profits
  - Rates for 2025/26:
    - 6% on profits between £12,570 and £50,270
    - 2% on profits over £50,270

Important: Class 4 NICs do not count towards your State Pension or other benefit entitlements — they are simply a tax on profits



## National Insurance Credits for Foster Carers.

National Insurance Credits are available for Foster Carers and can help Foster Carers maintain their National Insurance record, which is important for qualifying for certain benefits, including the state pension.

As a Foster Carer, you can apply for Class 3 National Insurance credits, and these credits count towards your state retirement pension. These credits can be applied for online via [www.gov.uk](http://www.gov.uk), or by post using the form Application form for credits for parents and carers, CF411A.



Contact our  
Fostercare Tax  
Team today

## Get In Touch.

Xeinadin offer a fixed-fee, tailor-made Tax Return service designed specifically for Foster Carers and Shared Lives Carers. Our dedicated Fostering Team, headed up by Joanne Thompson, understands the specialist tax rules that apply to caring roles.

Whether you're new to fostering or an experienced carer, we're here to support you every step of the way. Contact us today for further assistance or to book your tax return service.

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**Joanne Thompson**  
Head of Fostercare | Xeinadin





## Supporting Foster Carers Together: The Fostering Network and Xeinadin Partnership.



The Fostering Network, your membership organisation, is delighted to partner with Xeinadin, a leading practice of accountants and tax advisers, to bring expert financial support to our foster carer members.

Through this exciting partnership, foster carers will have access to:

- ✓ A **fixed-fee tax return service** designed specifically for foster carers.
- ✓ An **exclusive 5% discount on the fixed-fee service** for new customers joining between April and September.
- ✓ **Free webinars and practical advice on tax**, National Insurance, and benefits—helping you navigate your finances with confidence.
- ✓ **Tailored online resources**, including a dedicated FAQ section on our website, created to answer your most common tax questions.
- ✓ Opportunities to **meet Xeinadin experts** at our events and conferences.

You'll also see helpful articles from Xeinadin in our Foster Care magazine and our Foster Carer E-newsletter, as well as content on our social media channels, keeping you informed and supported throughout the year.

This partnership reflects our ongoing commitment to helping foster carers manage the financial aspects of fostering life, making it easier for you to focus on what matters most: changing children's lives.





# We are **XEINADIN**

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