

Coalition Senators Minority Report

Family Assistance Legislation Amendment (Child Care Budget Measures) Bill 2010

Introduction

1.1 On 13 May 2010 the Senate referred the Family Assistance Legislation Amendment (Child Care Budget Measures) Bill 2010 (the Bill) for inquiry and report.

1.2 As announced in the 2010 Budget, Schedule 1 of the Bill makes amendments to the *A New Tax System (Family Assistance) Act 1999* to set the maximum per child amount of Child Care Rebate at \$7,500 per annum and suspend indexation until July 2014 (the Measure).

1.3 The Measure will take effect from July 2010 and savings of \$86.3 million are anticipated over the ensuing four years.¹

1.4 The most recent indexation took place on 1 July 2009, increasing the child care rebate limit for the 2009-10 income year to \$7,778.²

Background

1.5 The Childcare Tax Rebate, (CCTR) as it was previously known, was introduced by the Howard Government in 2005. It was backdated to commence on 1 July 2004.³

1.6 In his Second Reading Speech on the TLAB, the then Minister for Revenue and Assistant Treasurer, the Hon Mal Brough MP said:

Schedule 1 introduces the child-care tax rebate. This initiative will help families by giving them a rebate on their tax of 30 per cent of out-of-pocket child-care expenses. The rebate will cover child-care expenses for taxpayers who use approved care and meet the childcare benefit work test or one of the equivalent childcare benefit limits. The rebate will be payable up to a maximum of \$4,000 per child...

The child-care tax rebate will assist families with the cost of approved child care, building on the childcare benefit system and family assistance

1 Family Assistance Legislation Amendment (Child Care Budget Measures) Bill 2010, Explanatory Memorandum, p. 2.

2 Family Assistance Legislation Amendment (Child Care Budget Measures) Bill 2010, Explanatory Memorandum, p. 2.

3 Tax Laws Amendment (2005 Measures No. 4) Bill 2005 (TLAB).

currently provided through initiatives such as family tax benefit, and honours the coalition's election commitment.⁴

The limit was to be subject to indexation.⁵

Changes to the CCTR

1.7 From the 2006-07 income year, the CCTR was removed from the tax system and was delivered as a Family Assistance payment through the Family Assistance Office.

1.8 From July 2008, the CCTR was increased to 50 per cent of out-of-pocket child care costs, up to \$7,500 per recipient per child per year. It continued to be indexed.

1.9 On 1 July 2009 CCTR was renamed the Child Care Rebate (CCR) to recognise that the rebate is no longer a tax offset.

The Bill - Government position

1.10 The Government views this specific measure as a 'savings measure' to offset some of the \$273.7 million to be spent implementing the National Quality Framework (NQF) for early childhood education and child care.

1.11 The NQF involves the progressive phase-in of improved carer-to-child ratios and higher qualification requirements for carers from January 2012.

1.12 From July 2010 a transition phase commences in which services will begin to undergo assessment against the NQF's National Quality Standard.

1.13 The NQF will increase the costs faced by child care services and it is anticipated that these increased costs will be passed on to families using child care.

1.14 The Child Care National Association (CCNA), in their written submission to the Committee, at page 2 state that:

Many informed childcare stakeholders have foreshadowed cost increases flowing from the proposed COAG changes to be from \$1,500 to \$5,000 per child per year.⁶

1.15 In a press release dated 11 May 2010, the Deputy Prime Minister claimed that the change proposed by the Bill will only affect three per cent of families receiving the rebate in 2010–11.

4 The Hon Mal Brough MP, *House of Representatives Hansard*, 23 June 2005, p. 17.

5 Schedule 1, item 2, section 61-495 of TLAB.

6 CCNA, *Submission 6*, p. 2.

1.16 The CCNA, again in their written submission to the Committee, disputes the statement by the Deputy Prime Minister that 'the change will only affect three per cent of families receiving the rebate in 2010 – 11.'

1.17 The CCNA state at page 3 of their submission:

With the COAG cost increases included onto the average costs at \$1,000 per part time LDC child per year and \$2,000 per year per full time child, CCNA estimate the number children/families to be adversely affected by this Bill to be conservatively of the order of 1/8th (or 12.5percent) of all children/families rather than the 3 percent indicated by Members/Senators with additional out-of-pocket expenses for these families of an additional \$2,000 per year.⁷

1.18 In any event, based on the admissions of the Deputy Prime Minister, this means that approximately 20,700 families will be worse off by up to \$9.00 per week (taking account of the indexation of the cap that was due in July 2010).

1.19 Coalition Senators note that other claims have been made that some families face fee increases of up to \$13 to \$22 a day per child from 2011 to meet childcare quality reforms.⁸

1.20 In her press release of 11 May 2010, the Deputy Prime Minister also claimed that:

The Australian Government is committed to ensuring families have access to high-quality, affordable child care.

1.21 Coalition Senators find this statement both ironic and contradictory given that the effect of this Bill will see approximately 20,700 Australian families worse off as a result of this so called 'budget saving' measure.

1.22 Coalition Senators consider the Government's initiative is yet another blow to women who want to care for children in a home setting. Coalition Senators also note that the Government is also cancelling the \$1500 start-up grant for Family Day Care services (\$5000 for Remote Areas).

1.23 The Coalition considers the actions of the Government are unfortunate as they will impose unnecessary financial hardship on many families using childcare services.

1.24 Coalition Senators note that the fundamental reason for the Government having to adopt such harsh budget savings is in part, due to the Rudd Labor Government's inability to properly manage the Australian economy. This financial

7 CCNA, *Submission 6*, p. 2.

8 Media Release, Dr Sharman Stone, Shadow Minister for Childcare - *Budget Child Care Rebate Cut: Rudd Labor Treats Working Families With Contempt*, 14 May 2010.

mismanagement has caused a massive blow out in Australia's net debt which will cause a significant blow out in the interest payments required to service this debt.

1.25 As stated by the Hon Sharman Stone, Shadow Minister for Childcare in her Second Reading Speech on this issue on 2 June 2010:

I certainly feel that this childcare budget measure is ill-conceived. It only saves \$83 million over four years, and when you think about it that is not very much when you are inflicting so much damage and so much distress on so many families.⁹

Coalition Senators' conclusion

1.26 The Coalition considers the actions of the Government are unfortunate as they will impose unnecessary financial hardship on many families using childcare services.

1.27 The Coalition will not oppose the Bill, but when in Government will seek to address the affordability of childcare in Australia and alleviate the financial burden being imposed on families by this budget related measure.

Senator Michaelia Cash
Deputy Chair

Senator Chris Back

9 Sharman Stone MP, *House of Representatives Hansard*, 2 June 2010, p. 64.