

2010

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

**FAMILY ASSISTANCE LEGISLATION AMENDMENT (CHILD CARE
BUDGET MEASURES) BILL 2010**

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Employment Participation and Childcare,
the Honourable Kate Ellis MP)

FAMILY ASSISTANCE LEGISLATION AMENDMENT (CHILD CARE BUDGET MEASURES) BILL 2010

OUTLINE

This Bill amends the *A New Tax System (Family Assistance) Act 1999* to set the annual child care rebate limit at \$7,500 for four income years starting from 1 July 2010, with the first indexation of this amount occurring on 1 July 2014.

FINANCIAL IMPACT

Net savings of \$86.3m over 4 years (2010-11, 2011-12, 2012-13 and 2013-14).

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NOTES ON CLAUSES

Clause 1 - Short title

Provides for the Act to be cited as the *Family Assistance Legislation Amendment (Child Care Budget Measures) Act 2010* (this Act).

Clause 2 - Commencement

Clause 2 specifies that this Act commences on the day on which it receives Royal Assent.

Clause 3 - Schedule(s)

Provides that each Act that is specified in a Schedule is amended or repealed as set out in the applicable items in the Schedule and that any other item in a Schedule has effect according to its terms.

For ease of description, this explanatory memorandum uses the following abbreviations:

‘CCB’ means child care benefit.

‘CCR’ means child care rebate.

‘Family Assistance Act’ means the *A New Tax System (Family Assistance) Act 1999*.

‘JETCCFA’ means Jobs Education and Training Child Care fee assistance.

Schedule 1— Amendments

Summary

This Schedule makes amendments to the Family Assistance Act to set the annual CCR limit at \$7,500 for four income years starting from 1 July 2010, with the first indexation of this amount occurring on 1 July 2014.

Background

CCR is a payment assisting eligible individuals with the cost of child care fees for care provided by an approved child care service. The amount of CCR an individual may receive for a child for an income year is 50% of the difference between the amount that the individual is liable to pay for care provided to the child and the sum of the individual's CCB entitlement (if any) and JETCCFA (if any) relating to that child, up to the maximum limit legislatively set at \$7,500 for 2008-09 (CCR limit). The CCR limit amount is indexed on 1 July each year.

The indexation on 1 July 2009 increased the CCR limit for the income year 2009-10 to \$7,778 and the indexation on 1 July 2010 increased the limit for the income year 2010-11 to \$7,941.

Explanation of the changes

A New Tax System (Family Assistance) Act 1999

Item 1 – Subsection 84F(1)

As a consequence of the amendment made by **Item 3**, which repeals subsection 84F(2), **Item 1** amends section 84F to omit the redundant reference to subsection (1).

Item 2 – At the end of subsection 84F(1)

Section 84F specifies the amounts of the child care rebate limit applicable in respect of a child and an income year. These amounts are relevant to the calculation of the amount of CCR for a quarter (under section 84AA) and for an income year (under section 84A) and the amount of CCR relating to CCB in substitution (under section 84DA).

For an income year ending on 30 June 2009, paragraph 84F(1)(c) specifies the limit of \$7,500. This amount was indexed on 1 July 2009 to \$7,778 and on 1 July 2010 to \$7,941.

Item 2 adds paragraphs (d), (e) and (f) to subsection 84F(1), which will become section 84F as a result of the amendment made by **Item 1**.

New paragraph (d) specifies the limit of \$7,778 for the income year ending on 30 June 2010 (preserving the effect of the indexation that occurred on 1 July 2009).

New paragraph (e) specifies the limit of \$7,500 for income years ending on 30 June 2011, 30 June 2012, 30 June 2013 and 30 June 2014.

New paragraph (f) specifies that for a later income year (that is, an income year ending on 30 June 2015 and subsequent income years) the amount of the limit is the indexed amount substituted under Schedule 4 on 1 July of that later income year for the previous income year. Schedule 4 provides for an annual indexation of the amount of the limit on 1 July and the substitution of the indexed amount for the previous year's amount.

Item 3 – Subsection 84F(2)

Subsection 84F(2) provides that the CCR limit (as specified for the income year ending on 30 June 2009) is indexed annually under Schedule 4 from 1 July 2009.

Item 3 repeals this subsection as it is made redundant as a result of the amendments made by **Item 2**.

Item 4 - After subclause 3(6) of Schedule 4

Schedule 4 contains provisions relating to indexation and adjustment of amounts. Clause 2, table item 22, specifies the CCR limit amount as the amount to be indexed. Subclause 3(1), table item 22, specifies, among other things, that the day on which this amount is indexed is 1 July. Subclause 3(6) specifies that the first indexation of the CCR limit is to take place on 1 July 2009.

Item 4 inserts new subclauses 3(6A) and 3(6B). Subclause 3(6A) provides that the indexation of the CCR limit that occurred on 1 July 2010 has no effect. Subclause 3(6B) provides that the CCR limit is not to be indexed on the following indexation days: 1 July 2011, 1 July 2012 and 1 July 2013. This amendment ensures that the limit of \$7,500 specified in new paragraph 84F(f) (inserted by **Item 2**) applies in respect of the CCR limit for the income year 2010-11 and continues to apply through to the income year 2013-14.

A note at the end of new subclause (6A) clarifies for the reader that the indexation of the CCR limit resumes on 1 July 2014.

Item 5 - Transitional

Item 5 is a transitional provision operating for the purpose of clause 4 of Schedule 4. Clause 4 provides a method statement for working out the indexed amount that is to be substituted for the amount to be indexed. The amount to be indexed is the 'current figure' for the amount immediately before the indexation day'. **Item 5** makes it clear that the 'current amount' for the CCR limit amount immediately before that day is taken to be \$7,500 (therefore, this is the amount to be indexed on 1 July 2014).