

Factsheet Three:

Stage One – Changes to the Scheme from July 2006

Changes to the Child Support Scheme are being made in three stages between July 2006 and July 2008.

- Stage One – 1 July 2006;
- Stage Two – 1 January 2007; and
- Stage Three – 1 July 2008.

From July 2006, the Australian Government has:

Recognised non-resident parents on income support who have contact with their children

Previously, parents with care of their children for at least 30 per cent of the time received a higher 'with child' rate of Newstart and related payments (Newstart Mature Age, Sickness Allowance and Youth Allowance). To encourage contact between low income parents and their children, this has been broadened to parents who have care of their children for at least one night per week (14 per cent of care).

Let parents who pay child support spend a greater percentage of their payments directly on their children

Previously, a paying parent could direct up to 25 per cent of their child support towards specific items essential for their children such as school fees or medical costs. Increasing this to 30 per cent will improve the balance between resident parents having enough money available and the wishes of the parent who pays child support to have their say on how payments are spent.

Ensured more is done so that child support is paid in full and on time

Previously, only around half of all parents who paid child support made their payment in full and on time. The Child Support Agency (CSA) has increased its activities aimed at 'serious avoiders' and debtors. The CSA has also increased its use of court action to recover outstanding amounts. The number of parents investigated for deliberately understating their income has also been increased and action is being taken to make sure parents lodge tax returns.

Introduced a more balanced assessment of the capacity of parents to earn income

Parents can be required to pay additional child support (or be entitled to receive less) if the CSA determines they have a higher capacity to earn. Previously, this could happen even when there were legitimate changes to their circumstances. For example, a payer may have needed to work less because of new caring responsibilities or they may have lost their job - however they may still have been required to pay child support based on their previous level of income.

This change limits the circumstances under which a parent's income can be increased for child support assessment purposes. Decision makers now have extra guidance to improve the consistency and clarity of their decisions.

Reduced maximum payments

Australian research shows that under the current formula, parents on higher incomes pay child support in excess of the cost of their children. The new child support formula (from 1 July 2008) will bring payments into line with the costs of raising children. In the interim, since 1 July 2006, the amount of income above which no additional child support is payable has been reduced from \$139,347 to \$104,702.

Higher income earners will still pay substantial amounts of child support. For example, a paying parent with earnings greater than the new cap, whose child support payments started in 2006, and who has little contact with his or her two children (both under 12 years), still pays around \$24,600 per annum in child support.

Improved support for separating families

The Government has funded a range of new and expanded services to help parents agree on arrangements for their children after separation, including child support matters. Parents can access information, professional advice and support through services such as the new Family Relationship Centres, the Family Relationship Advice Line and other expanded services.

Improved service delivery by the CSA

The CSA has improved the way it does business. A more customer-focused approach includes improved training, more staff and more intensive case management for difficult cases.

Increased minimum payments

The previous \$5 per week minimum payment has been increased to just over \$6 per week and is indexed yearly to the Consumer Price Index (CPI), so the minimum child support payments will keep pace with inflation.

Please note: this factsheet is for general guidance. It should not be treated as a complete or authoritative legal statement.

For more information on the child support reforms, visit www.australia.gov.au/csa

If you'd like to read more information on the Taskforce and how the reforms came into being, visit the website of the Australian Government Department of Families, Community Services and Indigenous Affairs - www.facsia.gov.au

