Fee Discounting Fact Sheet

October 2017

The purpose of this fact sheet is to provide information about fee discounting, including:

- Overview
- Gap fee policies can produce results that are contrary to Family Assistance Law
- What is the Total Fee?
- Total fee reported should be after any discounts have been applied
- Consequences of non-compliance
- Legislation

Overview

This fact sheet provides advice for child care services regarding how to correctly administer child care fee discounts. Child Care Benefit (CCB) and Child Care Rebate (CCR) are family entitlements and accurate reporting of child care fees is essential to prevent overpayment or underpayment of these government funded entitlements.

Relevantly, Family Assistance Law requires:

- where a person is eligible, in relation to a session of care, for increased assistance through Special Child Care Benefit (SCCB), Grandparent CCB (GCCB) or Jobs, Education and Training Child Care Fee Assistance (JETCCFA), the fee for that session of care must not exceed the amount the service would have charged for the same child, for the same session, had the person not been eligible for the above increased assistance (A New Tax System (Family Assistance) (Administration) Act 1999 ss 219BB, 219BC, 219BD (Admin Act)).

In addition to these legislative requirements it is also our view that it is preferable practice not to use the ‘gap’ fee as the basis of any discount policy. This is because a person’s eligibility for financial assistance via CCB, CCR, or the increased assistance mentioned above (SCCB, GCCB and JETCCFA) is subject to change at any time depending on the individual’s or family’s circumstances. Importantly, child care services have very limited influence over the amounts of government financial assistance provided and will generally have to estimate these making assumptions based on previous or assumed eligibility to arrive at a ‘gap’ fee.

It is also important to note that approved child care services must accurately report the actual fee liability owed by a family for a session of care to the Child Care Management System (CCMS) (Admin Act s219N). Where a service provides a discount on a child care fee, the family is no longer liable to pay 100% of the usual total fee for that session. The family is now only liable for the total fee minus the discounted amount. If 100%
of the usual total fee is reported to CCMS, the service will have failed to comply with its family assistance law reporting obligations, and there is a potential for families to receive more CCB or CCR than they are entitled to (refer to the Child Care Service Handbook, accountability requirements in the glossary, for guidance). Sanctions and penalties may apply if a service fails to abide by these obligations.

Incorrect reporting of fee discounts may negatively impact families by potentially creating a CCB or CCR debt. This may occur when CCB and CCR are overpaid due to fee discounts applied in a manner contrary to Family Assistance Law as stated above.

**Gap fee discount policies can produce results that are contrary to Family Assistance Law**

The table below shows how the child care fee can differ, for a particular session of care, depending on a person’s eligibility for Government fee assistance if the discount is applied to the ‘gap fee’. These results demonstrate how ‘gap’ fee discount policies are contrary to Family Assistance Law.

The table illustrates the impact of the ‘gap’ fee discount policy on the same family and the same child for a particular session of care.

<table>
<thead>
<tr>
<th></th>
<th>Daily Total Fee</th>
<th>Government Fee Assistance - CCB (including SCCB)</th>
<th>Government Fee Assistance - CCR</th>
<th>Gap Fee (family to pay)</th>
<th>Discount on Gap Fee</th>
<th>Discounted Fee Charged by Service</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Example A:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family eligible for CCB and CCR</td>
<td>$80</td>
<td>$20</td>
<td>$30</td>
<td>$30</td>
<td>$6 (20%)</td>
<td>$74</td>
</tr>
<tr>
<td><strong>Example B:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family eligible for SCCB</td>
<td>$80</td>
<td>$80</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>$80</td>
</tr>
</tbody>
</table>

* The figures used in this table are for illustrative purposes only.

This table demonstrates a situation where a service has failed, for a particular child in a particular session of care, to ensure that the fees set in relation to a child for whom the SCCB rate has been certified do not exceed the amount of fees that the service would charge for the same session for the same child if the SCCB rate did not apply (see sections 219BB, 219BC and 219BD of the Admin Act).

**What is the Total Fee?**

The total fee is the amount a family is liable to pay before any CCB and/or CCR entitlements are applied and for which your service has invoiced the family for providing standard services. It may include meals, nappy services or other charges if these are provided as part of your standard service. It does not include one-off charges such as enrolment and registration fees.
The Child Care Service Handbook. Chapter 15.5 has more information about what charges are included in the total fee.

**Total fee reported should be after any discounts have been applied**

Services will need to consider the implications of fee discounting policies in relation to the family assistance law.

For example, a family pays a total fee of $80 per day and is entitled to $20 CCB and $30 CCR. When the family goes on holidays your service offers a discounted rate of 20% off the total fee of $80 per day. The total fee reported per day should be the fee the family is liable to pay. In this example, with the 20% discount the family is liable to pay $64 per day. The total fee reported per day should be $64.

**Consequences of non-compliance**

The law provides serious penalties if you do not comply with your requirements. These penalties range from an instruction to fix the situation to criminal prosecution in cases of fraud. Refer to Chapter 5 of the Child Care Service Handbook and Instruction Sheet 7 Civil Penalty and Infringement Notice Scheme for more information about penalties.

**Legislation**

Relevant legislation governing an approved child care service’s fee reporting obligations are:

- A New Tax System (Family Assistance) Act 1999
- A New Tax System (Family Assistance) (Administration) Act 1999
- Child Care Benefit (Absence from Care – Permitted Circumstances) Determination 2017
- Child Care Benefit (Eligibility of Child Care Services for Approval and Continued Approval) Rules 2017
- Child Care Benefit (Approved Child Care Service Record Keeping) Rules 2017

All of these are available at: www.comlaw.gov.au.