



CCMS Fact Sheet – June 2011 Changes

Number 3

Child Care Rebate Calculations

In this fact sheet:

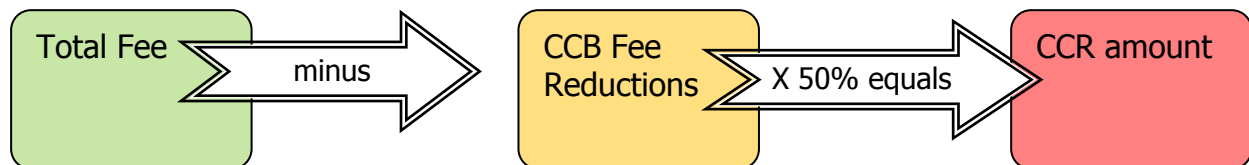
- Overview
- Calculations
- Annual limit
- SCCB & GCCB
- Q&A

Overview

This fact sheet explains how the Child Care Rebate fee reductions will be calculated, so you can understand and explain variations. Services are **not** required to calculate these amounts and should avoid estimating the fee reduction amounts in advance, as an estimate is unlikely to be accurate.

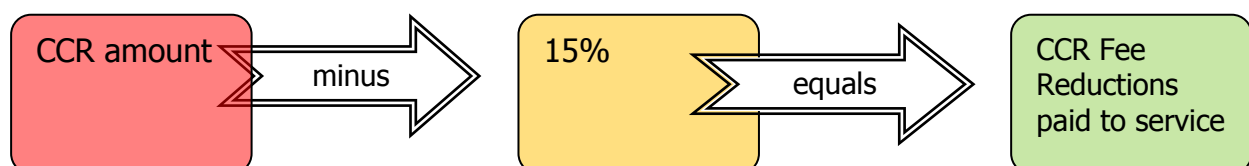
Calculations

Information about child care fees and attendance is passed to the Family Assistance Office (FAO) so they can calculate both Child Care Benefit (CCB) and Child Care Rebate (CCR) entitlements. CCR is calculated on the basis of the Total Fee amount that services report to the CCMS.



15 % buffer

For most families, the FAO will keep back a small amount of the fortnightly CCR payment until the correct entitlement is calculated at the end of the financial year. This is to help families avoid getting a debt because of changes in their entitlement through the year. A CCR amount will be calculated each fortnight and then 15% will be withheld to create a buffer. At the end of the financial year, when families lodge their tax return(s) and the FAO reconciles CCB and CCR payments against actual entitlement, any remaining CCR will be paid direct to the family.



Example

If a family's Total Fee for the week is \$500 and their CCB fee reduction amount is \$200; they currently have an out-of-pocket (or gap) fee of \$300. The CCR fee reduction amount will be half the out-of-pocket amount (\$150) less 15%. This is \$150 – \$22.50, making a payment of \$127.50 to the service on the family's behalf. The remaining gap fee that the family owes the service is \$172.50.

In this example, the fee owed to your service is made up of three parts:

Child Care Benefit	\$200.00
Child Care Rebate	\$127.50
Family contribution (gap fee)	\$172.50
Total	\$500.00

Who does the buffer apply to?

All families with a legislated CCB rate of more than zero will have the 15% buffer applied to their CCR payments.

The 15% buffer will apply to **some** families with a zero rate. If the CCB rate is **adjusted to zero** at the family's request, the 15% buffer will be applied.

Annual limit

There is a limit or cap on the CCR payment amount that is paid per child each year. It is currently capped at \$7500. For families having the 15% buffer applied to their CCR and who have elected to receive CCR as a fee reduction, this annual limit is reduced by 15% to \$6375. Services will receive CCR fee reduction amounts (for families making that choice) up to this limit. When the annual limit is reached, the CCB fee reductions will continue but there will be no more CCR fee reductions paid until the next financial year begins. If the annual cap is lifted to \$7788 or more, the same principle will apply.

How will I know if a family is nearing their annual limit?

Services are not required to monitor when a family is close to their annual CCR limit. Services should be aware that a family's gap fees will increase if they receive CCR as a fee reduction and reach their annual limit. The FAO provides an online service for families where they can view all child care payments and this will help them to understand how their CCB and CCR payments affect their gap fees.

Zero Rate customers

Families who are assessed at a zero rate of CCB do not receive CCB but are eligible for CCR. If they elect to receive CCR as a fee reduction this will reduce their fees until they reach the annual limit.

SCCB and GCCB

Special Child Care Benefit (SCCB) and Grandparent Child Care Benefit (GCCB) are paid at the full fee rate so there is no gap for the family to pay and therefore no CCR entitlement.

Questions & Answers

1. Will everybody have 15% of their CCR withheld?

No. There is one group of families who will receive the full amount, without the 15% withholding: they are families with a legislated rate of zero, due to their estimated family income. Families **choosing** a zero rate will have 15% withheld from their CCR.

2. How is the 15% withholding amount calculated?

The family's CCR entitlement is calculated in the usual way, then 15% is deducted to allow for variations and to minimise the chance of the family being overpaid. This calculation will be done by the Family Assistance Office (FAO) and the amount notified to services will already have the withholding amount deducted. You won't have to do this calculation.

3. Does this affect the annual limit on CCR payments?

CCR will be paid up to the annual cap, minus 15%. If the cap is \$7500, then CCR will be paid during the year up to a limit of \$6375. The remaining \$1125 will be paid after the family's entitlements are reconciled by the FAO.

4. Where will I find details of CCR fee reductions?

You will find the details of CCR fee reductions in your software and on your remittance advices. Where you now see details of CCB fee reductions in your software, you will also see separate details of CCR fee reductions. For example, on family accounts and reports generated by your software. Where you now see a payment labelled CCB Fee Reductions on your remittance advice you will see CCR Fee Reductions payment.

5. Can the family change their payment choice during the year?

Unless there are exceptional circumstances, the family will not be able to change the payment method for CCR during the financial year. Families wishing to explore this possibility should contact the FAO to discuss their situation.

A family *can* choose to have their CCB payment method changed, for example from lump sum to fee reduction. At this time they may also elect to change their CCR method from lump sum to fee reduction. If they don't make a decision they will default to their previous choice (usually Option 3 – quarterly to family bank account).

6. What happens if the attendance records are cancelled?

This will work for CCR in exactly the same way as it does for CCB. If attendance records are cancelled, then the CCR already paid for that session of care will be recovered. If the attendance is resubmitted, then the CCR will be recalculated and paid accordingly.

7. How are adjustments handled after Reconciliation?

CCR adjustments will be managed in exactly the same way as CCB adjustments after the end of the financial year. They will be managed directly between the family and the FAO.

8. Why is CCR paid when the family hasn't paid their fees?

Family Assistance law states that CCB and CCR are family entitlements based on having a liability to pay the child care fees. Even if a family account falls behind, the family still has a liability and CCB and CCR can still be paid. How you recover the gap fee is a business decision based on your debt collection strategy.