

Registered Childminder Accounts – Allowable Business expenses

Registered Childminders and Self Assessment

Registered childminders will generally be Self Employed running their business from their own domestic premises and therefore need to register with the Her Majesty's Revenue and Customs (HMRC). This must be done within 3 months of becoming self employed or a penalty may be imposed. You are responsible for keeping accurate tax and business records regardless of whether you need to pay income tax or not.

Self Assessment

1. You must tell HMRC that you are Self Employed
2. Develop a good system for recording income and expenditure related to the business
3. Maintain appropriate records which include details of any money you receive or spend in your work as a childminder
4. Keep all receipts for amounts over £10 (HMRC requirements)
5. Receipts for individual items costing less than £10 will not be required, however if you purchase several items coming to over £10 at one time you should keep the receipt
6. There is a legal requirement to keep receipts for all food items purchased.
7. It is good practice to keep receipts for all amounts even £1 for parking – these add up!
8. Keep records as evidence of finances to support figures entered onto your Tax return
9. Retain records for 6 years

Allowable Expenses

HMRC have reached agreement with professional organisations working with registered childminders such as Professional Association of Children and Early Years (PACEY) , with regards to allowable expenses which may be set against your tax liability.

1. Keep a record of any spending directly related to your childminding business
2. A percentage of the expenses related to running a business from home are allowed – see table below

Hours Worked	Heating and Lighting	Council Tax	Rent – No allowance for Mortgage	Water Rates	Wear and Tear
Full time - 40 hours or more per week	33% of costs	10% of costs	10% of costs	10% of costs	10% of income
Between Full time and part time – ie 30 hours per week	25% of costs	7% of costs	7% of costs	7% of costs	10% of income
Part Time – 20 hours per week	17% of costs	5% of costs	5% of costs	5% of costs	10% of income

New Eligibility for Working Tax Credit

HMRC has recently made changes to the Working Tax Credit Eligibility for the Self Employed – these changes were announced in the 2015 Budget

HMRC is contacting some self-employed recipients of Working Tax Credit whose average hourly profit is less than the National Minimum Wage, which is currently £6.70 per hour and will rise to £7.20 in April 2016

You need to demonstrate that your self-employment is:

- done on a commercial basis, with a view to making a profit
- done regularly and in an organised way

You may not qualify if you do not:

- make, or plan to make, a profit – Cash Flow forecasting will support this requirement
- have good business records
- work regularly and keep a record of hours worked
- follow regulations for your trade or profession – meeting all legal requirements

Requested information may include:

- records of earnings and hours worked (remember to keep a record of hours over and above childminding hours e.g. attendance at training, completing weekly paperwork, invoicing etc.)
- invoices for the work you have done – childminding invoices for parents/ other agencies i.e. Social Services
- receipts for expenses – see previous page for details
- summaries of orders or payments received – records of all payments received for the childcare offered i.e. – Fees from parents – Nursery Funding payments (including any 2 year funding and any Early Years Pupil premium payments) and payments received via Employer Childcare Voucher schemes
- a business plan
- how the activity is organised and promoted – Details of your marketing and vacancy updates – including informing Family Information Service (FIS) of your availability

This information will be helpful in the event of the HMRC contacting you for evidence to support you with any claims for Tax Credits