

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

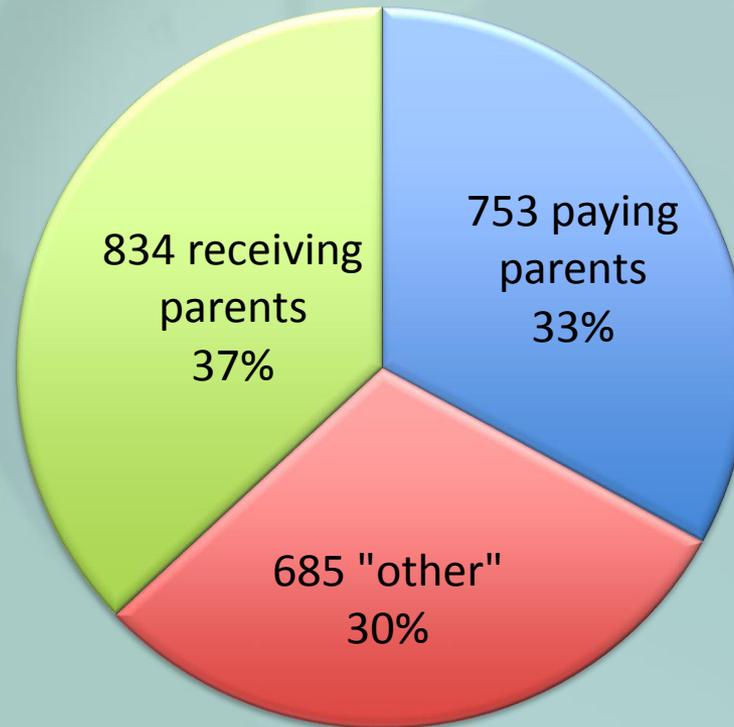
Shared Care

- 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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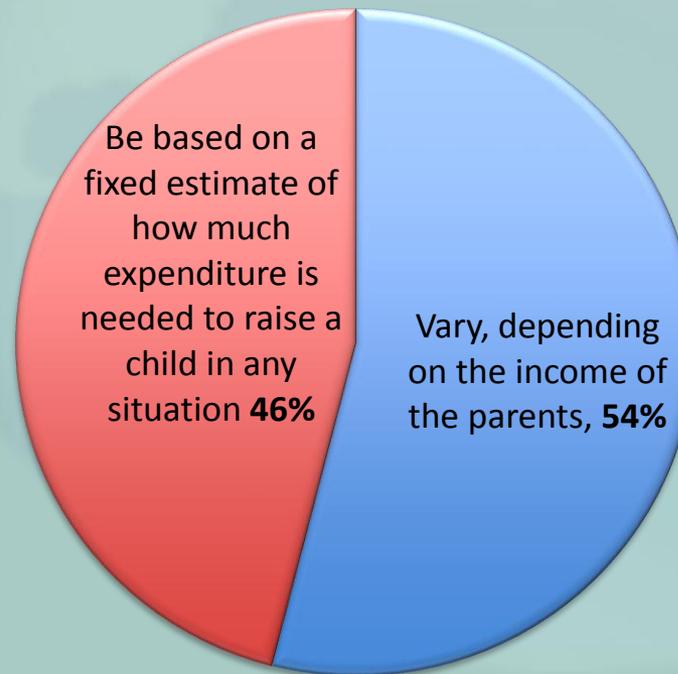
Expenditure for Raising Children

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?

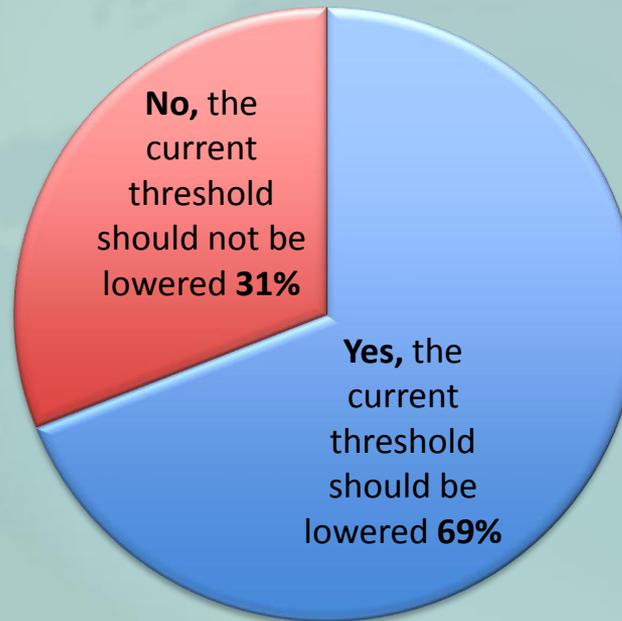


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Shared Care

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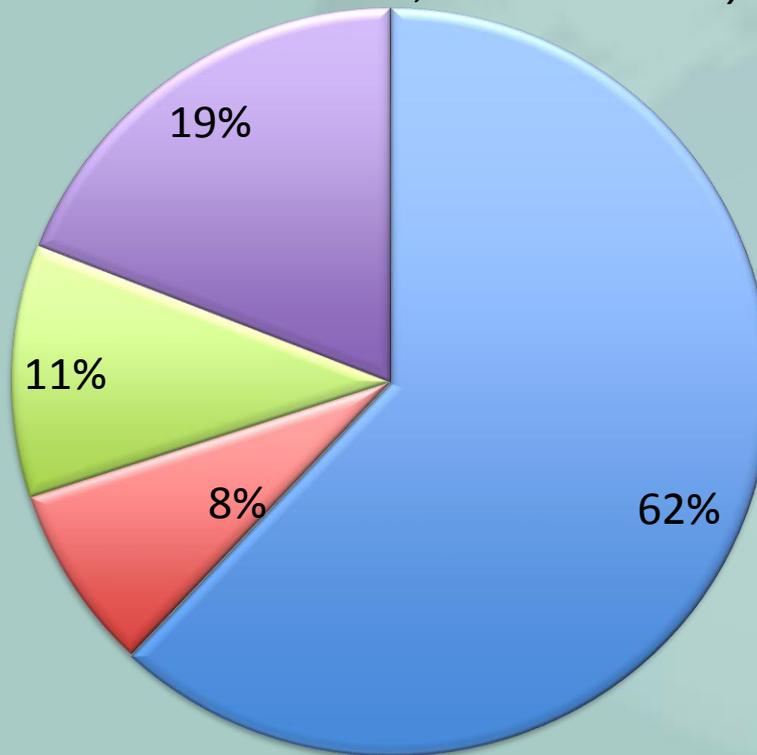
Do you think that the current "40% of the nights" test for shared care should be lowered to include other levels of regular care?



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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

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Shared Care

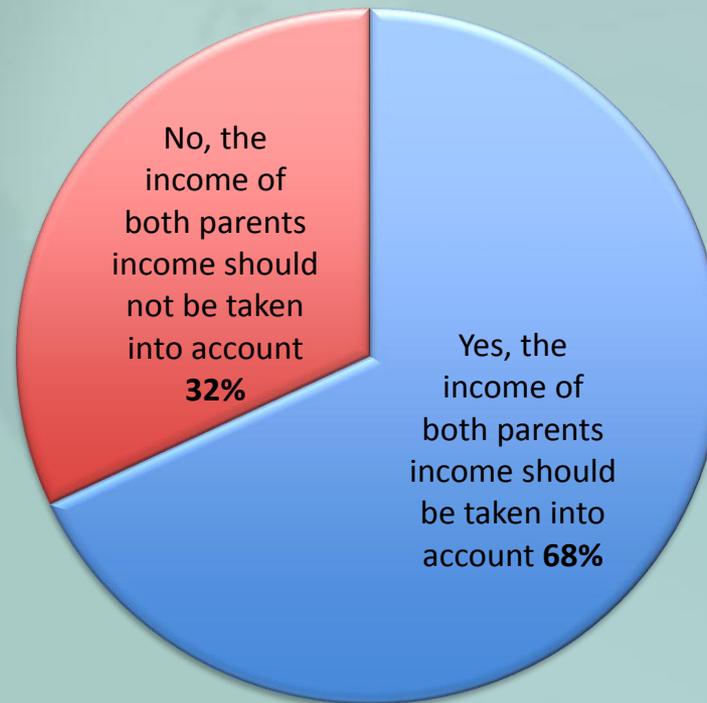
Do you think the number of nights a child spends with a parent is the best measure for working out whether there is shared care?



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Taking Both Parents Income Into Account

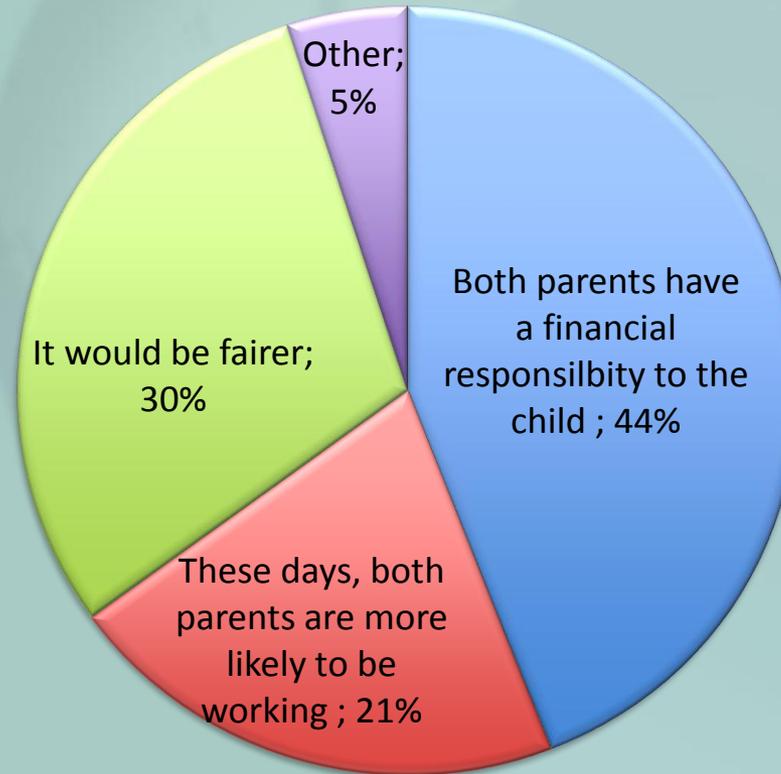
Do you think both parents incomes should be taken onto account?



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Taking Both Parents Income Into Account

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

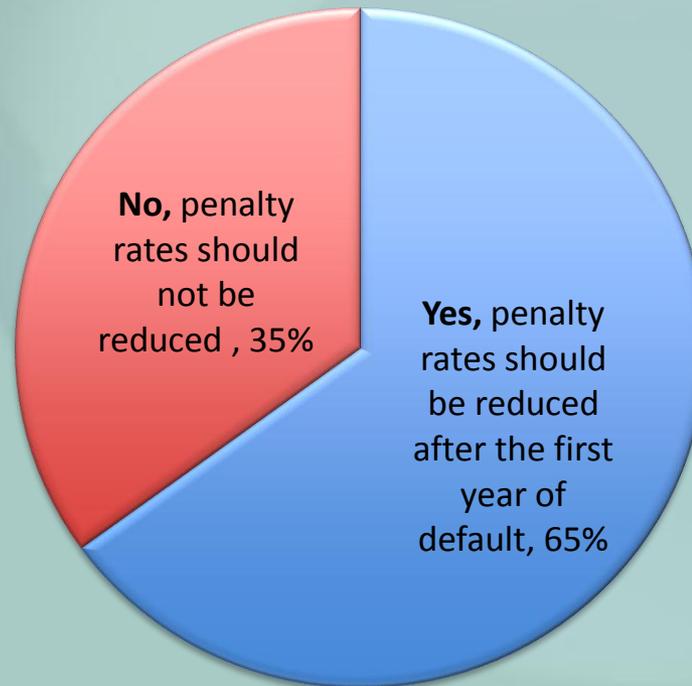


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Payments, Penalties & Debt

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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?

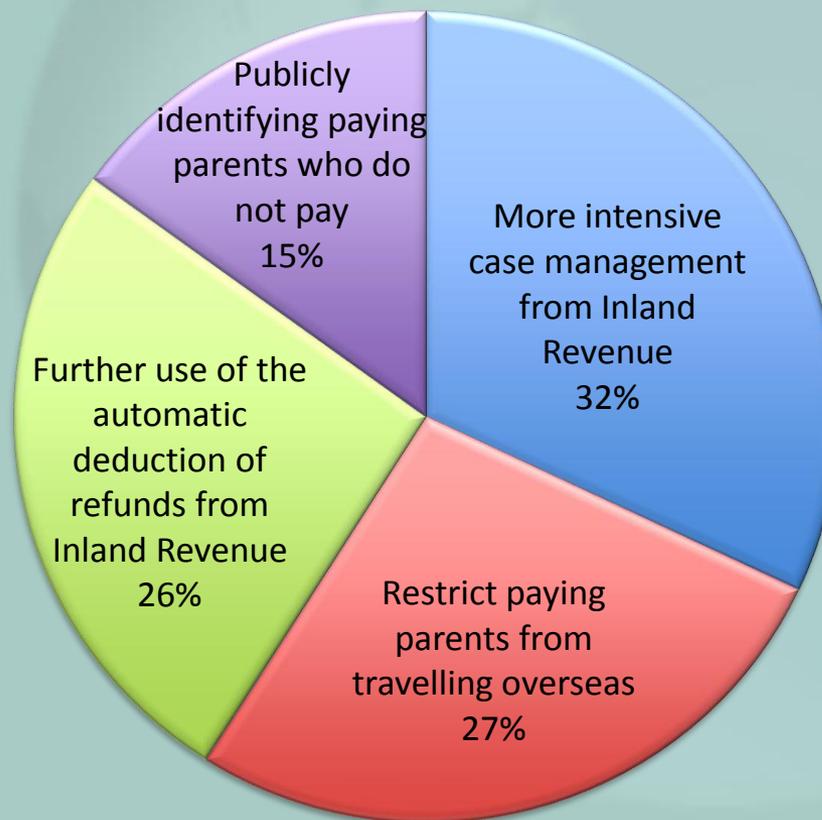


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Payments, Penalties & Debt

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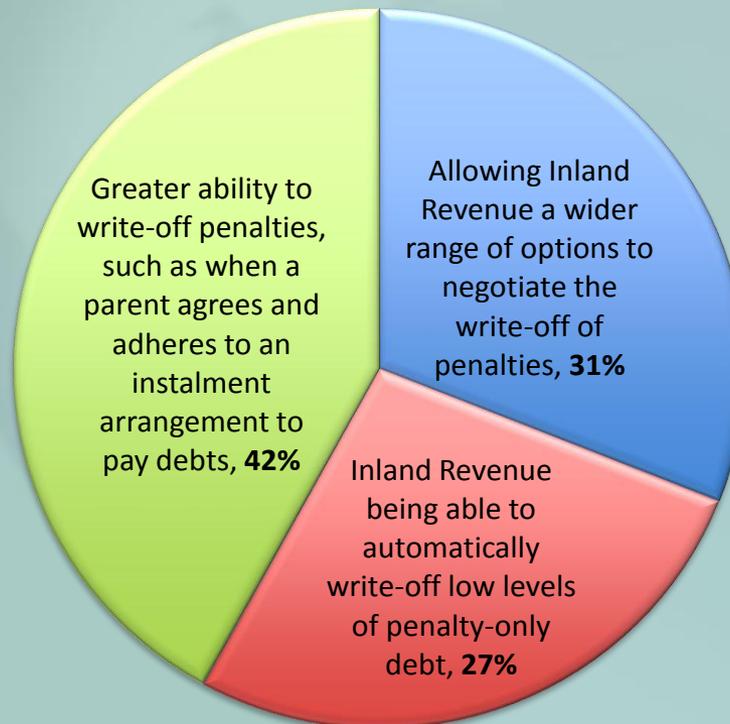
If you think child support penalty rates should be reduced after the first year of default (or penalties capped), which additional enforcement measures should be introduced for paying parents that continue not to pay?



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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

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