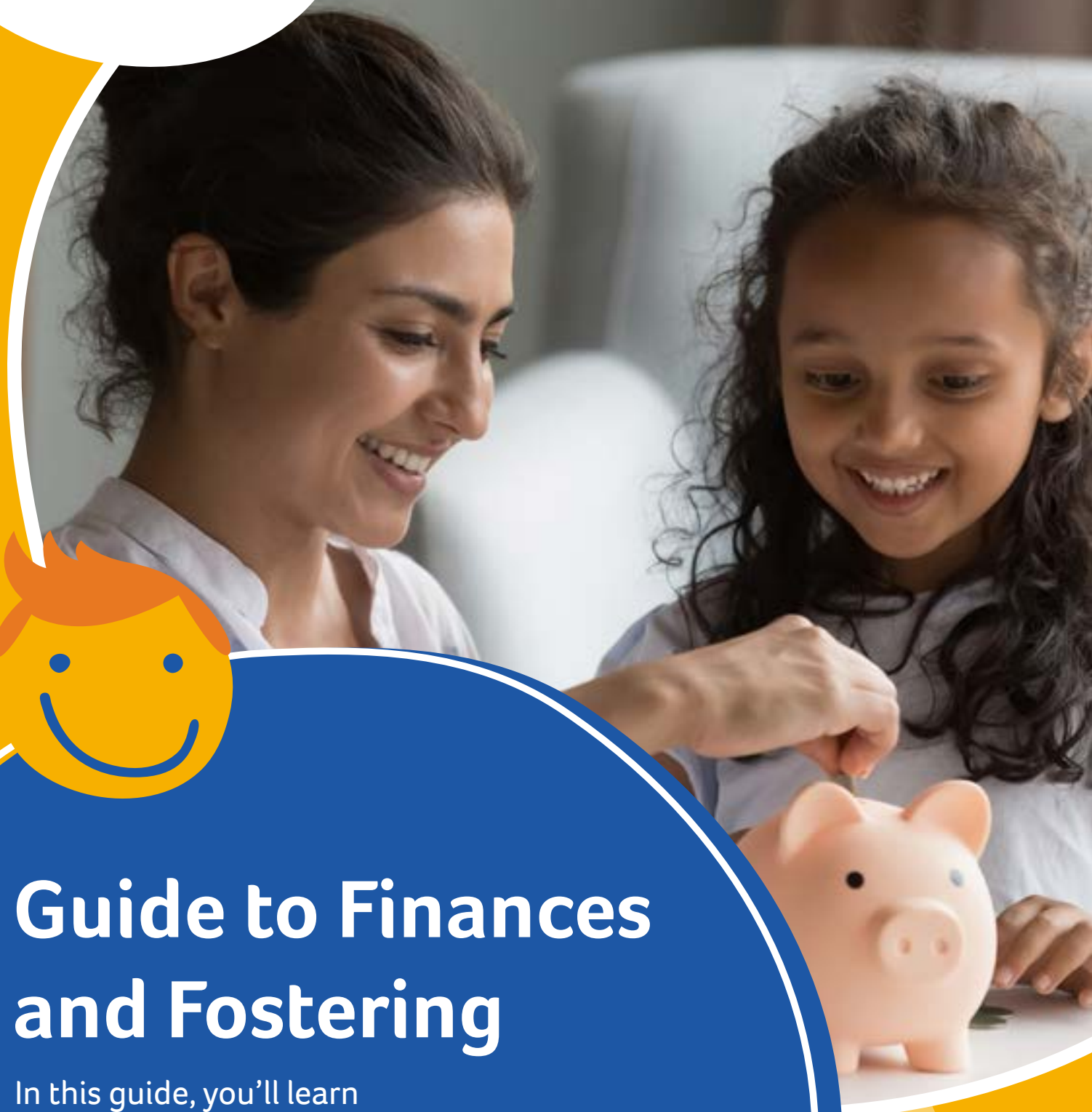




Guide to Finances and Fostering

In this guide, you'll learn everything there is to know about finances as a foster carer with Fosterplus.

Scotland



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Providing financial stability

At Fosterplus, our mission is to provide vulnerable children and young people with nurturing homes that offer stability, enabling them to grow and achieve the positive future they deserve. To achieve this, we need people from all backgrounds to bring their unique skills, experience and qualities to the role. We firmly believe that financial concerns should never stand in the way of transforming young lives.

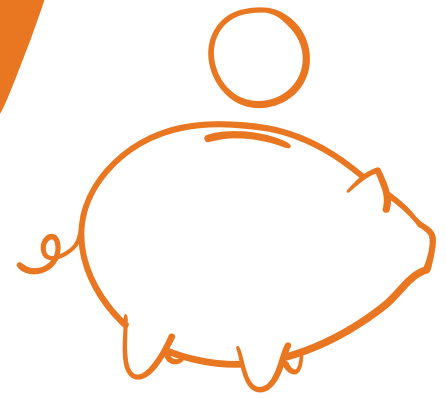
That's why we've created this guide - to clearly explain our fostering allowances and highlight the exceptional rewards you can expect to receive when you choose to become a foster carer with Fosterplus.

In this guide, we'll cover every aspect of fostering finances, including:

- How fostering allowances work
- Understanding tax and national insurance
- Claiming benefits while fostering
- Fostering and pensions
- Working while fostering

We hope you find this guide useful, and if you have any questions, please don't hesitate to get in touch by calling us on 0800 369 8512.

How do fostering allowances work?



When you foster with Fosterplus, you'll receive a weekly allowance for each child or young person in your care. The fostering allowance is split into two parts: child allowance and foster carer fee.

Child allowance

The child allowance covers the costs of caring for a young person and includes expenses such as groceries, clothing, toiletries and activities.

Foster carer fee

Fostering is a full-time role, and we appreciate your hard work, dedication, and skills. That's why we provide you with a foster carer fee that reflects our recognition for the significant role you play in transforming young lives.

Your fostering allowance is typically tax-free due to special tax rules, which you can learn more about later in this guide.

Fostering allowances at Fosterplus

The amount of fostering allowance you receive is based on the placement type and number of children in your care. When you foster with Fosterplus, you'll receive a payment based on the number of nights a child or young person is in your care at the end of each month.



Competitive allowances

Each year, The Fostering Network's #CostofFostering campaign uses the latest research to recommend the rates of pay foster carers should receive per week in order to meet the needs of the child in their care.

At Fosterplus, we recognise the impact increasing costs have on families, which is why when you foster with us, you'll receive a fostering allowance that exceeds these recommendations.

The fostering network recommends that foster carers receive between £251 and £434 per week. Below are our current rates of fostering pay.

| Placement Type | Our Weekly Rate |
|------------------------|-----------------|
| Basic Fee | £502.46 |
| Sibling Fee | £467.11 |
| Complex Needs | £611.59 |
| Complex Needs Siblings | £572.24 |

Visit the Fosterplus website for the latest information on fostering allowances.



Additional fostering perks with Fosterplus

As an additional thank you for your commitment, at Fosterplus, you'll also benefit from a range of fostering perks, including:

- £600 holiday allowance for each child in your care.
- £200 each year to spend on birthdays for the child in your care.
- £200 each year to spend on celebrating religious festivals with the child in your care.
- Mileage allowance.
- Access to the Exchange, our foster carer rewards platform, where you can receive discounts off your weekly shop, days out, holidays and more.
- £3,000 for every friend you successfully recommend to Fosterplus through our refer-a-friend scheme.

What's the process if I don't have a child in my care?

During your fostering career, you may experience a gap in caring for children; however, here at Fosterplus, we're leaders in the matching process, with only around 3% of our families waiting to welcome a child into their home.

Our dedicated referrals team has over 25 years of experience and evaluates hundreds of referrals every day. We work hard to ensure fostering placements provide children and young people with the right care and stability, which means matching them with the right families.

If the child or young person in your care is due to reunify with their family, transition to long-term fostering or adoption, or leave care, we begin the matching process ahead of time.

Our forward-thinking approach to matching minimises any potential gaps between caring for a child. It also allows us to carefully identify a child or young person who will settle into your family.



Understanding tax relief for foster carers

When you become a foster carer, you benefit from 'Qualifying Care Relief' (QCR). This tax relief is specifically designed for foster carers and can save you thousands in income tax. For many foster carers, it means they pay no tax at all on their fostering income, giving them a little extra to spend on the needs of the child in their care.

How does Qualifying Care Relief work?

Each tax year, as a foster carer, you'll be given a fostering income tax allowance on top of your personal tax allowance. This tax allowance is made up of two parts:

- Annual income threshold
- Age-based tax relief for each week a child is in your care

For tax year 2026/27, the annual income threshold is £20,440, and the age-based weekly tax relief is £435 for children under 11 and £515 for children 11 and over.

When added together, if your total fostering income falls under the QCR tax allowance, you won't be required to pay tax.



Example

Here is a breakdown of **Qualifying Care Relief** being applied:

During George's first year of fostering, he cared for a 13-year-old for the whole year and a 5-year-old for 20 weeks of the year. His income for the year from fostering was £35,286.

This is how his Qualifying Tax Relief would be calculated:

Annual income threshold = £20,440

Age-based weekly tax relief for Child 1 = (52×515)
= £26,780

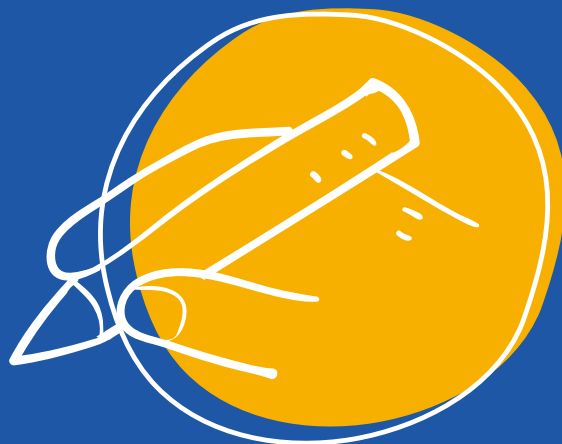
Age-based weekly tax relief for Child 2 = (20×415)
= £8,700

Total Qualifying Care Relief = £55,920

In this example, George would not need to pay tax on his fostering income because he earned £35,286, which is below his £55,920 fostering tax allowance.

Foster carer employment status

Foster carers are considered self-employed, which means you must register with HMRC as soon as you begin fostering. This applies to all types of fostering, whether you're providing full-time care or fostering in an emergency, and is required no matter how much you anticipate earning.





Your annual tax return

Once you've registered with HMRC as self-employed, you'll be required to submit an annual 'Self-Assessment' tax return, even if your earnings are below the threshold of your Qualifying Care Relief limit. If you don't submit your tax return, you could receive a penalty from HMRC.

You can file your tax return online, by post or through an accountant who can handle the process for you.

Learn more about filing your tax return [here](#).

What information do I need for my tax return?

As a foster carer, you don't need to keep receipts to file your tax return unless the payment is classed as an 'exceptional expense'. For example, if the child in your care has complex needs, they may require medical equipment, sensory aids or specialist therapeutic services; in this case, you would need to retain receipts. Otherwise, you only need to keep the following records:

- Monthly remittance slips from Fosterplus for the year.
- We may also issue an annual summary that details your income for the year.
- A log of the dates and ages of every child you've cared for, including those who stayed for just one night (such as for emergency and respite care)

Fostering and National Insurance contributions

Navigating National Insurance contributions can feel daunting for new foster carers. So, below, we explore which NICs apply to you, when you need to pay, and why, in some circumstances, you may consider paying voluntary contributions.

Three types of National Insurance contributions apply to foster carers: Class 2, 3 and 4.

Class 2 NICs

Class 2 National insurance contributions go towards your state pension and allow you to access contributory-based benefits like Employment and Support Allowance (ESA) and Maternity Allowance.

If your taxable income from fostering - the sum above your Qualifying Care Relief - is between £7,105 and £12,570 for the year, you won't need to pay any contributions because they'll be classified as paid.

If your taxable income from fostering falls below the Small Income Threshold of £7,105, you are also not required to pay. But, you may consider paying voluntarily to prevent any gaps in your National Insurance record. This way, you can still access contributory-based benefits in the future if you need to.

The current rate for voluntary class 2 NICs for 2026/27 is £3.65 per week.



Class 3 (NI Credits)

Class 3 National Insurance credits are applied to your National Insurance record to prevent gaps in the qualifying years you need to receive the state pension. As a foster carer, you can apply for Class 3 National Insurance credits by completing a [CF411A](#) form online or sending one via post each year. You'll also need a letter from Fosterplus to confirm that you're an approved foster carer for each tax year you apply.

Class 4 NICs

If the taxable income you receive from fostering is over £12,570, you have to pay Class 4 National Insurance Contributions.

These are split into two categories:

- If your taxable income is between £12,570 and £50,270, you'll pay 6%.
- If your taxable income is over £50,270, you'll pay 2%.

Remember:
Taxable income is the sum above your Qualifying Care Relief.

Already receiving your state pension? - If you're fostering in retirement and already receive the state pension, you'll only need to pay NICs if your taxable income is over £12,570, which means you have to pay Class 4 NICs.

For more information and guidance on National Insurance contributions, head to the [Government website](#) or [get in touch](#).



Claiming benefits while fostering

As a foster carer, you may still be able to claim some benefits, depending on your personal circumstances. Below, we explore some welfare benefits you may be entitled to, but for further clarification, visit the [government website](#) or seek professional advice.

Means-tested benefits

When you're assessed for means-tested benefits, your income, savings and other assets will be evaluated. Your fostering income, however, is usually left out of calculations.

As a result, if you qualified for a means-tested benefit before becoming a foster carer, you'll likely remain eligible once you begin fostering. This is based on your financial situation (excluding your fostering allowance) remaining the same. If your finances outside of fostering change, your eligibility will be reassessed.

You may qualify for the following means-tested benefits:

- Universal Credit
- Pension Credit
- Housing and Council Tax Benefit
- Working Tax Credit
- Child Tax Credit
- Income-based Jobseeker's Allowance (JSA)
- Income-related Employment and Support Allowance (ESA)
- Income Support



Contributory benefits

Contributory-based benefits are based on your National Insurance Contributions.

Here are some of the contributory-based benefits you could be eligible for:

- New Style Employment and Support Allowance (ESA)
- Bereavement Benefits
- Maternity Allowance

The Basic and New State Pension also fall under this category because they are based on your National Insurance Contributions or credits.



Other benefits

Some benefits are neither means-tested nor contributory-based. These include:

- Disability Living Allowance (DLA)
- Attendance Allowance
- Personal Independence Payment

You may also be eligible for Carers Allowance if you're a carer and a foster carer and child benefit for your own children (you can't claim child benefit for children you foster).



Working alongside fostering

Fostering is a full-time career, and we offer a generous fostering allowance to reward you for providing around-the-clock care for children and young people. However, we understand everyone's circumstances are unique, and some foster carers wish to continue working alongside fostering. In fact, according to The Fostering Network, 40% of foster carers work in other employment while fostering.

At Fosterplus, the well-being, safety and stability of young people are always our top priorities. Therefore, if you express a desire to work and foster, we will assess whether doing so will impact your ability to meet the needs of children in your care.

Factors we consider

During the assessment, we'll discuss your employment with you and consider the practicalities of balancing it with your fostering responsibilities. Factors we'll consider include:

- **Who's applying?** - Are you fostering alone or as a couple? Sometimes, working alongside fostering is more feasible if you're part of a couple and one person can still provide full-time care.
- **Your working hours** - Will you work full-time or part-time, and which days will you work?
- **Flexibility** - Will your employer allow you to take time off at short notice? For example, if the child in your care is too unwell for school, you'll need to stay at home with them.
- **Your support network** - Do you have friends and family who can help you in an emergency?
- **Matching** - Which age group are you hoping to foster? If you'd like to foster younger children, they'll need more hands-on care and supervision than older children and teenagers.





Thinking about fostering in retirement?

There is no upper age limit to foster, and what could be more rewarding than using your retirement years to transform young lives? But, you may wonder whether fostering will impact your state or private pension.

Rest assured, fostering won't prevent you from receiving your state or private pension. Depending on your circumstances, you may also be eligible for Pension Credit. This is because fostering income is usually ignored when your application is assessed.

Recap of key points

At Fosterplus, we're committed to being open and transparent about fostering – especially when it comes to finances – so you know exactly what to expect when you start your journey with us.

We understand that this guide contains lots of information, so let's take a moment to recap the key points.

Fostering allowances and perks

- The fostering allowance is split into two parts. A child allowance to cover expenses for the child in your care and a foster carer fee to reward you for your dedication to your role and you can earn more as you gain experience.
- You'll receive your fostering allowance at the end of each month.
- When you foster with Fosterplus, you receive additional perks, such as £600 allowance for holidays, £200 allowance for birthdays, £200 allowance for celebrating religious festivals, exclusive discounts and opportunities to earn bonuses with our refer-a-friend scheme.

Tax, National Insurance and benefits

- Income from fostering is often tax-free due to Qualifying Care Relief (QCR).
- Foster carers are classed as self-employed and must register with HMRC, file annual tax returns, and retain records of fostering income and dates.
- Foster carers whose taxable income is below £12,570 don't need to pay National Insurance Contributions (tax year 2026/2027).
- Foster carers can voluntarily pay Class 2 National Insurance Contributions or apply for Class 3 National Insurance Credits if their taxable income is below £7105 (tax year 2026/2027).
- If you need to claim benefits, your fostering income is usually ignored.
- If you were eligible for benefits before fostering, you should still qualify for them after approval.
- You will still receive your state and private pension if you foster in retirement.

Working alongside fostering

- Fosterplus supports many foster carers who work alongside fostering.
- We'll discuss factors, such as who's applying, working hours, the flexibility of your employment, your support network and matching preferences, to assess whether working while fostering is a viable option for you.





Get in touch

Thinking of fostering?

Becoming a foster carer is one of the most rewarding things you can do. If you'd like to apply to foster with Fosterplus, or would like more information, please get in touch with our team today.

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