

# *A Fairer System to Increase Compliance*

## *Child Support Reform in New Zealand*

Recovery of Maintenance in the  
European Union and Worldwide  
Heidelberg Conference 5 – 8 March 2013

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# Overview of Presentation

- Review of NZ Child Support Scheme – Problems with current scheme
- Public consultation process
- Legislation to reform NZ Child Support Scheme over 2014/15 and 2015/16 CS years – *NZ Child Support Amendment Bill 2011*
- Link between perceived fairness and improved compliance – set benchmark for further evaluation

# *Status Quo & Problem*

## *Reasons for Scheme Reform*

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- NZ Child Support Act enacted 1991 – more than 20 years ago
- Recognition that there have been significant shifts in patterns of child raising, workforce participation, expenditure for raising children and family law
- Child support debt levels, mainly due to inflexible penalty regime, have also escalated considerably
- Perceived unfairness has negative compliance effect

# *Status Quo & Problem*

## *Particular Policy Issues*

- Many paying Parents Consider the formula is unfair
  - high shared care threshold
  - receiving parent income not taken into account
- Many Receiving parents are concerned about non-payment or instability of payments and consider payments do not cover the true cost of raising a child

# *Status Quo & Problem*

## *Current Scheme*

- NZ CS Scheme covers over 210,000 children
- Where no mutual agreement between parents or where receiving parent is in receipt of a state-provided benefit
- Administered by NZ Inland Revenue (assessment & collection)
- Assessment based on standard formula

# Status Quo & Problem

## Formula

Current Formula:

$$(a-b) \times c$$

where:

'a' is the paying parent CS income amount

'b' is the living allowance

'c' is the CS percentage

# Status Quo & Problem

## Formula

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No. of children	Child support percentage – sole care
1	18
2	24
3	27
4 or more	30

# *Status Quo & Problem*

## *Shared Care*

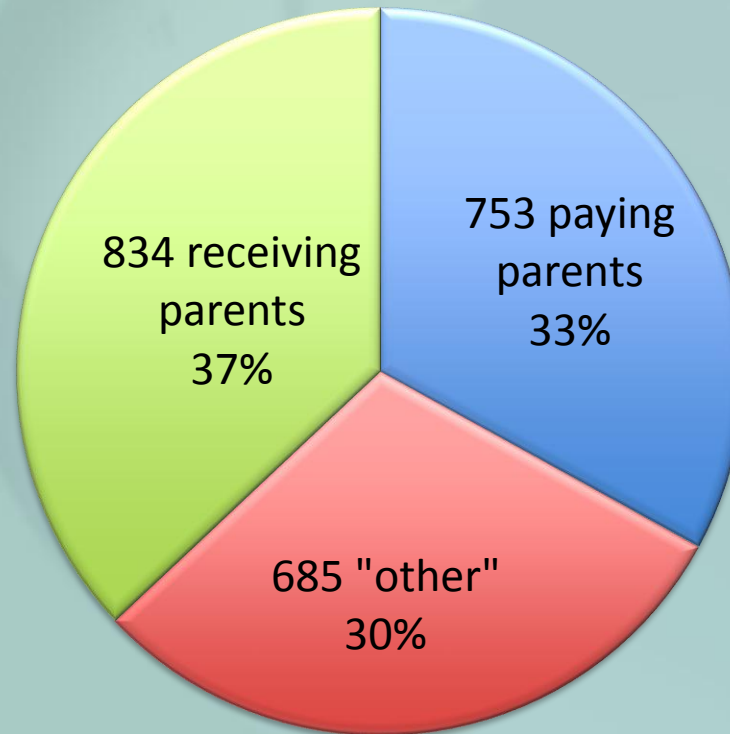
- CS % is reduced where there is ‘shared care’
- Generally, a parent who looks after a child for at least 40% of nights in a year meets the shared care threshold
- Parents’ respective liabilities are offset to produce a net liability for one parent



# Public Consultation

## Online Participants

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# Public Consultation

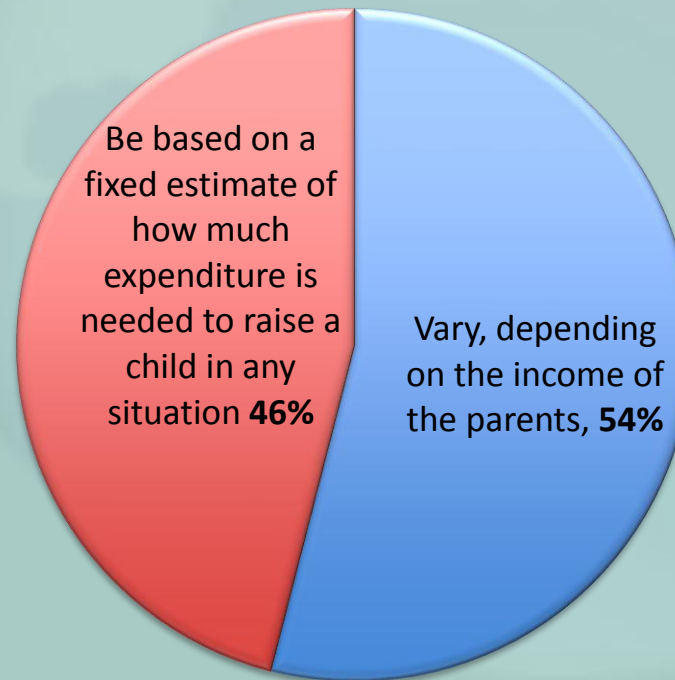
## Expenditure for Raising Children

*Do you think that child support payments should:*

*- vary, depending on the income of the parents?*

*or*

*- be based on a fixed estimate of how much expenditure is needed to raise a child in any situation?*

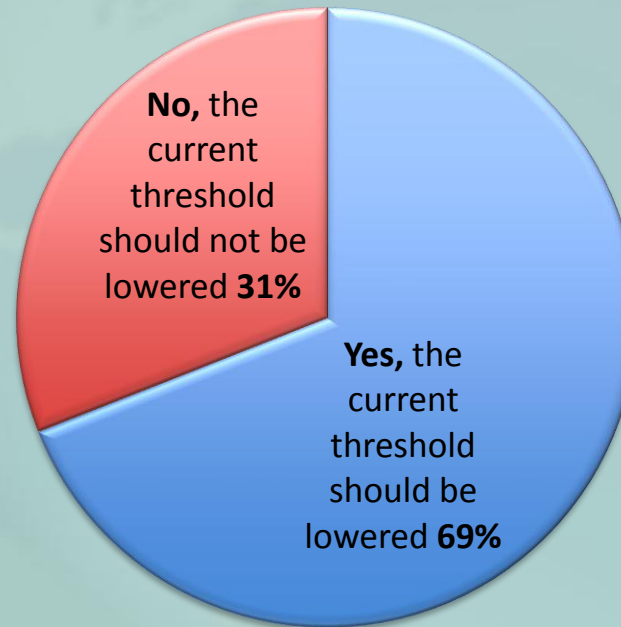


# Public Consultation

## Shared Care

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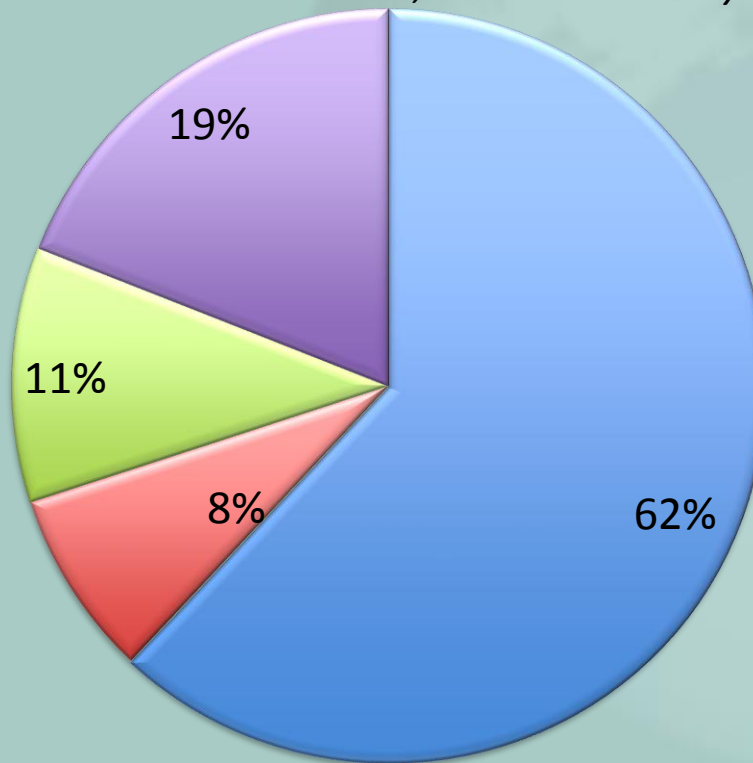
*Do you think that the current "40% of the nights" test for shared care should be lowered to include other levels of regular care?*



# Public Consultation

## Shared Care

*If you think it should be reduced, at what level do you think care should be recognised?*

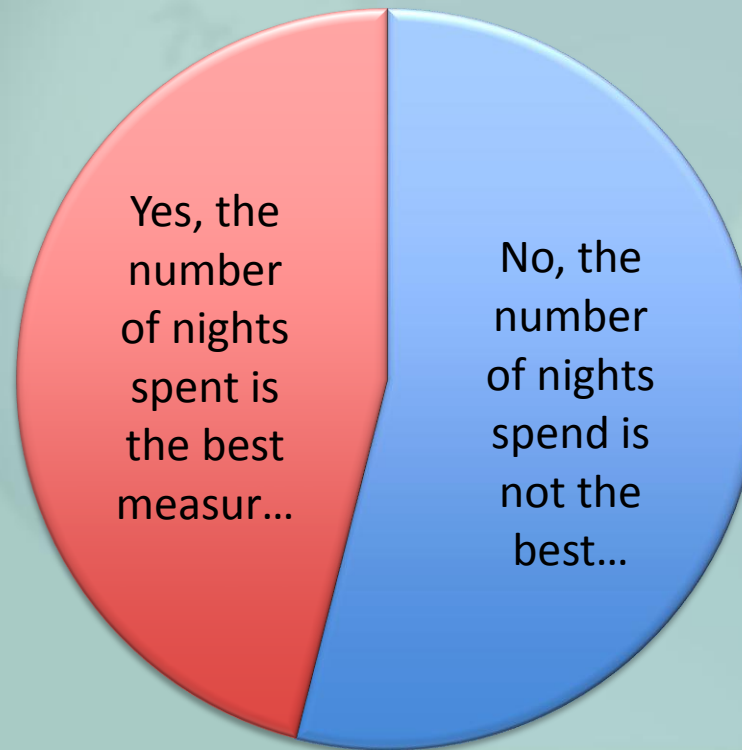


- On a tiered basis down to 14% of care
- At a single level lower than 1/3 of care
- At a single level set at 1/3 of care
- On a tiered basis down to 1/3 of care

# Public Consultation

## Shared Care

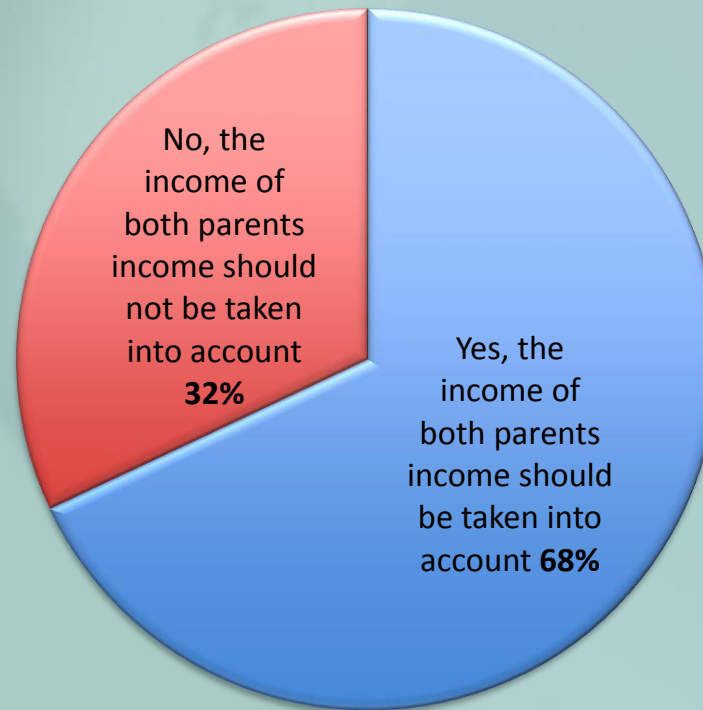
*Do you think the number of nights a child spends with a parent is the best measure for working out whether there is shared care?*



# Public Consultation

## Taking Both Parents Income Into Account

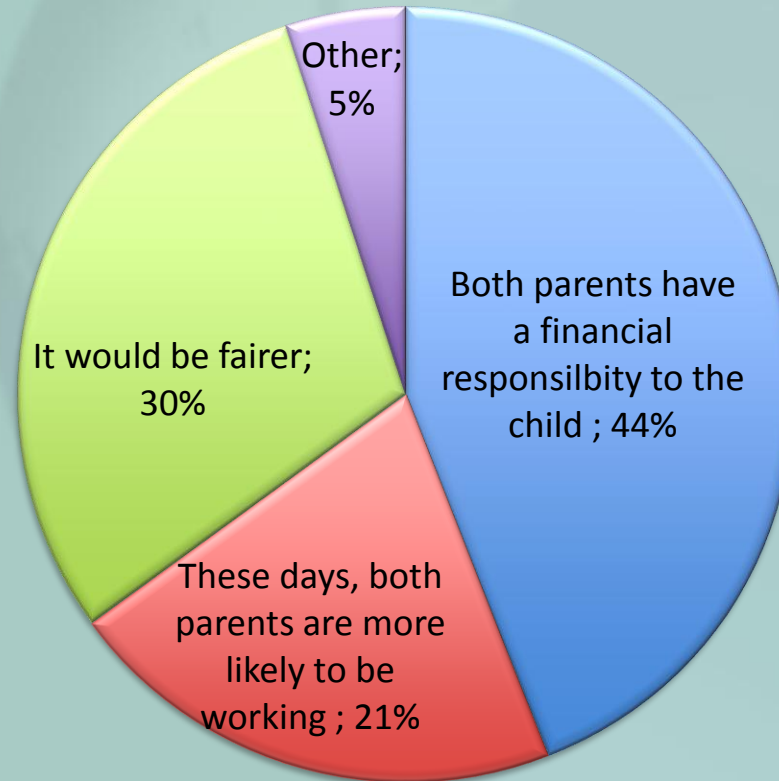
*Do you think both parents incomes should be taken onto account?*



# Public Consultation

## Taking Both Parents Income Into Account

*If you think that both incomes should be taken into account, why?*

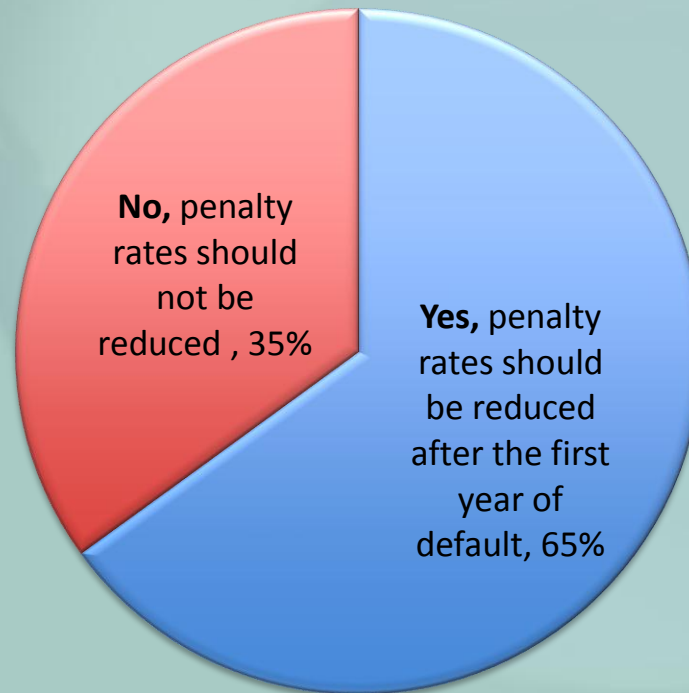


# Public Consultation

## Payments, Penalties & Debt

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*Do you think that child support penalty rates should be reduced after the first year of default (or penalties capped) and other enforcement measures more widely used?*



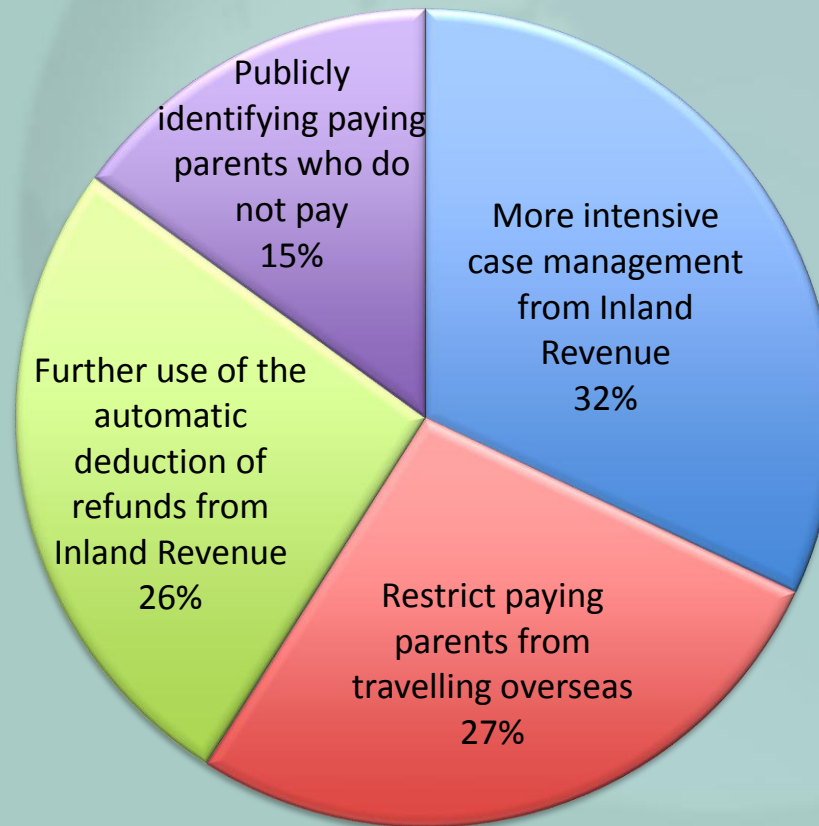


# Public Consultation

## Payments, Penalties & Debt

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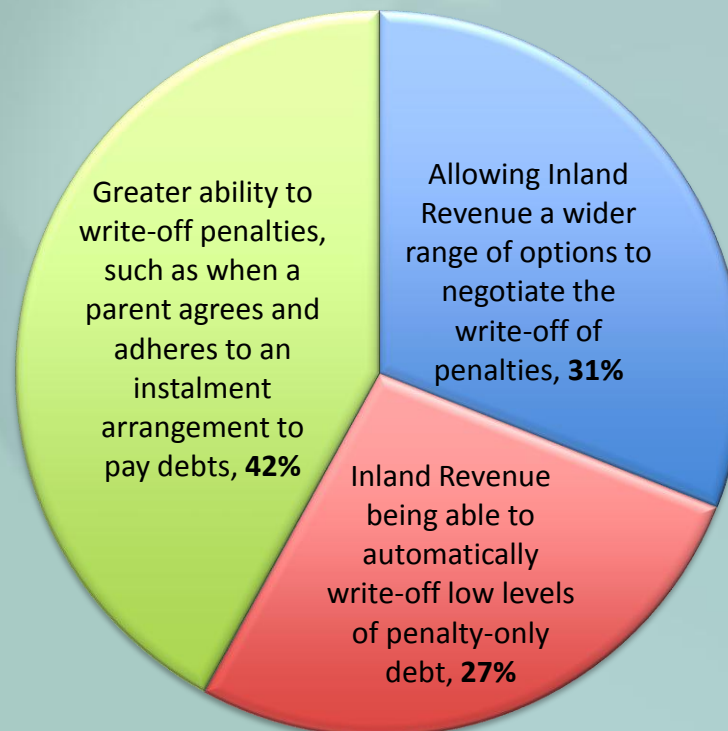
*If you think child support penalty rates should be reduced after the first year of default (or penalties capped), which additional enforcement measures should be introduced for paying parents that continue not to pay?*



# Public Consultation

## Payments, Penalties & Debt

*If the ability to write-off child support penalties were to be further relaxed, which options should be considered achieve this?*



# Summary of Key Changes

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## Formula

Comprehensively revised formula incorporating:

- Up-to-date information on the expenditure for raising children taking into account:
  - the number of children
  - the age of the children and
  - parents' combined income
- Lower levels of regular and shared care; tiered thresholds from 28% of nights
- The income of both parents; fixed living allowance

# Summary of Key Changes

## Payments, Penalties & Debt

- Recognition of qualifying payments
- Automatically deducting child support payments from salary and wages
- Reducing child support penalty rates
- Amending penalty write-off rules
- Allowing certain assessed child support debt to be written off

# Summary of Key Changes

## General

- Recognising shared care using a test other than “number of nights” in some cases
- Broadening the definition of income for child support purposes
- Recognising re-establishment costs
- Reducing the qualifying age of children

# *Effectiveness of Reform on Future Compliance*

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Overall objectives of reform are improving compliance and therefore wellbeing of children by:

- better reflecting the social and legal changes that have occurred since introduction of the scheme
- provide for a fairer assessment calculation that takes a greater diversity of circumstances into account
- provide a better targeted payment and penalties system that encourages parents to pay their child support

Baseline to be established for future evaluation of compliance effect

# Contact Details

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