

Commonwealth child care support—what do families get?

Purpose

This Research Note overviews what the Commonwealth provides in terms of child care financial support and assistance. It also includes calculations giving examples of what families can expect to receive in financial support for the two main types of Commonwealth child care subsidies—the Child Care Benefit and the new Child Care Tax Rebate.

Overview of Commonwealth Support for Child Care

The main types of Commonwealth support for child care include:

- direct financial assistance to families to help reduce the cost of care (Child Care Benefit (CCB) and Child Care Tax Rebate (CCTR))
- financial assistance to certain types of child care services in terms of establishment and operating costs
- funding of various quality assurance and professional support mechanisms for child care providers
- extra support in remote and rural areas for both providers and families
- extra support for those with special needs, and
- funding of various information services.

Commonwealth Funding

The size and importance of the child care sector can be judged from the fact that in 2005–06 the Commonwealth outlaid \$1761 million on child care assistance and support. The vast majority of current Commonwealth support was in the form of the Child Care Benefit which accounted for over \$1500 million of total government funding. The other main element was program support (which provides additional child care assistance in terms of establishment and

operating costs to certain types of care as well as support to providers and families in special need). This accounted for over \$220 million of funding in 2005–06. The following Table details funding over the period 2003–04 to 2005–06.

Commonwealth Expenditure on Child Care from 2003–04 to 2005–06

	2003–04 Actual \$m	2004–05 Actual \$m	2005–06 Actual \$m
Child Care Benefit	1388	1463	1501
Support for Child Care	190	212	227
Child Care for Eligible Parents Undergoing Training	13	17	22
Support for Child Care SPP*	10	11	11
Total	1601	1703	1761

Source: Derived from *Annual Reports* of the Department of Family, Community Services and Indigenous Affairs (FACISIA). Some minor items of expenditure have been excluded and the figures have been rounded.

* Special Purpose Payment—Funding to States/Territories for child care programs administered on behalf of the Australian Government.

The 2006–07 Commonwealth Budget

According to the Portfolio Budget Statement (2006–07) for the Department of Families, Community Services and Indigenous Affairs a total of about \$1887 million is estimated to be outlaid on child care in this financial year. The vast bulk of this funding will be on the Child Care Benefit (\$1621 m) with \$169 m for Child Care Support; \$27.34 m for Jobs, Education/Training and Child Care Fee Assistance (formerly Child Care Parents Training) and \$11.03 m for Support for Child Care (Special Purpose Payment). In the 2006–07 Budget, the Government announced the removal of the cap on places for Outside School Hours Care (OSHC) and Family Day

Care (FDC) from 1 July 2006. This means that OSHC and FDC places will be automatically eligible for CCB (previously the number of places was capped) as long as the relevant requirements, most notably State and Territory licensing arrangements, are met.

As a result of these changes all Long Day Care, OSHC and FDC places (99% of all child care places) can be set up anywhere as long as there is a provider willing to do so and relevant regulatory requirements are met. The estimated cost of new OSHC and FDC places coming on stream over the next four years¹ is \$60.2 m over four years.

The Child Care Benefit

The Child Care Benefit was introduced in July 2000 and replaced Childcare Assistance and the Childcare Cash Rebate. Families can claim up to 50 hours of Child Care Benefit for approved child care if they and their partner (if they have one) are either working (for at least 15 hrs a week); are looking for work; are involved with volunteer work; are studying or training; have a disability or if they are caring for a child that has a disability. Families are able to claim up to 24 hours per week of CCB without having to pass the work/study/training test.

Families who earn less than \$34 310 a year (or families on income support) are eligible for the maximum rate of CCB which is \$148 per week for one child. This amount rises for families that have additional children in care. Part rates of CCB are paid for families with incomes higher than \$34 310 per year and there is a minimum rate of CCB (\$24.85 per child per week) for families who have incomes in excess of \$98 348 per year (with one child in care). Higher income cut off rates apply for families with more than one child in care².

The New Child Care Tax Rebate

In 2005, the Commonwealth introduced the Child Care Tax Rebate (CCTR). The rebate allows families with children in approved care to claim 30% of out of pocket child care expenses (up to a maximum of \$4 000 per child, indexed) as a tax offset against their income tax liability. The 'out of pocket' refers to the amount that families have to pay themselves after

their CCB entitlement is taken into account. Families will begin to receive the 30% rebate for their 2004–05 child care expenses when they finalise their 2005–06 taxation returns, that is, from July 2006 onwards. Claims can be made back to July 2004. For further details see a recent Parliamentary Library publication [*The new Child Care Tax Rebate*](#).

The Child Care Support Program

The Child Care Support Program was announced in mid-2004 following an extensive review of Australian Government support for child care. The Commonwealth outlays around \$200 million for the Support Program each year and it is here that small rural and regional services can access extra assistance, for example, with funding to establish new services and sustainability assistance. For full details on the new Support Program see the FACSIA website—[The New Child Care Support Program](#).

What Do Families Get? The Combined Impact of CCB and CCTR at Differing Income Levels

While the weekly use of hours of childcare varies by family the following two tables (based on the maximum allowable usage) are presented for indicative purposes. The tables give examples of what families can expect to receive in terms of Commonwealth financial support from both the Child Care Benefit and the Child Care Tax Rebate for one child. They assume the maximum allowable 50 hours of care, different costs of care (\$200 per week and \$300 per week) and take into account differing family incomes. The examples assume Long Day Care is the type of care used and that the family has sufficient income tax liability to fully utilise the CCTR.

The Tables show that while families on higher incomes get a higher amount of Child Care Tax Rebate, when both forms of subsidy are combined, there is a progressive effect. In other words, the combined impact of the CCB and CCTR sees families on lower incomes getting the highest benefit.

Table 1: Combined impact of CCB and CCTR at differing family income levels for 2006–07

Assuming \$200 per week is the cost of child care (50 hours of care—maximum allowable)				
Combined Impact of CCB and CCTR at Differing Family Income Levels*				
Family Adjusted Taxable Income ^o \$	CCB received (per week) \$	Out of Pocket Amount \$	CCTR received (per week equivalent) ¹ \$	Combined CCB and CCTR received (per week equivalent) \$
20 000	148.00	52.00	15.60	163.60
30 000	148.00	52.00	15.60	163.60
40 000	137.06	62.94	18.88	155.94
50 000	117.82	82.18	24.65	142.47
60 000	98.60	101.40	30.42	129.02
70 000	79.37	120.63	36.19	115.56
80 000	60.13	139.87	41.96	102.09
90 000	40.91	159.09	47.73	88.64
100 000	24.85	175.15	52.55	77.40
* Calculations assume 1 child in 50 hours of Long Day Care costing \$200 per week. CCB rates are as at 1 July 2006.				
^o Family income adjusted for various factors including fringe benefits, value of rental property losses or gains et cetera.				
¹ CCTR is received as a rebate against tax paid in 2007–08 and will not be received until the family's tax returns for 2007–08 are processed.				

Table 2: Combined impact of CCB and CCTR at differing family income levels for 2006–07

Assuming \$300 per week is the cost of child care (50 hours of care—maximum allowable)				
Combined Impact of CCB and CCTR at Differing Family Income Levels*				
Family Adjusted Taxable Income ^o \$	CCB received (per week) \$	Out of Pocket Amount \$	CCTR received (per week equivalent) ¹ \$	Combined CCB and CCTR received (per week equivalent) \$
20 000	148.00	152.00	45.60	193.60
30 000	148.00	152.00	45.60	193.60
40 000	137.06	162.94	48.88	185.94
50 000	117.82	182.18	54.65	172.47
60 000	98.60	201.40	60.42	159.02
70 000	79.37	220.63	66.19	145.56
80 000	60.13	239.87	71.96	132.09
90 000	40.91	259.09	77.73	118.64
100 000	24.85	275.15	80.98	105.83
* Calculations assume 1 child in 50 hours of Long Day Care costing \$300 per week. CCB rates are as at 1 July 2006.				
^o Family income adjusted for various factors including fringe benefits, value of rental property losses or gains et cetera.				
¹ CCTR is received as a rebate against tax paid in 2007–08 and will not be received until the family's tax returns for 2007–08 are processed.				

Note—for child care provided in 2006–07, the current maximum amount of Child Care Tax Rebate per child per year is \$4211. Therefore the maximum weekly amount of CCTR is almost \$81 per week, assuming 52 weeks of care is used.

1. Media Release, Mal Brough MP (Minister for Families, Community Services and Indigenous Affairs), *More Child Care Places in Australia*, 9 May 2006.
2. Child Care Benefit data from web site of Commonwealth Family Assistance Office.

**Greg McIntosh
Social Policy Section
Parliamentary Library**

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