



[Canada.ca](#) > [Canada Revenue Agency \(CRA\)](#) > [Forms and publications - CRA](#) > [Technical tax information](#) > [Income Tax](#) > [Income tax folio index](#)
> [Series 1 - Individuals](#) > [Folio 3 Family Unit Issues](#)

Income Tax Folio S1-F3-C1, Child Care Expense Deduction

Series 1: Individuals

Folio 3: Family Unit Issues

Chapter 1: Child Care Expense Deduction

Summary

The purpose of the legislative provisions regarding child care expenses is to provide some relief for taxpayers who incur child care expenses in order to work, carry on a business or undertake certain educational activities. The maximum child care expenses that can be claimed per child each year is limited to \$5,000, \$8,000 or \$11,000 depending on the circumstances.

This Chapter discusses the meaning of child care expenses including the circumstances under which such expenses may be deducted. It comments on certain specific types of expenses and whether they qualify for deduction. It also discusses who is eligible to claim child care expenses and the limitations with respect to such claims. Examples are provided for lower and higher income taxpayers.

The Canada Revenue Agency (CRA) issues income tax folios to provide a summary of technical interpretations and positions regarding certain provisions contained in income tax law. Due to their technical nature, folios are used primarily by tax specialists and other individuals who have an interest in tax matters. While each paragraph in a chapter of a folio may relate to provisions of the law in force at the time it was written (see the [Application](#) section), the information provided is not a substitute for the law. The reader should, therefore, consider the chapter's information in light of the relevant provisions of the law in force for the particular tax year being considered.

The CRA may have published additional guidance and detailed filing instructions on matters discussed in this Chapter and other topics that may be of interest. See the CRA's [Forms and publications](#) web page for this and other topics that may be of interest.

Table of contents

- [Discussion and interpretation](#)
 - [What are child care expenses?](#)
 - [Eligible child](#)
 - [Expenses to enable the undertaking of specific activities](#)
 - [Provider of child care services](#)

- [Excluded child care expenses](#)
- [Who may claim the child care expense deduction?](#)
 - [General rule](#)
 - [Income](#)
 - [Payer of child care expenses](#)
 - [Higher income taxpayer](#)
 - [Separation and shared custody](#)
 - [Students](#)
- [What is the maximum deduction?](#)
 - [General rule](#)
 - [Earned income](#)
 - [Deductibility of child care expenses by the higher income taxpayer](#)
 - [Child care expenses while at school](#)
- [Form T778 and receipts](#)
- [Impact of child care expense claims](#)
 - [Disability tax credit supplement](#)
 - [Children's fitness and art tax credits](#)
- [Application](#)
- [Reference](#)
- [History](#)

Discussion and interpretation

What are child care expenses?

1.1 The term child care expense is defined in subsection 63(3). In general terms, the definition provides that a child care expense is an expense incurred for the purpose of providing child care services for an eligible child of a taxpayer, to enable the taxpayer or a supporting person to undertake specific activities. The taxpayer or supporting person must have resided with the eligible child at the time the expense was incurred in order for the expense to qualify as a child care expense. The requirements in definition are discussed below under the following headings:

- Eligible child (see ¶1.3 to 1.8);
- Expenses to enable the undertaking of specific activities (see ¶1.9 to 1.12); and
- Provider of child care services (see ¶1.13 to 1.19).

1.2 There are some expenses that might otherwise be child care expenses but that are specifically excluded from the definition of child care expense. These types of expenses are discussed at ¶1.20.

Eligible child

1.3 As noted in ¶1.1, child care expenses must be incurred in respect of an eligible child of the taxpayer. An **eligible child** of a taxpayer for a tax year is defined in subsection 63(3) to mean:

- a **child** of the taxpayer or of the taxpayer's **spouse** or **common-law partner**; or
- a child who is dependent on the taxpayer or on the taxpayer's spouse or common-law partner for support and whose income for the year does not exceed the amount determined for F in subsection 118(1.1) for the year. This amount, the unreduced maximum basic personal amount, was \$15,000 in 2023 and has been indexed annually since then.

See the web page [Indexation adjustment for personal income tax and benefit amounts](#) for the current amount, which can be found on the line **Basic personal amount for individuals whose net income for the year is less than or equal to the amount at which the 29% tax bracket begins**.

1.4 In addition, the child must either be:

- under 16 years of age at some time in the year; or
- dependent on the taxpayer or on the taxpayer's spouse or common-law partner and have a mental or physical infirmity.

1.5 Subsection 252(1) provides an extended meaning of the term **child** for the purposes of the Act. Under this subsection, a child of a taxpayer includes:

- a person of whom the taxpayer is the legal parent;
- a person who is wholly dependent on the taxpayer for support and of whom the taxpayer has, or immediately before the person attained the age of 19 years had, in law or in fact, the custody and control;
- a child of the taxpayer's spouse or common-law partner; and
- a spouse or common-law partner of a child of the taxpayer.

1.6 The term **spouse** refers exclusively to a person who is legally married to the taxpayer. Subsection 252(3), which extends the meaning of the term spouse to include individuals who are parties to a void or voidable marriage, does not apply for purposes of the child care expense deduction rules in section 63.

1.7 The term **common-law partner** in respect of a taxpayer is defined in subsection 248(1) and at a particular time includes:

- a person who at that time cohabits in a conjugal relationship with the taxpayer and has done so throughout the continuous 12-month period that ends at that time; and
- a person who at that time cohabits in a conjugal relationship with the taxpayer and is the parent of a child of the taxpayer for one of the following reasons:
 - the person is the legal parent of the child; or
 - the child is wholly dependent on the person for support and the person has, in law or in fact, the custody and control of the child (or did immediately before the child turned 19).

1.8 Under the definition of common-law partner, once individuals begin to cohabit in a conjugal relationship they are deemed to continue cohabiting in that conjugal relationship until they live separate and apart for a period of 90 consecutive days because of a breakdown of their conjugal relationship. After this 90-day period has passed, the effective day of the change of marital status is the date the individuals started living separate and apart.

Expenses to enable the undertaking of specific activities

1.9 The definition of **child care expense** in subsection 63(3) requires that the expense be incurred to enable the taxpayer or a **supporting person** who resided with the eligible child at the time the expense was incurred, to:

- perform the duties of an office or employment;
- carry on a business either alone or as a partner actively engaged in the business;
- carry on research or any similar work for which the taxpayer or supporting person received a grant; or
- attend a secondary school or designated educational institution (see Income Tax Folio S1-F2-C1, *Qualifying Student and the Education and Textbook Tax Credits* for the definition of designated educational institution) where the taxpayer is enrolled in a **full-time** or **part-time educational program**.

1.10 A **supporting person** of an eligible child of a taxpayer for a tax year is defined in subsection 63(3) to mean an individual who resided with the taxpayer at any time during the year and at any time within 60 days after the end of the year and who is:

- the child's parent (paragraph 252(2)(a) provides an extended meaning of parent for the purposes of the Act);
- the taxpayer's spouse or common-law partner; or
- any other individual who was able to claim a tax credit under section 118 for the child for the year.

1.11 A **full-time educational program** is one that lasts at least three consecutive weeks and requires that each student in the program spend at least 10 hours per week on courses or work in the program. A **part-time educational program** is one that lasts at least three consecutive weeks and requires that each student in the program spend at least 12 hours per month on courses.

1.12 Fees paid to maintain a place in a day nursery or to ensure babysitting services are retained when the taxpayer or supporting person takes a temporary leave of absence from employment (for example, maternity leave) may be considered expenses incurred to enable the taxpayer or supporting person to perform the duties of an office or employment. The taxpayer or supporting person taking the leave must remain employed during the temporary leave of absence and the payments must be made with the eventual aim of enabling the taxpayer or supporting person to return to work with the same employer.

Provider of child care services

1.13 Under the definition of child care expense in subsection 63(3), the expense must be incurred for the purpose of providing child care services in Canada (see ¶1.19 for exceptions), for an eligible child of the taxpayer. This includes payments to:

- an **eligible child care provider**;
- a day nursery school or day-care centre;
- a day camp or **day sports school**;
- a boarding school or camp (including a sports school where lodging is involved); and
- an **educational institution** for the purpose of providing child care services.

1.14 The above is not an exhaustive list of deductible child care expenses. For example, advertising expenses and placement agency fees incurred to locate a child care provider and mandatory registration fees may also qualify as child care expenses. In each case, the requirements in the definition of child care expense in subsection 63(3), as explained in ¶1.1 and ¶1.2 must also be met.

1.15 The term **eligible child care provider** refers to an individual or organization providing child care services. Where the child care services are provided by an individual, the individual must be a person other than:

- the father or mother of the eligible child;
- a supporting person of the eligible child;
- a person in respect of whom the taxpayer or a supporting person of the eligible child has deducted a tax credit under section 118 for the year; or
- a person who is under 18 years of age and related to the taxpayer.

1.16 Paragraph 251(2)(a) provides that individuals are related if they are connected by blood relationship, marriage, common-law partnership or adoption. Subsection 251(6) defines a connection by blood relationship, marriage, common-law partnership or adoption for the purposes of the Act. For example, a brother-in-law or sister-in-law of the taxpayer is related to the taxpayer under subsection 251(6). However, a niece, nephew, aunt, or uncle is generally not considered to be related to the taxpayer. For further information on the criteria used to determine whether persons deal with each other at arm's length under the Act, see Income Tax Folio S1-F5-C1, Related Persons and Dealing at Arm's Length.

1.17 The term **day sports school** is intended to cover those day camps providing a sufficient degree of child care services. Where a child participates in a particular program that includes sports, there can be an element of education and perhaps training as well as an element of child care. However, in any particular case, it is a question of fact as to whether child care services can be regarded as having been provided or whether a program of training and/or education is essentially involved. With respect to any particular program, a degree of basic protection and safety (child care services) is normally involved although the program may also provide activities and instruction which enrich the program. In determining whether a particular sports program involves a sufficient degree of child care, some factors that would be considered are the age of the participating children, the instructors' qualifications, the extent that progress is measured and goal-orientation is involved, the time devoted to the program, the duration of the program and the training and educational facilities used. For example, sports day camps for young children are generally not of an ongoing nature and it is generally recognized that there is a sufficient degree of child care even though the program is enriched by sporting activities with instruction. On the other hand, children, particularly those who are older, may participate in a sports program that is ongoing for a lengthy period of time, the instructors have degrees or certificates in respect of physical education, progress is regularly monitored and is goal-oriented, and sophisticated training methods and facilities are used. In this type of scenario, it is our general view that education and training are essentially involved as opposed to child care.

1.18 An **educational institution** may offer child care as well as an educational program. An educational program is considered to be more goal-oriented than child care, with the child being expected to learn skills and progress through a planned program of instruction, whereas a child in a typical child care setting is not expected to achieve any specific educational goals. Where an educational institution provides both child care and an educational program, only the portion of the fees paid to the institution relating to child care (that is, supervision before and after classes or during the lunch period) may qualify as child care expenses. When payments are made to an educational institution for a child under the compulsory school age, the services being provided are generally considered child care rather than education unless the facts indicate otherwise.

1.19 Generally, child care expenses must be incurred for child care services provided in Canada by a resident of Canada. However, there are two exceptions to this rule:

- Under section 64.1, a taxpayer who is not physically present in Canada throughout all or a part of a tax year, but who nevertheless continues to be resident in Canada for income tax purposes (that is, a factual or a deemed resident of Canada), is not subject to the **in Canada** requirement while absent from Canada. Accordingly, provided the requirements of section 63 are otherwise met, a taxpayer who is a resident of Canada for tax purposes but absent from Canada for all or part of a tax year may deduct payments made during the absence from Canada for child care services provided outside of Canada by a non-resident of Canada.
- In certain circumstances, subsection 63(4) deems amounts paid for child care services provided in the United States to a taxpayer residing in Canada near the Canada-United States border to be eligible child care expenses for the purposes of section 63. The child care services must be provided at a place that is closer to the taxpayer's principal place of residence by a reasonably accessible route, having regard to the circumstances, than any place in Canada where such child care services are available. Subsection 63(4) does not apply to expenses paid for a child's attendance at a boarding school or camp outside Canada.

Excluded child care expenses

1.20 Specifically excluded from the definition of child care expense in subsection 63(3) are:

- medical expenses described in subsection 118.2(2) (see [Income Tax Folio S1-F1-C1, Medical Expense Tax Credit](#)) and any other expenses for medical or hospital care;
- clothing, transportation or education costs; and
- board and lodging expenses, except to the extent they are included in the total charges for attendance at an overnight sports school or a boarding school or camp and those total charges do not exceed the product obtained when multiplying the **periodic child care expense amount** in respect of the child for the year by the number of weeks during which the child attended the school or camp.

The cost of meals is not disqualified when it is included in the cost of babysitting, day nursery or day camp services.

1.21 The term **periodic child care expense amount** is defined in subsection 63(3) as 1/40 of the annual child care expense amount in respect of an eligible child of the taxpayer for the year. The **total periodic child care expense amounts** of a taxpayer for a tax year is 1/40 of the sum of the annual child care expense amounts in respect of all eligible children of the taxpayer for the year.

Who may claim the child care expense deduction?

General rule

1.22 Subsection 63(1) provides that an amount paid as, or on account of, child care expenses incurred for services rendered in a tax year for an eligible child may be deducted:

- only by the taxpayer, when there is no supporting person (for example, where a taxpayer lives alone with the eligible child throughout the year); or
- only by the taxpayer with the lower income, when there is a taxpayer and a supporting person and the circumstances described in ¶1.30(a) to (c) do not apply.

1.23 An amount paid as or on account of child care expenses incurred for services rendered in a tax year for an eligible child may be deducted by the taxpayer with the higher income or partly by both that taxpayer and the supporting person under certain circumstances (see ¶1.30 to 1.31). For further information on the calculation of child care expenses and

examples, see ¶1.38 to 1.42 for the general rule and ¶1.43 to 1.44 for the higher income taxpayer.

Income

1.24 In determining whether the taxpayer or the supporting person had the lower income for the year, subsection 63(2) provides that the calculation of incomes is to be done without reference to any otherwise allowable deductions for:

- child care expenses under section 63;
- any benefit repayment payable under Part VII of the Employment Insurance Act on or before April 30 of the following year and which is deductible for the tax year under paragraph 60(v.1); or
- the amount of old age security benefits that is required to be repaid for the year as tax under Part I.2 as provided by paragraph 60(w).

1.25 For purposes of determining whether the taxpayer or the supporting person has the lower income for the year, it is the CRA's view that income that is exempt from taxation under section 81 is not to be considered. In addition, under paragraph 3(f), a taxpayer with no income for a year is deemed to have income of an amount equal to zero.

1.26 When the income for the year of a taxpayer who has an eligible child and the income of a supporting person of the child are equal when calculated in the manner described in ¶1.24, subsection 63(2.1) provides that no child care expense deduction will be allowed to either the taxpayer or to the supporting person unless they jointly elect to treat the income of one of them as exceeding the income of the other for the year. The election can be made by having either the taxpayer or the supporting person, but not both, claim the deduction. A claim for the child care expense deduction is made by filing Form T778, Child Care Expenses Deduction (see ¶1.47).

Payer of child care expenses

1.27 When there is no supporting person for the year, the taxpayer claiming child care expenses must be the person who paid the expenses.

1.28 Generally, where there is both a taxpayer and a supporting person for the year, the child care expenses to be claimed by either party may be paid by either party. There is an exception to this general rule where the supporting person has the lower income and is living separate and apart from the taxpayer at the end of the year and for a period of at least 90 days beginning in that year due to a breakdown in their marriage or common-law partnership. In this case, any child care expenses claimed by the taxpayer must have been paid by the taxpayer.

1.29 Under paragraph 63(1)(d), no deduction may be claimed for child care expenses for which any taxpayer is or was entitled to a reimbursement or any other form of assistance unless the reimbursement or assistance is included in a taxpayer's income and is not deductible in computing that taxpayer's taxable income. An example of such assistance is the Small Business Job Credit under the Employment Insurance Act, which may be received by a taxpayer who directly employs a person to care for their child.

Higher income taxpayer

1.30 Under subsection 63(2), where there is both a taxpayer and a supporting person and the supporting person has the lower income, the taxpayer with the higher income will be allowed to deduct child care expenses under subsection 63(1) during the period that the supporting person was:

- a. a student in attendance at a designated educational institution or secondary school and enrolled in a full-time or

part-time educational program;

- b. certified in writing by a medical doctor, or a nurse practitioner (in respect of certifications made after September 7, 2017), to be a person who:
- by reason of mental or physical infirmity and confinement throughout a period of not less than two weeks in the year to a bed or to a wheelchair or as a patient in a hospital, an asylum or other similar institution, was incapable of caring for children, or
 - by reason of mental or physical infirmity, was in the year, and is likely to be for a long-continued period of indefinite duration, incapable of caring for children; or
- c. confined to a prison or similar institution throughout a period of not less than two weeks in the year.

1.31 Under clause (i)(D) of the description of C in paragraph 63(2)(b), the higher income taxpayer may also be able to deduct child care expenses for the year in which the taxpayer and supporting person become separated. Clause (i)(D) of the description of C in paragraph 63(2)(b) will apply where the following conditions are met:

- the taxpayer and supporting person resided together at some time in the year;
- the taxpayer and supporting person were living separate and apart at the end of the year and for a period of at least 90 days beginning in that year due to a breakdown of their marriage or common-law partnership; and
- the taxpayer and supporting person began to reside together again within 60 days after the end of the year.

1.32 If any of the situations described in ¶1.30 or ¶1.31 apply, see ¶1.43 to determine the maximum amount that the taxpayer with the higher income may deduct for child care expenses for the year.

Separation and shared custody

1.33 The situations in which a higher income spouse or common-law partner may be able to claim child care expenses in the year of separation, where there has been a breakdown in the marriage or common-law partnership and there has been a reconciliation within 60 days after the end of the year, are discussed at ¶1.31. If, in the year of separation, reconciliation does not occur within 60 days after the end of the year, there will not be a supporting person for the year. In this case, child care expenses will be allowed only to the individual who resided with the eligible child and only to the extent that the expenses were paid by that individual to enable the individual to engage in one of the activities listed in ¶1.9.

1.34 In situations where there is no supporting person of the eligible child for the year, and the child lived with each parent at different times in a year (for example, in shared custody situations), both parents may claim a deduction for the year as provided in ¶1.38 to 1.42. Each parent may only claim child care expenses incurred for a period during the year that the eligible child resided with the parent and only to the extent that the expenses were paid by that parent to enable that parent to engage in the activities listed in ¶1.9. In these cases, the CRA will generally consider each parent to reside with a child while the child is in their custody.

1.35 In shared custody situations, one parent (the **first parent**) may pay the child care provider and be reimbursed for a portion of the child care costs by the other parent (the **second parent**). In these cases, the child care provider should issue a receipt to the first parent for the full amount of the payment for child care expenses. The first parent should issue a receipt to the second parent for the amount of the reimbursement. The first parent is generally considered to have paid child care expenses in the amount they paid the child care provider, net of the reimbursement received from the second parent. The second parent is generally considered to have paid child care expenses in the amount of the reimbursement

they paid to the first parent. This will not be the case however, where the reimbursement is a **support payment** that must be included in the income of the first parent and that is deductible in computing the taxable income of the second parent. A reimbursement that must be included in the first parent's income will not reduce the amount of the child care expenses that can be claimed by that parent. Where the amount of the payment made by the second parent to the first parent is a support payment that is deductible in computing the second parent's income, the payment would not be considered a child care expense paid by the second parent. For assistance in determining whether a payment is considered a **support payment** and whether it is taxable to the recipient and deductible to payer, please refer to [Income Tax Folio S1-F3-C3, Support Payments](#).

1.36 The comments in ¶1.33 to 1.35 assume that neither parent is residing with a new supporting person during the year. If a parent remarries or enters into a new common-law relationship with another person in circumstances such that the other person is a supporting person, the new supporting person may be the one entitled to deduct child care expenses.

Students

1.37 Under subsection 63(2.2), a taxpayer may be entitled to deduct an additional amount of child care expenses for an eligible child for periods during which the taxpayer was a student enrolled in a full-time or part-time educational program. However, as determined under subsection 63(2.3), if there is a supporting person that person must also be a student at the same time as the taxpayer, and the taxpayer must have the higher income for the year (calculated as described in ¶1.24) to claim the additional amount of child care expenses under subsection 63(2.2). In each case, the student or students must be in attendance at a [designated educational institution](#) or secondary school. The deduction will vary depending on whether the student is enrolled in a full-time or part-time educational program. See ¶ 1.45 to 1.46 for further information on the calculation of child care expenses for students.

What is the maximum deduction?

General rule

1.38 The child care expense deduction that a taxpayer may claim for a year in respect of each eligible child is limited to the **annual child care expense amount** which is defined in subsection 63(3). The annual child care expense amount for each child is determined with reference to the child's age, physical and mental condition.

1.38.1 For 2015 and subsequent tax years (see ¶1.38.2 for 2014 and previous tax years), the annual child care expense amount is determined as follows:

- For a child in respect of whom a disability tax credit may **not** be claimed, the **annual child care expense amount** is:
 - \$8,000 for each child under seven years of age at the end of the year;
 - \$5,000 for each child over six years of age at the end of the year and under 16 years of age at any time during the year; or
 - \$5,000 for each child over 15 years of age throughout the year who has a physical or mental infirmity and is dependent on the taxpayer, or the taxpayer's spouse or common-law partner (see [Income Tax Folio S1-F4-C2, Basic Personal and Dependant Tax Credits \(for 2017 and subsequent tax years\)](#) for more information).
- For a child in respect of whom a disability tax credit **may** be claimed under section 118.3, (see [Income Tax Folio S1-F1-C2, Disability Tax Credit](#) for information on determining whether a person qualifies for the disability tax credit), the annual child care expense amount is \$11,000. ¶1.48 discusses the potential impact of a child care expense claim on a taxpayer's entitlement to claim a disability tax credit supplement.

1.38.2 For 2014 and previous tax years, the annual child care expense amount is determined as follows:

- For a child in respect of whom a disability tax credit may **not** be claimed, the **annual child care expense amount** is:
 - \$7,000 for each child under seven years of age at the end of the year;
 - \$4,000 for each child over six years of age at the end of the year and under 16 years of age at any time during the year; or
 - \$4,000 for each child over 15 years of age throughout the year who has a physical or mental infirmity and is dependent on the taxpayer, or the taxpayer's spouse or common-law partner (see [Income Tax Folio S1-F4-C1](#) for more information).
- For a child in respect of whom a disability tax credit **may** be claimed under section 118.3, (see [Income Tax Folio S1-F1-C2](#) for information on determining whether a person qualifies for the disability tax credit), the annual child care expense amount is \$10,000. ¶1.48 discusses the potential impact of a child care expense claim on a taxpayer's entitlement to claim a disability tax credit supplement.

1.39 A taxpayer may claim less than the maximum amount allowed under subsection 63(1) when it is advantageous for the taxpayer to do so (see ¶1.48). It is not possible, however, to carry forward unclaimed expenses to a subsequent tax year. An amount is not deductible by the taxpayer if it is included in computing deductible child care expenses for someone else.

1.40 As stated in ¶1.22, child care expenses are generally deducted by:

- the taxpayer when there is no supporting person; or
- the taxpayer with the lower income when there is both a taxpayer and a supporting person and the circumstances described in ¶1.30(a) to (c) do not apply.

In either of these cases, the amount deductible by a taxpayer in any particular year is limited to the least of two amounts.

The **first amount** is the amount paid by the taxpayer or supporting person as or on account of child care expenses incurred for services rendered in the year, and that is not already included as an amount deductible under subsection 63(1) by an individual other than the taxpayer. However, under paragraph 63(1)(d), no deduction may be claimed for child care expenses for which any taxpayer is or was entitled to a reimbursement or any other form of assistance unless the reimbursement or assistance is included in a taxpayer's income and is not deductible in computing that taxpayer's taxable income.

The **second amount** is the amount, if any, determined by the formula:

X - Y

Where

X is the lesser of two-thirds of the taxpayer's earned income for the year, and the total of all amounts, each of which is the annual child care expense amount in respect of an eligible child of the taxpayer for the year; and

Y is the total of all amounts deducted under section 63 for the year in respect of the taxpayer's eligible children, by an individual other than the taxpayer, to whom subsection 63(2) applies (that is, the higher income taxpayer).

The amount deductible by the taxpayer or supporting person with the higher income may be further limited as explained in ¶1.43 to 1.44.

Earned income

1.41 As indicated in ¶1.40 under the general rule, a taxpayer's claim for child care expenses for a year cannot exceed two-thirds of the taxpayer's earned income for that year. Earned income of a taxpayer for the purposes of the child care expense deduction is defined in subsection 63(3). Earned income consists of:

- a. a disability pension received under the Canada Pension Plan or the Quebec Pension Plan;
- b. all salaries, wages, tips, and other remuneration from an office or employment;
- c. all amounts included in computing employment income by virtue of sections 6 and 7 (employment benefits and employee stock option benefits);
- d. all scholarships, fellowships, bursaries, prizes and research grants to the extent they are included in income under paragraph 56(1)(n) or (o);
- e. all amounts received in the year under the Apprenticeship Grant programs administered by Employment and Social Development Canada and included in income under paragraph 56(1)(n.1);
- f. any governmental financial assistance as defined under paragraph 56(1)(r); and
- g. incomes (excluding losses) from all businesses carried on alone or as a partner actively engaged in the business of the partnership. (Generally, an actively engaged partner is one who contributes time, labour and attention to the partnership business and the quantity and quality of the partner's efforts are expected to be factors in determining the amount of partnership profits).

The amounts described in (b) to (g) above are to be taken into account in calculating a taxpayer's earned income even though these amounts, by reason of paragraph 81(1)(a) (statutory exemptions) or subsection 81(4) (payments for volunteer services), may not be required to be included in income.

Example 1

1.42 Assume that for Year 1 the parent with the lower income:

- paid total child care expenses of \$19,000 for services rendered for three eligible children who were all under the age of seven years at the end of the year;
- had earned income of \$30,000; and
- was not entitled to assistance in respect of the amount paid for child care expenses, nor was any other taxpayer.

Also assume that no other taxpayer claimed the child care expenses as a deduction under subsection 63(1).
The amount of child care expenses that the lower income parent can deduct for Year 1 is limited to the variable G amount calculated in the table below.

Calculation of the child care expense deduction for Year 1:

Variables	Description	Calculated amount
A	the amount paid for child care expenses	\$19,000
B	2/3 of the taxpayer's earned income (2/3 x \$30,000)	\$20,000
C	the total of all annual child care expense amounts for three children under	\$24,000

	seven years of age (\$8,000 x three eligible children)	
D	lesser of B and C	\$20,000
E	amounts deducted under section 63 for the year in respect of the taxpayer's eligible children by the higher income taxpayer	Nil
F = D-E	excess of amount D over amount E	\$20,000
G	lesser of amount A and amount F	\$19,000

Variable G of \$19,000 from the table above is the maximum amount that the lower income parent may claim as a child care expense deduction in calculating their income for Year 1. This means that the full amount of child care expenses paid for the services rendered for the three eligible children are deductible in calculating the income of the lower income parent for Year 1.

Deductibility of child care expenses by the higher income taxpayer

1.43 When an amount paid as or on account of child care expenses is deductible by the taxpayer with the higher income or partly by both that taxpayer and the supporting person, the amount deductible by the higher income taxpayer under subsection 63(1) is limited to the lesser of:

- the amount calculated under paragraph 63(2)(a) (which is the amount that would otherwise be deductible by the higher income taxpayer for the year as discussed at ¶1.40); and
- the amount calculated under paragraph 63(2)(b).

The amount calculated under paragraph 63(2)(b) is the total of all periodic child care expense amounts multiplied by the total of:

- the number of weeks in the year during which the child care expenses were incurred and throughout which the supporting person (with the lower income) was:
 - a student in attendance at a designated educational institution or secondary school and enrolled in a full-time educational program, or
 - a person described in ¶1.30(b) to (c) or ¶1.31; and
- the number of months in the year during which the child care expenses were incurred and the supporting person (with the lower income) was in attendance at a designated educational institution or secondary school and enrolled in a part-time educational program, and for which weeks or part weeks were not included in the preceding calculation.

If the amount paid for child care expenses exceeds the amount deducted by the higher income taxpayer, the supporting person may claim the excess to the extent permitted by subsection 63(1). In addition to the above limitations, claims for child care expenses when there has been a separation between the taxpayer and supporting person during the year as described in ¶1.31 are subject to the comments in ¶1.33.

Example 2

1.44 Rhea and Anil have three children who were under the age of seven years at the end of Year 1. They paid child care expenses of \$16,000 for services rendered in Year 1. No one was entitled to any reimbursement with respect to this amount. Rhea and Anil had earned income of \$51,000 and \$30,000, respectively, for Year 1. Anil was a full-time student in attendance at a designated educational institution for 16 weeks in 2015. Rhea will calculate her maximum child care expense deduction first because she has the higher earned income and Anil will calculate his after.

Calculation of Rhea’s maximum deduction:

The maximum that Rhea may deduct for child care expenses in Year 1 is equal to the lesser of amounts calculated under paragraphs 63(2)(a) and (b).

Calculation of the paragraph 63(2)(a) amount (discussed at ¶1.43):

Variables	Description	Calculated amount
A	amount paid for child care expenses	\$16,000
B	2/3 of Rhea's earned income (2/3 x \$51,000)	\$34,000
C	the total of all annual child care expense amounts for three children under seven years of age (\$8,000 x three eligible children)	\$24,000
D	lesser of B and C	\$24,000
E	lesser of A and D	\$16,000

The amount calculated under paragraph 63(2)(a) is \$16,000 (variable E).

Calculation of the paragraph 63(2)(b) amount (discussed at ¶1.43):

Variables	Description	Calculated amount
F	total periodic child care expense amounts (1/40 x \$24,000)	\$600
G	number of weeks in Year 1 that Anil was a full-time student	16
H	amount F x amount G	\$9,600

The amount calculated under paragraph 63(2)(b) is \$9,600 (variable H).

Rhea’s maximum child care expense deduction under subsection 63(1) for Year 1 is therefore \$9,600 because the amount calculated under paragraph 63(2)(b) is less than the amount calculated under paragraph 63(2)(a).

Calculation of Anil’s maximum deduction:

Assuming that Rhea deducts child care expenses of \$9,600 for Year 1, the calculation of the maximum deduction for child care expenses that Anil may claim for Year 1 under subsection 63(1) (as discussed at ¶1.40), is shown in the next table.

Calculation of Anil's maximum deduction:

Variables	Description	Calculated amount
-----------	-------------	-------------------

I	the amount paid for child care expenses	\$16,000
J	the amount deducted by Rhea under subsection 63(1)	\$9,600
K	amount I minus amount J	\$6,400
L	2/3 of Anil's earned income (2/3 x \$30,000)	\$20,000
M	the total of all annual child care expense amounts for three children under seven years of age (\$8,000 x three eligible children)	\$24,000
N	lesser of L and M	\$20,000
O	amount N minus amount J	\$10,400

Based on the formula discussed at ¶1.40, the maximum amount that Anil can deduct for child care expenses for Year 1 is the lesser of \$6,400 (variable K) and \$10,400 (variable O). Therefore the maximum Anil can claim is \$6,400.

In this example, the \$16,000 paid by this family for child care services rendered in Year 1 is fully deductible (\$9,600 by Rhea plus \$6,400 by Anil).

Child care expenses while at school

1.45 In addition to amounts which may be deductible under either the general rule at ¶1.38 or by the higher income taxpayer at ¶1.43, a taxpayer may be entitled to claim an amount of child care expenses for an eligible child under subsection 63(2.2) for periods during which the taxpayer was a student in attendance at a designated educational institution or secondary school and enrolled in a full-time or part-time educational program. See Form T778, Information About Child Care Expenses, for assistance in calculating the amount available to a particular taxpayer (as discussed in ¶1.47).

1.46 The deduction for child care expenses where a taxpayer is a student is limited under subsection 63(2.3) to the least of the following amounts:

- the amount paid for child care expenses incurred for services rendered in the year for all eligible children less the amount which is deductible by the taxpayer under subsection 63(1) for the year (see ¶1.38 and ¶1.43);
- two-thirds of the taxpayer's income for the year calculated as described in ¶1.24;
- the amount determined by the formula: **A × C** where:

A represents the total of all the periodic child care expense amounts for all eligible children of the taxpayer for the year, and

C represents:

- where there is a supporting person of an eligible child with a lower income than the taxpayer's for the year (calculated as described in ¶1.24):

(a) the number of weeks in the year during which both the taxpayer and the supporting person were students in attendance at a designated educational institution or secondary school and enrolled in full-time educational programs (see ¶1.11),

plus

(b) the number of months (for which weeks or part weeks are not included in (a)) that both the taxpayer and the supporting person were students in attendance at a designated educational institution or secondary school and enrolled in full-time or part-time educational programs during the year; and

- where there is no supporting person of an eligible child for the year:

(c) the number of weeks in the year during which the taxpayer was a student in attendance at a designated educational institution or secondary school and enrolled in a full-time educational program,

plus

(d) the number of months (for which weeks or part weeks are not included in (c)) that the taxpayer was a student in attendance at a designated educational institution or secondary school and enrolled in a part-time educational program during the year;

- the amount by which the total annual child care expense amounts for the year in respect of the taxpayer's eligible children exceed the amount that is deductible by the taxpayer for the year under subsection 63(1); and
- where there is a supporting person of an eligible child with a lower income (calculated as described in ¶1.24), the amount by which the amount calculated under paragraph 63(2)(b) for the year for the higher income taxpayer exceeds two-thirds of the higher income taxpayer's earned income for the year (see ¶1.30 to 1.32, ¶1.41 and ¶1.42).

Form T778 and receipts

1.47 A claim for child care expenses is made by filing a completed Form T778 with the claimant's return. Receipts for child care expenses are not required to be sent with the claimant's return. When the claimant's return is filed electronically the requirement to file Form T778 is also waived. However, these documents should nevertheless be retained as the CRA has the authority under subsection 220(2.1) to subsequently request them as proof of the claims being made or in support of the information being reported. Every receipt for child care expenses should be made out to the individual who paid the child care expenses. For information about what should be included in a receipt, see the web page Issuing receipts for daycare.

Impact of child care expense claims

Disability tax credit supplement

1.48 A claim for child care expenses under section 63 may reduce an individual's entitlement to the disability tax credit supplement under subsection 118.3(1), which is available for certain individuals under 18 years of age at the end of the year who have a severe and prolonged impairment in a mental or physical function. The supplement is reduced by the excess, over a certain threshold, of the total child care expenses paid in the year and claimed for income tax purposes in respect of the child. For more information refer to Income Tax Folio S1-F1-C2, Disability Tax Credit.

Children's arts and fitness tax credits

1.49 Beginning in the 2017 tax year, the children's arts tax credit under section 118.031 and the children's fitness tax credit under section 122.8 have been eliminated. However, these credits are available for 2016 and certain previous tax years. An amount that can be claimed by a taxpayer under section 63 as a child care expense cannot be used in determining children's fitness and arts tax credits by that taxpayer or any other taxpayer for any tax year.

Application

This updated Chapter, which may be referenced as S1-F3-C1, is effective December 9, 2024.

When it was first published on March 28, 2013, this Chapter replaced and cancelled *Interpretation Bulletin IT-495R3, Child Care Expenses*.

The history of updates to this Chapter as well as any technical updates from the cancelled interpretation bulletin can be viewed in the [Chapter History](#) page.

Except as otherwise noted, all statutory references herein are references to the provisions of the *Income Tax Act*, R.S.C., 1985, c.1 (5th Supp.), as amended and all references to a Regulation are to the *Income Tax Regulations*, C.R.C., c. 945, as amended.

Links to jurisprudence are provided through CanLII.

Income tax folios are available in electronic format only.

Reference

Section 63 (also sections 6, 7, 64.1, 118, 118.03, 118.031 and 118.3; subsections 81(4), 118(1), 118(1.1), 118.2(2), 118.3(1), 118.6(1), 220(2.1), and 251(6); the meaning of common-law partner in subsection 248(1) and the extended meaning of child in subsection 252(1); and paragraphs 3(f), 56(1)(n), 56(1)(n.1), 56(1)(o), 56(1)(r), 60(v.1), 60(w), 81(1)(a), 118(1)(c), 251(2)(a) and 252(2)(a)).

See also Income Tax Folio S1-F2-C1, *Qualifying Student and the Education and Textbook Tax Credits*; Income Tax Folio S1-F1-C1, *Medical Expense Tax Credit*; Income Tax Folio S1-F1-C2, *Disability Tax Credit*; Income Tax Folio S1-F3-C3, *Support Payments*; Income Tax Folio S1-F4-C1, *Basic Personal and Dependant Tax Credits (for 2016 and prior tax years)*; and Income Tax Folio S1-F4-C2, *Basic Personal and Dependant Tax Credits (for 2017 and subsequent tax years)*.

Date modified:

2024-12-09