

Childcare should be fully tax-deductible: Leibler

My big policy pitch

A graphic for the 2025 election featuring the word "VOTE" in white capital letters above the year "2025" in white capital letters, all on a dark blue background with a red border.

The Australian Financial Review asked prominent people to propose one policy initiative that political parties should pledge to do, should they win the election.

Mark Leibler, senior partner at Arnold Bloch Leibler, says making childcare fully tax-deductible would boost productivity and strengthen families.

What's the pitch? | Over the years, when I've been asked questions like this, I talk about the critical features of the tax system or the GST. This time I decided I wanted to focus on something that was real and doable and important.

The whole position with the non-deductibility of childcare expenses is based on a High Court decision that goes back 50 years. It found childcare expenses were neither relevant nor incidental to gaining or producing assessable income, and was therefore not an allowable deduction.

finding a level playing field for both women and men who are in the workforce.

It simply can't be sensibly argued in this day and age that childcare fees are private and domestic in nature. It's a little bit like saying, if you pay your staff more than X dollars, the excess is not going to be deductible. It's ridiculous.

You can't have someone going out into the workforce on behalf of two people in a household. In the good old days, there'd be the male who would be working and the spouse, the female, would stay at home looking after the children. It just doesn't work nowadays.

How much would it cost? | I am only a poor old lawyer, not an economist. The only study I could find was one done by the University of NSW in 2019, into a particular hybrid model of tax-deductible childcare.

It gave the option for individuals either to stick with the current subsidised arrangements, or claim a tax deduction of up to \$60,000 per annum instead.

Now that's a little bit different from what we're suggesting, but it was

The ongoing legacy of this case is that it disproportionately impacts adversely on working women. My firm is working on a test case that challenges the current law.

But legislation is the gold standard and I'd love to see the major parties actually committing to amend the legislation to put tax deductible childcare on the table.

We're not suggesting that there should be any change to the current childcare subsidy, which obviously reduces the out-of-pocket cost of childcare. This is important for low-income earners.

Why is it needed? | Ultimately, this is all about productivity. It's all about

found that the cost would be approximately \$600 million. The spending on child care subsidies for the same period was just over \$8 billion.

The increase in labour force participation, I think, over time would eliminate the net cost to the government of allowing the deduction.

What would you scrap to pay for it? | We waste so much. You just have to look at bureaucratic costs. I'm not on the expenditure review committee but I really do believe that if we could get rid of a bit of waste it would be enough to pay for this.



Mark Leibler: "It's all about finding a level playing field." PHOTO: ELKE MEITZEL