



ADF FINANCIAL EDUCATION

Childcare Subsidies – A Quick Summary

1 This document

This document provides a brief overview of the range of available subsidies for child care by summarising aspects of Centrelink's *A Guide to Australian Government Payments* which is available in full at centrelink.gov.au. You should always check the currency of the information in this summary before relying on it because Government payment rates change from time to time.

2 Salary Packaged Childcare Costs

Because salary packaged childcare costs aren't subject to Fringe Benefits Tax, you can use your pre-tax salary to pay for the costs of childcare. The benefit available to you is that you pay the costs before income tax is deducted from your salary which has the effect of lowering the your overall income for tax assessment purposes. In some cases you might even become entitled to additional Government payments, such as a Family Tax Benefit, if your taxable salary drops below certain thresholds.

If you select this option then you cannot receive the *Childcare Rebate* or *Childcare Benefit*.

Further details about salary packaging can be obtained from the current Defence-contracted provider of salary packaging services, SmartSalary:

smartsalary.com.au/childcare.aspx OR ☎ 1300 476 278



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This provides a rebate for your out-of-pocket expenses and is not means tested. The rebate is calculated as 50% of your childcare costs. The absolute maximum that you can be paid is \$7,500 per child per each financial year. Once you have received \$7,500 you will not be eligible to receive any further payment until the start of the next financial year.

To be eligible to receive this rebate, the childcare must be provided by an approved childcare service. There are two ways you can elect to receive this payment. You can either have the rebate:

3 Childcare Rebate

- Paid directly to your childcare provider so it reduces your direct out of pocket expenses; or
- Paid directly to you. If you select this option it you can choose to receive the payment fortnightly, monthly or yearly.

To receive the *Childcare Rebate* you need to apply for the *Childcare Benefit* even though you may be ineligible for that. Further details can be found at

 humanservices.gov.au/customer/services/centrelink/child-care-rebate OR
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It is possible to receive both the *Childcare Rebate* and *Childcare Benefit* at the same time. The rate of payment you will receive depends on your personal circumstances. It can be paid for children who have not commenced secondary school. There are two different ways you can elect to receive this payment. You can either have the benefit:

4 Childcare Benefit

- Paid directly to your childcare provider so it reduces your direct out of pocket expenses; or
- Paid directly to you after the end of each financial year.

This benefit is means tested and takes into account your salary, employer voluntary superannuation contributions, reportable fringe benefits and some investment losses. Further details can be found at

 humanservices.gov.au/customer/services/centrelink/child-care-rebate OR
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