

FAQ's

Child Support is changing

The changes to child support were made following public consultation. They are set out in the Child Support Amendment Act 2013. These changes represent the first major overhaul of the child support scheme in 20 years and reflect how life has changed for Kiwi families during this time.

What is child support?

New Zealand's child support scheme helps ensure New Zealand children are financially provided for when their parents live apart.

Sometimes parents living separately come to private child support arrangements for the financial welfare of their children, or ask us to administer a voluntary agreement. The child support scheme provides a back-up for parents who cannot reach an agreement. Parents and caregivers who receive a sole parent or unsupported child benefit must apply for child support through Inland Revenue.

What's changing, when?

Child support is changing in two phases from 1 April 2015 and 1 April 2016. The changes are designed to better reflect New Zealand family life today and better balance the interests of the children and both parents.

New way of working out child support

From 1 April 2015, there will be a new formula for working out child support.

Currently child support is based only on the paying parent's income, living arrangements and the number of children they pay child support for.

The new formula will take into account both parents' circumstances and a wider range of care arrangements.

The new formula will:

- Take into account the incomes of both parents.
- Recognise care a parent has when they look after a child from 28% of time (this equals 103 nights a year or 2 nights a week). Currently, child support only recognises care if it is provided for a child at least 40% of the time.

- Give both parents an allowance for any children living with them, provided they are their own. This allowance will be based on the children's ages and the current cost of raising children in New Zealand.
- Give parents an allowance for their own support, but not for a new partner or any children living with them who are not their own.

Non-parent carers can also apply for child support if they look after a child 35% of the time (128 nights a year).

How many people use the child support scheme?

Inland Revenue currently manages child support for just over 267,000 child support customers who pay or receive child support in respect of approximately 201,000 children.

Why is the child support system changing?

The current system was designed on the assumption that the paying parent is the sole income earner and the receiving parent is the sole caregiver. This might have been the norm 20 years ago, but nowadays a wider range of circumstances needs to be taken into account.

During the government's consultation, many people expressed the view that the scheme was out of date and this undermined some parents' willingness to meet their child support obligations.

The child support changes are designed to reflect what life is like for Kiwi families today and to better balance the interests of children and both parents.

Ultimately, these changes are intended to help ensure New Zealand children are financially provided for if their parents live separately.

Will Inland Revenue still work out how much child support parents and caregivers pay or receive?

Yes. Right now, Inland Revenue calculates child support for both the paying parent and receiving carer. We'll continue to do this after 1 April 2015 when the new formula takes effect.

There are calculators on our website which allow people to make their own approximate calculation of what they may pay or receive under the new formula.

When will people paying or receiving child support hear from Inland Revenue about how the changes will impact them?

Leading up to the reforms coming in, we've been working to make sure we have all of the information we need to calculate parents' and caregivers' child support under the new formula.

In February 2015, we'll send parents and caregivers a notice to let them know how much they will receive or pay from 1 April 2015.

We will also be advertising the changes during the next 6 months.

Why are more up-to-date estimated costs of raising children being used?

Child support payments should reflect a fair estimate of what it costs to raise a child and what a parent would normally be contributing towards meeting that expenditure if both parents were living together.

In the new formula, child support payments will be based on an *Expenditure on children* table that will be updated every year based on a combination of Household Economic Survey and Consumers Price Index data from Statistics New Zealand.

How will child support payments change?

Rather than being "one size fits all", the new child support formula takes a wider range of family circumstances into account and better balances the interests of both parents.

Based on our forecast, 65% of Receiving Carers will have a change of between \$0 and \$15 per week, with the majority of people in this group having \$0 change.

Based on our forecast, 67% of the Paying Parents will have a change of between \$0 - \$15 per week, with the majority of people in this group having \$0 change.

However, the new formula will mean the amount of child support changes by more than this for some parents and caregivers.

Parents who qualify for the wider recognition of shared care are the most affected, with paying parents likely to pay less in such cases. This means the extent to which regular care is recognised is important to the overall child support outcome for both parents.

Any change to the amount of child support received or paid may be partially offset, because child support received or paid is counted when determining income used for working out their Working for Families tax credit entitlement.

What happens if you receive a benefit?

If you receive a benefit, these changes won't affect you

How did Government decide on the changes?

Government approved the changes to child support after extensive public consultation in 2010.

During the consultation, New Zealanders said that they wanted changes to the child support system to reflect New Zealand family life today and to better balance the interests of the children and both parents.

The changes were considered by Parliament and the Social Services Select Committee and the Child Support Amendment Act was approved in April 2013.

At Inland Revenue, we're working to administer the changes approved by Government, starting from next year.

Why were the changes delayed at the end of 2013?

Changing the dates ensures we deliver quality outcomes for you when we implement the changes and we get it right for you. The date change will also allow you more time to understand the reforms and how the proposed legislative changes may affect your own personal circumstances.

Are calculators available on Inland Revenue's website?

Yes. Our calculators allow customers to work out the child support they may pay or receive using the new formula that applies from 1 April 2015.

What do customers need to do now?

Nothing. There is no need to call us. Remember, these changes don't happen until April 2015. We'll be in touch with you if we need more information from you later next year.

Where can I find more information?

We have more information on our website - www.ird.govt.nz/childsupport-changes

We have a video clip and calculators available to explain what is happening and how the changes may affect customers.

Inland Revenue **Tax Information Bulletin (Vol 25, No 5, June 2013)** – is available on our website under 'newsletters and bulletins'

Policy background papers – available at:

- www.taxpolicy.ird.govt.nz/bills/337-1
- www.taxpolicy.ird.govt.nz/publications/2011-other-supporting-children-feedback-summary/overview