

Brief Introduction for Family Day Care Educators

1. General requirements to become a Family Day Care (FDC) Educator

- Certificate III in Children's Services
- Current First Aid Certificate
- Police Check
- Working with Children Check
- Home Safety Check
- Public Liability Insurance

2. Starting up as a new Family Day Care Educator

- Register a Business Name (BN) if you want a different BN from your personal name
- Apply for ABN (Australian Business Number)
Family Day Carer Educator is considered to be **Sole Trader** in the workforce by the Australian Taxation Office (ATO). This means that you are required to have an ABN for the business (home care services) you provided.
- Register for GST
According to GST legislation, Childcare service is a GST-free sale, which means you don't charge GST when billing your clients.

But if your business is a GST registered entity, you can still claim credit for the GST you have paid on your operating expenses, even though you do not collect GST from your customers.

- Start-up Costs
You need to budget any home maintenance or changes required to meet the safety and health standards, equipment and materials and other registration costs.

3. Running a Family Day Care

- Income Protection Insurance (IPI)
IPI is a type of insurance that provides an income coverage should an individual not be able to work for a range of reasons such as an accident leading to totally disability and inability to work, or in a situation when a person may have a temporary injury or illness.

It is suggested that an approach be made to your local bank or insurance company to check out if they have such a policy, and ensure that you are covered in situations such as if you have an accident or temporarily unable to work.

- Keeping Accounting Record
A good record keeping system will ensure that you claim all the necessary deductions you are entitled, easy process and time saving in preparation of BAS lodgement quarterly and other financial reports at the year-end.

You can choose to use an accounting software like Xero, QuickBooks Online or MYOB for easy access and record keeping for SME business. Otherwise, you can use Excel spread sheets to maintain all your records.

Please keep all the business receipts carefully for bookkeeping purpose.

- **Income:**
The Gross amount of money you earn, which includes payments from parents and Child Care Benefit from Centrelink.
- **Taxable Deductions:**
Your childcare business expenses are tax deductible. You can also claim a proportion of “Place of Business” at your home, such as: electricity, council rates and mortgage or rent.

List of sample items you can claim as a work related expenses:

- Accounting & taxation service fees
- Bank charges
- Stationaries, art & craft supplies, children’s books & equipment
- Insurance – public liability and income protection
- Childcare related items, such as sunscreen, meals for children, cleaning, repairs
- Training and education, membership to childcare associations, etc.
- Carer’s scheme admin levy

List of deductions need to proportionated by logbook or other method

- Phone & internet bills
- Car expense if you need to travel to and from for childcare purposes
- Place of business proportion: the separate childcare proportion area against your total home area

- **Business Statement Activity (BAS) lodgement**
After you registered for GST, you will need to lodge BAS form quarterly if the entity’s turnover is less than 20 million; if over, need to lodge BAS monthly.
- **Business Tax Return lodgement – Yearly**

The basic Tax Calculation is a follows:

- Taxable Income = Gross Income – Taxable Deductions
- Final Tax Payment = Taxable Income + Medicare Levy – Tax Offsets

For a sole trader, the general tax offsets are: Low income tax offsets, Mature Age tax offsets (over 55 years old), Medicare Expenses Tax Offsets, etc.

- **Yearly Profit and Loss report for Centrelink**

A financial report provides the aggregated amounts of your net profit for the year.

At MAS Tax Accountants South Yarra, we provide whole set of services to suit your business needs: ABN & GST Registration (\$165 each), Bookkeeping (\$55/hour), BAS lodgement (\$165 each), Tax Return lodgement for a Sole Trader (\$330 each)



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