



AUSTRALIAN CHAMBER OF
COMMERCE AND INDUSTRY

MEDIA RELEASE

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BUSINESS SUPPORTS CALL FOR FBT EXEMPTION FOR CHILDCARE

Statement by Mr Peter Hendy, Chief Executive

The Australian Chamber of Commerce and Industry (ACCI), Australia's largest and most representative business organisation, welcomes the release of the final report of the Parliamentary Inquiry into Balancing Work and Family. The report makes a number of important recommendations, including that the current, narrow Fringe Benefits Tax (FBT) exemption for childcare should be expanded to become available for all businesses.

ACCI supports making the FBT exemption on childcare available to all businesses. Currently, employers can obtain an FBT exemption for childcare provided on their own premises. Childcare provided offsite does not have an exemption. The exemption generally discriminates in favour of larger businesses and against small businesses.

Providing an exemption for all childcare would have the following advantages:

- discrimination in favour of larger businesses would be removed;
- competition in the childcare industry would increase, by allowing larger businesses to choose between providing childcare themselves or outsourcing;
- the complexities over defining business premises would be removed;
- it would reduce a barrier to labour force participation by women; and
- it would allow more employers to act as a buying agent for their employees. Employers may be able to negotiate better childcare arrangements than employees could individually.

This proposal will have some revenue cost. However, the cost would be offset against the reduction in the childcare rebate and higher tax revenues from increased employment.

ACCI considers that this change is a better response to addressing childcare costs than another proposal by the inquiry to make childcare tax deductible. Rather than the latter, we place higher priority on a general personal income tax cut.

The report also has detailed discussions about the effect of income tax and welfare payments on labour force participation, particularly by women. ACCI will examine this discussion in detail. We support policies to reduce barriers to participation.

ACCI's policies relating to Fringe Benefits Tax, income tax and welfare are discussed in more detail in our *Taxation Reform Blueprint*, released in 2004.

ACCI's two submissions to the inquiry and our *Taxation Reform Blueprint* are available from ACCI's website: www.acci.asn.au

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