

Children in Care Collective

Information Sheet



Foster Carer Allowances – Advice from the ATO

This information sheet sets out the results of the discussion with the ATO about the expenses of foster carers supporting more complex children (advice at August 2019).

The Children in Care Collective approached the Australian Tax Office (ATO) to develop an understanding of what payments to carers of children with complex needs may be justifiable as non assessable income. The aim is to have a system wide level agreement on these expenses, rather than agencies needing to obtain individual advice as is currently occurring.

The Children in Care Collective is supportive of the widespread development of the paid professional foster care workforce. It also believes that legitimate expenses should be paid, and that these payments to carers of children with complex needs should be more reflective of their actual expenses rather than linked to historic assessments of the costs of general foster care as determined by average household expenses.

Foster carers are critical to undertaking and achieving the significant government, and societal, aim of caring for vulnerable children where it is not safe for those children to be raised in their family. With increased efforts to properly target which children need to be taken into care and a recognition of the need to respond to the trauma held by any one of those children, there has been an increase in expectations on carers and the costs incurred in looking after children with complex needs.

There are international examples where carers are treated as paid professionals and in Australia there are pilot programs testing the approach. The Australian pilots have identified barriers to implementing a paid professional model, particularly related to the employment status of carers. Treated as 'employees' carers are subject to the terms and conditions of employment under the *Fair Work Australia Act 2009* and payments that they receive may be taxed.

With a few exceptions, foster carers in Australia are not paid a salary but are reimbursed for some of the anticipated expenses incurred in caring for children. In line with the provisions of S. 15-2 of the *Income Tax Assessment Act 1997* and the relevant Tax Determination (TD2006/62) this reimbursement is not considered assessable income for taxation in the following circumstances:

- the foster care is provided to children unable to live with their parents
- the payments are made to help meet the costs associated with providing the care
- volunteer foster carers are not employees of foster care agencies
- the payments are not received as part of a business of providing foster care.

The ATO has acknowledged that the items in the following checklist would be acceptable non-taxable allowances paid to carers of children with complex needs. They note it is not an exhaustive list and would consider other items if and when required.

Check list of non-taxable allowances for foster carers*

<p>Housing Rent/mortgage payment for larger than normal house, (e.g. 5 bedrooms even if only 2 children) Water Electricity Gas</p> <p>Food and non-alcoholic beverages Groceries</p> <p>Recreation and culture Leisure activities Sporting activities Cultural support and connection costs Contact with birth family, which can require supervision at a cost Gifts for family members Holidays Passport Driving lessons Pocket money</p> <p>Transport Car lease, e.g. \$30k car Servicing and repairs Car seats and child restraints Petrol Tolls</p> <p>Furnishings, household equipment and furnishings Leaving care set up costs</p> <p>Insurance and financial services Home insurance Damages not covered by insurance, where a child's behaviours resulting in damage are trauma based Car insurance</p>	<p>Health Basic medical, dental and pharmaceutical Personal care/hygiene Psychiatry/psychology/mental health support/counselling/behaviours support Specialist therapies (optical/disability supports/aids, occupational therapy, speech therapy etc)</p> <p>Education Additional tutoring due to behaviours and catching up School expenses (fees, excursions, etc) Day care, out-of-school hours care, holiday camps/vacation care Devices, e.g. laptop/iPad</p> <p>Clothing and footwear Clothes Shoes School uniform Sports uniform</p> <p>Communication Telephone Mobile phone and data</p> <p>Contingency</p>
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* Other items could be considered as long as they meet the conditions in TD2006/62.