

Information about Tax for Childminders

Disclaimer – the information contained in this document has been checked as accurate as of March 2010 and is offered in good faith. However, none of the authors of this document are tax officers or accountants and we can only give information which has been checked as accurate with the tax office / NCMA as appropriate.

If you are unsure about any of the information given in this document, please check with your local tax office first.

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Childminders are self employed, not employed. They are contracted with parents to provide a service, but they are not employees of the parents. Childminders are responsible for their own income, tax and national insurance contributions.

Income and expenses

The Inland Revenue has worked with the NCMA to agree an easy way of working out expenses. All Childminders can use this method to claim for any expenses which arise directly out of Childminding activities, you do not need to be an NCMA member.

Inland revenue

All childminders are self-employed and are legally required to keep written records for self-assessment purposes. It is also a legal requirement to register for tax and National Insurance (or to apply for exemption as discussed below).

All the records must support the figures that are entered on the tax return.

Records must show 3 figures...

Gross income – details of money received from parents/carers and any extras such as money for milk subsidies or grants;

Expenses – money spent on running the Childminding business (more information to follow);

Net income – this figure is gross income less expenses.

Note – there may be other information required by the self assessment form such as taxable benefits and details of bank interest but this is not directly related to childminding.

Customs and excise

Notice 701/31 (March 2002) confirms that childcare provision registered and inspected under the Children Act (1989) and Care Standards Act (2000) are exempt from VAT. This means that you do not need to register for or pay VAT.

Tax threshold

This is the amount of money you are legally allowed to earn before you have to pay tax. This is not just calculated from childminding net income. It will also be calculated from any other income or earnings such as bank interest or if you receive rent for a property.

- £6475 for 2009 – 2010
- £6475 for 2010 - 2011

If you earn (after expenses) from £37,401 (2009 / 10 figure) you will be placed in the higher tax band of 40%.

National insurance

Contributions are usually Class 2 and for 2009/10 set at £2.40 a week. You can pay monthly by direct debit or by quarterly bill. They count towards payments such as the basic state pension, the employment and support allowance, maternity allowance and bereavement benefits.

You might be able to request an exemption certificate for low earnings if your net earnings (after tax) are below £5,075 in 2009-10. You should ask advice before doing this and check your State Pension is not affected by requesting a State Pension Forecast.

If you earn more than £5715 you will need to pay Class 4 NI as well. For more details, see <http://www.hmrc.gov.uk/rates/nic.htm>.

Financial information and Ofsted

Ofsted have a legal duty to register and inspect Childminders. However they do not have a right to inspect your financial information.

Financial information and the Inland Revenue

The Inland Revenue have the right to inspect your book keeping at any time. If you are unsure about any of your expenses or whether something should be put down as income etc it is best to get advice rather than get it wrong!

Keeping accurate records

This information is taken from the IR website. It states that there are three things to remember when keeping records –

1 Set up a system - choose a system that you are happy with and confident to use. You can use your normal bank account so long as your records are clear about what money is yours and what money comes from other sources.

Put all your receipts in an envelope as soon as you get them so you can work through them when you have some free time.

A tip from a friend is to put a notebook in your car and jot down all mileage, little bits you buy when you are out etc as it happens;

2 Keep records throughout the year - it is helpful to keep records up to date, on a weekly or monthly basis.

Keep all the receipts from purchases made (over £10) and records of all payments received by parents / carers;

3 Keep records safe – keep records for at least 8 years to the end of January in your current working tax year as the tax office may ask to inspect them if there is a query over tax in the future. If you keep computer records, then the original, hand-written ones must also be available to comply with tax office regulations

If your records are lost or destroyed you must contact the Inland Revenue for advice.

Using a computer

The Tax Office states, 'If you transfer details from paper records onto a computer, you will still normally have to keep the original paper records unless you microfilm them or use an optical imaging system'

How much tax will I have to pay?

If you have to pay tax, it will be worked out on any income over your tax threshold (see above).

Tax is worked out at 20% of every pound earned over the threshold... so 20p in £1 goes to the tax man.

So, example 1...

You have earned a total of £3,000 childminding after your expenses... you will not have to pay any tax;

Example 2...

You have earned a total of £8000 childminding after your expenses... £6475 of that is yours to keep... you pay 20% tax on £1525.

Paying your tax

Debbie tells me that if your tax bill comes to over £1000 you will be required to pay 50% at the end of January in your current year, in addition to your current months tax, as a pre payment to the following year and another 50% in July.

What dates do I need to cover?

The tax year runs from the previous April to the current April, so don't give any figures that relate to income/expenditure outside of these dates, **except** when you are first starting out and have incurred expenses to set up and to comply with Ofsted requirements.

Initial expenses

Then you can claim the following (and any more you have recorded in your expenses book) –

- Accident book
- Advertising costs
- Application / registration fee
- Buggies
- Car seats
- Complaints book
- Contracts printing
- Cost of moving locks on doors and making good
- Doctor's fee (unless covered by start-up grant)
- Fencing needed to make the garden safe
- Fire blanket
- Fireguard
- First Aid boxes and contents – house, car and for outings
- Grill covers for drains
- Multicultural / disability resources
- NCMA membership & insurance or Morton Michel insurance
- Padlocks for garden gates
- Play equipment (indoor and out) incl books and drawing supplies suitable for the age of children to be minded
- Public liability insurance
- Reins or wrist straps
- Socket covers
- Stair gates
- Warning stickers on patio doors

This list is not exhaustive...

Ongoing expenses

Once up and running, you can claim for the day-to-day expenses incurred in running your business from home. The following is based on a 40 hour working week for any number of children –

- Accountant fees (if you choose to use one);
- Assistants / co-childminders – wages and extra expenses;
- Baby cutlery/crockery if you do not already have that available;
- Boiler or other maintenance agreement (33% annual charge);
- Books – for professional development and children;
- Broadband – put through a percentage if you would not have invested in broadband otherwise;
- Buggy – purchased for use by a new / growing minded child;
- Car – either the business percentage of your costs - MOT, cleaning, valeting, car wash, service, repairs, rescue (RAC / AA etc) etc and calculate the business percentage based on the business mileage you have done. Cars purchased prior to April 2009 were able to claim 20% towards their value but cars purchased from April 2009 could only claim 10% unless their vehicle was less than 167bpm (omissions) at which time it will stay at 20%. Thank you to Debbie for this information.

OR petrol / diesel at £0.40 per mile. The 40p a mile covers the cost of running and maintaining the vehicle and depreciation. It does not cover parking fees, congestion or motorway charges etc – claim if these are for business use.

Whichever you claim, you must keep petrol receipts.

When you have decided whether you are claiming depreciation / costs OR mileage, you must continue with this method until you change your car, you cannot chop and change;

- Carpet cleaning - for the rooms you use for minding only;
- Car seats – purchased for use by a new / growing minded child;
- Cleaner – if you only employ a cleaner because you are childminding and only for the childminding portion of the house cleaned;

- Clothing – I have always understood that if you have clothing with logos on it for work wear only then you can claim these as expenses. However, a recent Inland Revenue document states that clothing is not an allowable expense;
- Computer software / printer cartridges / paper purchased for the use of the children in your care or for you when making up your paperwork;
- Contracts – and other paperwork bought from NCMA or Morton Michel;
- Council tax (10% of annual bill);
- Courses including First Aid - travel to and from courses, food if not provided, plus an extra 5p a mile if you are giving a colleague a lift;
- Days out – to the park (including entry costs and ice-creams once there), seaside, zoo, swimming pool, birthday parties, cinema etc, not forgetting the mileage (petrol consumption);
- Drawing / writing / painting equipment to replenish stocks;
- E-books and other online purchases to support your professional development;
- Electricity (33% of annual bill) including food preparation (or gas as appropriate);
- Electronic toys – eg Game Boys, WII etc can be put through as expenses only if they are used by the childminded children and then only for the percentage they are used;
- Equipment (normal or specialist), if needed for a child from a different age group or to comply with a disability request;
- First aid equipment to re-stock cabinet;
- Food, drinks and milk used for minded children. If you make batches of food for the whole family and use half for the minded children, claim half the cost of your expenses. It might be useful to keep food receipts for a few weeks every so often to check what you are charging as expenses is right.

Note – you do not need food receipts for the Inland Revenue BUT you must keep them for Environmental Health inspectors to view on request;

- Garden improvements – secure fencing, resources etc;
- Gardener – if you only employ a gardener because you are a childminder to help you meet the requirements that children have daily access to outside play;
- Gas (33% of annual bill);

- Insurance – Debbie clarified this by speaking to David Brethton from the IR Technical Team (0161 9319 0704) who advised that whilst there is no agreement for childminders to claim household/contents insurance, either individually or with the NCMA, it would be reasonable to claim 10% for both;
- Insurance – childminding from either NCMA or Morton Michel. If you also pay NCMA membership fees, they can be claimed;
- Magazines – professional ones to keep up-to-date on minding issues;
- Membership to eg RSPB or Nature Detectives;
- Milk – if you claim for nursery milk, then you must put the amount you have claimed through your books as income, offset by the amount you have paid as expenses;
- Mobile phone – it is a legal requirement of the EYFS that you carry a mobile phone and you can claim for all childminding related calls but you must be able to show them on a list of calls / texts made;
- Mortgage – payments are not deductible;
- Ofsted annual fee;
- Outings – including entrance fees, food (for you as well as minded child), ice creams, extra drinks purchased etc. See notes about no receipt needed below;
- Oven cleaning – if you have it done to help you meet Health and Safety requirements;
- Photographs printed for parents, used in setting for evidence etc;
- Presents, wrapping paper and cards for the children’s birthdays, Easter, Christmas (a reasonable amount);
- Public transport fares – if you do not drive but take children on outings using buses or trains or if you go on special outings using public transport;
- Rent on property used for minding (10% of annual charge);
- Safety alterations as required by Ofsted after inspections;
- Safety equipment recognised as needed when doing risk assessments;
- Stationery including stamps, pens, pencils, rubbers, envelopes, cash book, receipt book, medication / first aid and other record book, photocopying etc;
- Suite cleaning – for a sofa in a childminding room;
- Subscription fees to any Childminding groups;

- Sundries – percentage used for childminded children of cotton wool, hand towels, kitchen rolls, dustbin liners, gloves, disinfectant, washing-up liquid etc;
- Teenage help – if you pay your child to help you with eg putting toys away or clearing after meal times, this amount can go through as an expense. However, your child may need a work permit. Contact your local authority for more information;
- Telephone rental (1/10th of annual bill) - as it is a requirement for fire regulations that we have a phone. If you claim for telephone calls, you must be able to prove you have made them;
- Television - you can only claim expenses for the capital allowances on a television set, if the television is wholly and exclusively used for childminding. If you claim for the cost of your television set, you must be able to show that you only use the television in your childminding work (thank you to Debbie for clarifying this one);
- Television licence – the consensus seems to be that you cannot claim for this any more;
- Toiletries including nappies if supplied, wipes, toilet paper etc;
- Toys – purchased if you take on a new child from a different age group or to follow a child's interests;
- TV – extended services such as Sky, Virgin or similar (up to ½ annual cost) - if you would not have bought this otherwise;
- Unexpected expenses would usually go under wear and tear;
- Water rates (10% of household charge);
- Wear and tear on household furnishings (1/10th of your total income before any other deductions);

Note – due to differing opinions on claims relating to gas / electricity / water rates / council tax Debbie contacted Vanessa at NCMA for clarification. Vanessa confirms that when working out your percentages it is on the YEARLY cost and NOT excluding holidays. This list is far from exhaustive...

Please remember the above figures are for full time working. If you work part time, you will need to use different percentages, as follows...

Hours worked	Heating Lighting	Water rates council tax and rent
10	8%	2%
15	12%	4%
20	17%	5%
25	21%	6%
30	25%	7%
35	29%	9%
40	33%	10%

No receipt needed

Here are some ideas for expenses which do not require a receipt because they are less than £10... however this is less than £10 on one day.

So if you have been on an outing and the lunch is £7, bread for the ducks is £2, ice creams are £5... then you have spent over £10 and according to the Inland Revenue, you now need receipts...

- Bread for ducks;
- Car boot bits and bobs;
- Car parking;
- Charity shop buys;
- Comics for the children;
- Drinks when out;
- DVD rentals;
- EBay bits and bobs;
- Headlice treatments;
- Ice creams on outings;
- Library purchases;
- Nuts for birds;
- Pound shop crafts;
- Your children's toys which you buy back from them;
- Seeds for the garden;
- Toddler fees etc.

This list is far from exhaustive...