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FREE GUIDE · 2026/27 · UPDATED OCTOBER 2026

Accounting for Care Providers

VAT, payroll, minimum wage, funding and cash flow for care homes and domiciliary care

Zen Bookkeeping & Advisory
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Care providers face a unique mix of regulation, complex payroll and multiple funding sources, all while cash flow can be tight. This guide covers the financial essentials for care homes and home care businesses.

> *"I started Zen to make finance feel calm and clear for business owners. I hope this guide answers your questions, and if anything doesn't quite fit your situation, I'm always happy to talk it through with you."*
>
> **Ann Williams**
> Founder, Zen Bookkeeping & Advisory

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01 VAT and the care sector

Welfare services, such as care provided by a provider regulated by the Care Quality Commission (CQC) in England, are generally **exempt from VAT**. That means you don't charge VAT on care, but you also can't usually reclaim the VAT on your costs.

- If you also make taxable sales, such as training for other providers or a café, partial exemption rules may apply.
- Building work, equipment and adaptations have specific VAT reliefs in some circumstances. Always check before you buy.

02 Payroll and the minimum wage

Care is a high-risk sector for National Minimum Wage errors. Pay at least **£12.71 an hour** (age 21 and over) for all working time, including:

- **Travel time** between appointments for domiciliary care workers.
- **Training time** and time spent on required checks.
- **Sleep-in shifts**: time when a worker is permitted to sleep is generally not counted, but time awake for the purpose of working is.
- Deductions for uniforms or equipment that take pay below the minimum wage.

! Penalties

HMRC can require employers to pay arrears to workers and charge penalties of up to 200% of the arrears, and may publicly name employers who underpay.

03 Funding, invoicing and cash flow

- Track each **funding source**: local authority, NHS continuing healthcare, direct payments and self-funders.
- Invoice promptly and chase late payments; councils' payment terms can strain cash flow.
- Forecast **occupancy** and staffing together, since staff costs are your largest expense.
- Keep reserves for fee rate changes and annual pay rises.

04 Reporting that helps you run the business

Measure	Why it matters
Occupancy or hours delivered	Drives your income
Staff costs as a % of income	The key profitability measure in care
Agency spend	Expensive cover can quickly erode margins
Fee rate per resident or hour	Shows which contracts are profitable
Debtor days	How quickly funders are paying you

✦ Zen tip

Monthly management accounts that track these figures help you spot problems early and support conversations with funders and lenders.

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How Zen can help

We understand the care sector and support you with payroll, funding, cash flow and reporting.

- Payroll for care staff
- Minimum wage compliance checks
- Funding and invoicing support
- Management accounts
- Cash flow forecasting
- VAT advice

Book a free, no-obligation call

Tell us about your business and we'll explain how we can help, with a tailored fixed-fee quote for just the services you need.

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