

Child Support Amendment Bill

Government Bill

Explanatory note

General policy statement

The provisions in the Bill reinforce an underlying principle of the child support scheme that all parents should contribute to the financial support of their children.

Child support minimum payment

The Bill proposes that the minimum annual rate of child support be increased from \$520 to \$663 from 1 April 2002, with the effect of increasing the minimum weekly child support payment from \$10 a week to \$12.75 a week. The minimum rate has not been adjusted since October 1990 when it was set and the increase reflects the actual and forecast movement in the Consumer Price Index from March 1990 to March 2002.

Liable parents who are long-term hospital patients or prisoners are exempt from paying child support if they meet certain income criteria. Currently, they cannot have income from investments of more than \$10 per week or \$520 per year. The Bill proposes to increase this threshold for investment income to \$12.75 per week or \$663 per year so that it is at the same level as the minimum amount. Otherwise, some liable parents would not qualify for the exemption, but would have insufficient income to pay the minimum amount.

The Bill further proposes to adjust the minimum rate and the investment income threshold, for the child support year commencing 1 April 2003, by the movement in the Consumer Price Index from the March 2002 to December 2002 quarter. From 1 April 2004, the Bill proposes that the minimum rate and the investment income threshold be adjusted annually by the movement in the Consumer Price Index for the year ending with the December quarter prior to the child support year to which the increase will apply.

This proposal will restore the real value of the minimum payment and ensures that the relativity is maintained in the future.

These changes do not affect the minimum rate of spousal maintenance orders, child maintenance orders, and voluntary agreements. These minimum rates will remain at \$520 per year (ie, \$10 per week).

Child support maximum income level

The Bill proposes that the maximum annual income level for assessment of child support under the standard formula assessment be increased, from 1 April 2002, to 2.5 times the yearly equivalent of the average ordinary-time weekly wage. The maximum income level is currently twice the yearly equivalent of the average ordinary-time weekly wage. The increase will require those liable parents with higher incomes to make a more appropriate contribution towards the cost of raising their children.

Income year of assessment for child support

From 1 April 2001, the assessment of a liable parent's child support liability is either based on—

- their previous year's income (current year minus one basis); or
- their income of two years previous, adjusted by an inflation factor based on the Consumer Price Index for the calendar year prior to the year of assessment (current year minus two basis).

Presently, the current year minus one basis only applies to a liable parent whose income is solely from source deduction payments (employment income that is subject to PAYE). The original policy intention was that this assessment basis should apply to liable parents whose income is solely from employment that is subject to PAYE and/or interest or dividends that is subject to resident withholding tax. The child support assessments issued for the 2001–02 child support year were on this basis.

The Bill includes a number of remedial amendments to ensure that the current year minus one basis of assessment applies as it was originally intended. In addition, the Bill ensures that liable parents who receive withholding payments are assessed on the current year minus two basis of assessment. If such liable parents are assessed on a current year minus one basis, this would result in their income being overstated for child support purposes as these liable parents are entitled to claim expenses against income for tax purposes.

These proposed amendments apply from the commencement of the 2001–02 child support year, and so validate the assessments issued for the 2001–02 child support year. As some liable parents have objected to their 2001–02 child support assessment on the basis that the wrong year's income has been used, the Bill includes a savings provision for assessments that have been amended as a result of such objections, if the objection was made before the introduction of the Bill.