



Child Care Subsidy – Withholding

Why will the Australian Government withhold some Child Care Subsidy?

Withholding some of a family's entitlement to Child Care Subsidy before it is paid to child care providers is a way to reduce the likelihood of families incurring a debt at the end of a financial year. The process of withholding does not reduce a family's overall entitlement to Child Care Subsidy and is similar to the process of withholding some of a family's Child Care Rebate if they also received any Child Care Benefit under the previous child care arrangements.

How does withholding work?

Five per cent of Child Care Subsidy will be withheld to reduce the likelihood that individuals will incur a debt. This means that the full subsidy amount, minus five per cent, is paid to providers on behalf of families following submission of session reports. Providers will be able to see the amount withheld on the payment advice they receive each fortnight. The amount withheld will be part of the gap fee that needs to be paid by parents to their child care provider.

There is no withholding for Additional Child Care Subsidy payments.

After the end of each financial year, when the individual (and their partner) settles their tax affairs (usually by submitting their tax return) the total entitlements and payments for each child will be reconciled against the individual's (and any partner's) actual income and activity for the year. If a parent received more than they were entitled to, the withholding amount will be used to offset the overpayment, so they do not have a debt (or have a smaller debt) to repay. Where parents received the correct amount of Child Care Subsidy, or received less subsidy than they were entitled to, amounts withheld during the year will be paid directly to them as a lump sum. This process of reviewing and recalculating entitlements for the full year is called Reconciliation.

How do families avoid being overpaid Child Care Subsidy?

In order to avoid overpayments, families should ensure that the information provided to determine their entitlement is as accurate as possible and if circumstances change, they should update their details as soon as possible.

Parents can request their percentage of withholding be adjusted up or down, either through [myGov](#), the Express Plus mobile app or by calling Services Australia. However, withholding is important as it helps protect families from possible debts. After reconciliation any outstanding subsidy is returned to the family.

Where can I get further information on the Child Care Package?

Department of Education, Skills and Employment Child Care Package: dese.gov.au/ecc

Services Australia Child Care Subsidy: servicesaustralia.gov.au/childcaresubsidy