

# Accounting & IT Consultants

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## Taxation of home based service providers

### Are there any tax benefits for being a home-based educator?

As a home-based educator you are self-employed. What this means is there is no tax deducted from the amount you are paid and you are responsible to pay your own tax.

The IRD has issued a determination (DET 09/02) that allows the educator to claim costs based on standard calculations to determine their net income.

The costs allowed are as follows:

1. Variable standard cost - \$3.51 per hour per child (this covers expenditure on items such as electricity/fuel, food, wear and tear, outings and associated transport costs, laundry, educational resources, modification costs, equipment and first aid).
2. Administration cost - \$343.00 claim for full year (apportioned if childcare services provided is not for full year). This covers for such items as the use of telephone, postage and stationery, the use of computers and other incidental administration costs.
3. Own Accommodation fixed costs- this costs depends on whether the educator owns or rents their accommodation and if they receive any accommodation supplement.
4. Additional costs- for example: first aid training incurred to comply with training requirements of home based care.

### Example:

A home based educator rents a domestic property for \$300 per week and receives no accommodation supplement, provided care for several children in the income year for a total of 2,000 hours, received an hourly rate of \$6.00 and elected to use the standard-cost basis in accordance with determination DET 09/02.

The educator's income tax liability is calculated as follows:

Income	2,000 hours x \$6.00	\$12,000.00
Less: Variable standard-cost	2,000 hours x \$3.51	\$7,020
Less: Administration costs(full year)		\$343.00
Less own accommodation costs	$\$300 * 52 * 0.5 * 0.3333$	\$2,599.74
Taxable income		\$2,037.26
Tax payable	$\$2,037.26 * 0.10.5$	\$213.91
ACC levy payable	$\$2,037.26 * 0.0139$	\$28.32

If you employ our services as an accountant/tax agent, we will be able to discuss with you the full tax benefits you may receive as a self-employed contractor and also lodge your income tax return if applicable. We will also give you a discount for using our services to meet your tax obligations.

### Notes:

1. A person who provides private childcare in their own home and are not part of a licensed service provider network and also educators who do not provide childcare services in their own home, is not able to use DET 09/02. These providers must keep full records of actual income and may claim a deduction for actual expenditure.
2. Claimable cost rates are revised by IRD each year.

To further discuss the above, call or email us on the above address.

Looking forward to assist you further!!!

*Accounting & IT Consultant Team*

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is a CPA Business

