
SUBMISSION MEMORANDUM

TO: CHILDCARE INQUIRY
SUBJECT: SUBMISSION
DATE: JANUARY 15, 2014

I write regarding the Childcare and Early Childhood Learning Productivity Commission Issues Paper.

We are a family of 5, 2 working parents and 3 kids who all utilise long day care services in our local community. As a mother of 3 kids under 4 years of age who has been fortunate enough to return to work I also fully appreciate the importance of promoting social engagement and self-esteem. My desire to work in my field with an appropriately satisfying and challenging job (reflecting the years of undergraduate and post graduate study I completed previously) and obtain daycare comes at a significant financial cost. I estimate that I will spend a large percentage of my salary after tax to pay for our daycare costs (costs estimated after applying childcare rebate). With this in mind I can understand there is such a disincentive for parents (mainly women) with young children to undertake paid work.

I believe there are a number of key changes that need to be made immediately to make childcare more affordable and in turn increase the workforce participation rate:

Childcare Rebate

Currently the childcare rebate is capped at \$7,500 per child per financial year. Assuming that the average centre providing long daycare costs \$100 per day and the rebate is 50% of this. Therefore the rebate covers \$50 per day of the cost. Therefore care is available for 150 days of the year (\$7,500/\$50) at the reduced rate. However working a 5 day week would require care for 260 days (assume 52 weeks per year and a 5 day work week). This means that the rebate only provides for 3 days care of the work week. As finance professionals, our work week involves typically 5 days. I would like to see the rebate increased to \$13,000 per child, per financial year where both parents are working full time. This would enable parents to work 5 days a week and still receive the child care rebate.

In addition, as I understand it, the childcare rebate has been \$7,500 for the past few years. However daycare costs are increasing every year by at least inflation. Therefore I would like to see the childcare rebate indexed to at least CPI annually to take into account the increased cost of daycare.

Tax Deduction

I would like to see provision made that working parents be allowed to claim a tax deduction for the cost of daycare where both parents are working. If not for the full out of pocket cost (after child care rebate and other relevant subsidies) then at least for the value of care where the parents have not been able to claim the childcare rebate. In the example listed above daycare is typically subsidised for 3 days a week by the child care rebate. So for example if parents were working 4 or 5 days a week, then a deduction should be available for the costs incurred on the 4th and 5th day.

Salary sacrificing

I would like to see that all working parents be able to salary sacrifice their daycare costs without incurring FBT tax. Currently as I understand it, FBT exempt daycare salary sacrificing is limited to employees of Public Benevolent Institution, Health Promotion Charity or Public and Non-Profit Hospital and workplaces with in house benefits such as childcare facilities.

I would like to see reform to the FBT laws so that all employees (not matter what industry they work in or what company they work for) be able to salary sacrifice their daycare costs without the penalty of the FBT tax.

Availability of childcare

We live in an inner city suburb of Melbourne and notice a significant shortage of long daycare spaces in our area. Our children were on waiting lists for years (since birth) before being allocated a spot in our current centre. We were fortunate to receive an allocation of one day a week (starting Feb 2013) for our eldest son. After a year of our son attending the centre we were able to secure places for all of our 3 children to attend to same centre on our preferred days (starting January 2014). Because we already attended the centre we were preferentially allocated a place for the 2014 year. However the waiting list within our centre is significant (there are currently 60 babies (aged up to 2 years) on the waiting list for a mere 10 places in the baby room. The number of children on the centre's waiting list increases every year indicating that there are not enough facilities in our neighbourhood. Given the demand that exists in our neighbourhood our centre operates at almost 100% capacity consistently throughout the year. An increase in the availability of centres in our neighbourhood (and presumably other inner city neighbourhoods) would be welcome.

We lived in Sweden (and paid local taxes) when our first son was born in 2009, he attended a daycare centre in our neighborhood in a long day care. We paid around \$300.00 per month for our son to attend 5 days a week from 8.30am – 6pm. Generally speaking most toddlers in Stockholm attend care around 18 months of age. As a result of daycare being available and affordable the return to work participation rate was significantly higher for women. Having had experience with this system I can understand the benefits as far as boosting economic output and tax revenue; reducing long term unemployment and reliance on welfare support. I would like to see the affordability of daycare increased through increased government contributions/funding.