

Free childcare ends as tax refunds start rolling out to millions of Australians ^[1]

More taxpayers than usual have already filed returns in anticipation of up to \$1,080 tax cut

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EXCERPTS

The 1 million Australians who have already completed their tax returns will start to receive refunds this week, but for families with children in childcare, Monday also marks the return to the fee-and-subsidy model.

The treasurer, Josh Frydenberg, has released tax office statistics showing that 10 million Australians will benefit from the low and middle income tax offset, with 4.5 million to receive the full \$1,080.

More than 5m Australians will also receive the second \$750 stimulus payment from Monday, targeted at pensioners, family tax benefit recipients and low income earners.

By Friday, 991,000 people had already lodged tax returns for the 2019-20 financial year, an 11% increase on last year and a new record – as tax cuts delivered in the form of an offset encourage early lodgement, with benefits hitting a recipient's account all in one go at tax time.

With the second wave of the coronavirus hitting Melbourne the government's emphasis has shifted from a possible economic recovery founded on eased restrictions to preparing the next round of supports.

These include extending the jobkeeper wage subsidy program and consideration of bringing forward further income tax cuts. Some in the not-for-profit childcare sector say a new "sustainability payment" for childcare centres operating in areas that have returned to stage three restrictions will also be required.

From Monday, childcare centres can start to charge parents fees again and the government will resume paying the childcare subsidy; jobkeeper will stop being paid to employees at childcare businesses from 20 July, replaced with \$708m in transition payments.

The federal government has provided fee relief to parents in Melbourne and Mitchell shire by allowing services located in areas with stage three restrictions to waive fees to parents if children are not attending care.

Julie Price, the executive director of Community Child Care, which represents not for profit centres in Victoria, said it was a "great move to say services could waive their fees ... but they can't afford to if children are not attending – [the centres] have the same overheads and costs".

Price said the sector was in consultation with the government to add a "sustainability payment" to pay for childcare services where fees have been waived in areas subject to lockdown or where an individual centre has closed due to a positive test.

"This will be needed, particularly for the next six weeks. Any other areas with a new lockdown will be the same – it's really hard to keep those services going.

"Attendance never got back to pre-Covid levels – they're worried they will be in a worse situation than when the government turned [the childcare subsidy] off [in favour of free care]."

Some in the sector want the government transition payments – which are capped at the value of 25% of service fees – to be doubled to 50%, while Community Child Care wants the government to top up centres' income as and when fee income falls because parents pull children out.

Nesha Hutchinson, the vice president of the Australian Childcare Alliance, which represents long daycare owners, said the government had introduced a hybrid model that aimed to be "fair and flexible" with "mechanisms to address the needs in areas where there might be another outbreak".

"For the majority of families going back to the old system or the hybrid isn't going to be a shock and shouldn't hold fear for them – they should be able to access affordable childcare," she said.

“There is a base level of subsidy for services to ensure that they can keep some operational costs under control.

“If you’re in a postcode that’s been affected by lockdown, there are also additional subsidies the service can access, plus families are able to get additional funding [covering] the fee gap for absence days.”

On Sunday, Labor’s childcare spokeswoman, Amanda Rishworth, said the snap back to the old system would force parents to make “the difficult decision of whether they pay the exorbitant childcare fees or look at pulling their children out of care altogether”.

“What the government has done in Victoria is say that parents don’t have to get charged the gap fee if their children don’t go to care,” she said.

“That is far from supporting parents at a time when they might have lost their jobs or not be getting any income at all.”

Although critical of the government’s handling of childcare, Labor has offered bipartisan support for the possibility of bringing forward the second phase of income tax cuts due to take effect from 1 July 2022.

That is despite analysis that, for low to middle income earners, the tax cuts will do little but make up for the loss of the low and middle income tax offset. Most of the benefit of the stage two cuts is captured by those earning \$120,000 or more.

Frydenberg said “millions of Australians across the country are set to benefit again this tax time” from the government’s first round of tax cuts.

“It means people can keep more of what they earn providing a much-needed boost to the household budgets.

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