

Tax Tip
Week of May 4, 2009

Child Care Receipts

Individuals may elect not to make a claim for child care expenses as their day care provider does not issue receipts. Receipts are not required to claim child care expenses. However, if challenged by CRA, taxpayers must be able to support the payments. Cancelled cheques are normally adequate documentation. It is a fact of life that many child care providers have a two tier pricing system – one price with receipts and a lower price if no receipt is required. Presumably, the day care provider does not declare the income if receipts are not provided. Parents may consider the following tactics:

- 1) obtain the lowest price for child care offered by the provider:
- 2) pay by cheque, but do not demand a receipt: and
- 3) claim the full amount paid as a tax deduction.

This strategy may maximize your tax deduction, but one may lose their babysitter if an audit is performed by the tax department