



Inquiry into Child Support Program 2014

**House of Representatives Social Policy and
Legal Affairs Committee**

by

United Sole Parents of Australia

My name is Kerry Arch and I run a sole parent advocacy group – United Sole Parents of Australia. I welcome the House of Representatives Social Policy and Legal Affairs Committee inquiry into the Child Support Program, as requested on March 27^h 2014, by the Minister of Social Services, the Hon Kevin Andrews MP. We believe the Child Support system has some serious flaws in which it reduces the payments received by custodial parents. I am writing on behalf of the 2132 members that are currently in my group. The group is only 13 months old but growing daily.

Due to the 'budget crisis', we believe more enforcement of collection will increase payments made to the custodial parent. This will reduce the payments from government funds, thus helping to reduce the budget deficit.

Amounts owed in Child Support:

NSW \$324,405,528

Qld \$287,388,232

VIC \$233,266,837

WA \$134,161,496

SA \$64,596,558

TAS \$22,324,338

ACT \$14,561,254

NT \$13,369,955

National Child Support Debt \$1,094,074,199



Child Support payments ensure children receive the financial support they require for a decent standard of living. It is not acceptable for parents to actively avoid their child support responsibilities. It is the children that end up suffering as a result. We would like to see the custodial parent is acknowledged of the cost, role and implications of unpaid care.

The NATSEM reports found the cost of bringing up two children for a typical middle-income family rising to \$812,000, up from \$537,000 in 2007 and almost double that of our first report on the cost of kids in 2002 when it cost \$448,000. So the cost of kids for a typical middle income family has risen by around 50% since 2007, however household incomes over the same period have only grown 25%, which means the growth in the cost of raising children is double that of income growth. For lower income families the cost of raising two children to 18 in 2012 was \$473,000 (Phillips, 2013). This averages out to a per annum cost somewhere between \$26,000 for low-income families and \$45,000 for high-income families.

In contrast to the independent research, the average annual liability for CSA collect assessments calculated using the child support formula has dropped by 12.41% between 2006-7 and 2008-9 to \$4,687.17 per annum (CSA, 2009); this amount falls a long way short of meeting all the costs associated with raising a child.

The current child support assessment is based on the previous year's income. A parent can ask for a change of assessment each time their situation changes, however, this is not a requirement. CSA will not acknowledge if the non-custodial parent has an increase in earnings and ask for Child Support arrear payments to be paid. This is not in the best interest of the child/rens financial support which runs against the idea of why we have an organisation to collect the correct amounts of Child Support.

Education costs are included in the Child Support payment however these costs are quickly absorbed in low income families causing additional strain on the custodial parent who is left to pay the outstanding amounts that Child Support does not cover. Australian Scholarships Group, a not-for-profit provider of education savings plans, estimates the total cost of putting a child through a government primary and secondary school to be up to \$65,829. This includes tuition fees and levies (including fundraising contributions), uniforms, school bags, music and sporting materials, computer costs as well as incidentals like private tuition, camps and extra-curricular activities. If you have three or more kids, you're looking at the cost of a small house just to educate them!

Many sole parents are left with mortgages after a relationship breakdown and hope to maintain the home to provide stability for the children. Purchasing a home can create significant financial hardship for some parents trying to provide a stable home for their children. Paying a mortgage is at least equivalent to paying rent and should be viewed in that way. Parents renting are offered additional assistance (rent assistance). The non-custodial parent has the opportunity to live in smaller and cheaper accommodation or shared accommodation which reduces their living expenses. The custodial parent does not have this opportunity. These factors all need to be considered when calculating the child support formula.



This is how we as a group of sole parents would like to see changes in the Child Support Agency:

- Government to pay the custodial parent child support deemed payable. Non-custodial parent then pays amounts owed to Child Support Agency. This would have more enforcement for non-custodial parent to pay and the child/ren don't go without.
- Child Support payments should be transferred on time and in full.
- Have ATO 'Cash Economy' compliance teams actively investigate reported cash incomes including those working: cash in-hand jobs while on Newstart/Disability or owning own businesses in order to reduce income via cash economy and in turn avoiding child support responsibilities (This seems to be the experience of a large majority of custodial parents in my group from their ex-partners).
- Self-employed people are able to derive additional benefits from their businesses and reduce their taxable income in order to pay less in Child Support to the disadvantage of their child/ren. The base rate of capacity to earn should be no less than The Male Total Average Weekly Earnings, set at \$70,569 for 2014 and adjusting each year.
- Payers have been known to walk away from secure employment to recommence study in higher education, however, they should not be able to choose to resign from secure employment with a result in a reduction to income extending years rather than a few months or to no paid employment or studying opportunities at all.
- Child support to continue to be paid to custodial parent until child/ren have gone onto traineeships, TAFE, and university post high school 18+ age. Child Support Agency increased to include this need rather than the financially and physically exhaustive exercise of the court under family law.
- There needs to be a minimum amount for income and abolishment of the \$0 income amount to ensure a reasonable amount of child support is paid. Paying \$7 a week for Child Support is not a sufficient amount of support. Maybe by placing a capacity to earn for those paying minimum amounts for extended periods could be an option, such as basing percentage income from the national minimum wage (for a full-time employee aged 21 or over - \$640.90 per week) should be the minimum amount of child support payable where the paying parent, predominantly the father, cannot reasonably substantiate their income below the self support amount or provide an explanation why they have been receiving unemployment benefits on a long term basis.
- If non-custodial parent choses to no longer care for child causing the custodial parent to reduce or give up paid work, the % pool of combined income reduces as a result. It is the responsibility of both parents for the care of child/ren so reducing or stopping care of the child/ren without any valid reason should not change the % pool of combined income.
- The custodial parents reduced earning capacity through caring for the child/ren in afterschool activities, school holidays etc be taken into consideration. The non-custodial parent has the ability to work full time hours, however, this is not always possible for the custodial parent. This reduction in reduced employment has a short and long term impact with reduced income to rebuild post separation and reduction in superannuation contributions.



Enforcement Options

- Suggested bad credit ratings if child support remains unpaid for extended periods.
- Suspension of drivers licence if child support remains unpaid for extended periods and if repetitive then a served sentence in community order programs and then if continued jail sentence.
- Consequences for failure to lodge tax returns including issuing a default tax assessment with a fine that gains interest and penalties for each year that is not lodged.
- Penalties to tax agents/accountants who provide assistance to non-custodial paying parent to support them in hiding/minimising their income.
- Have the ATO 'Cash Economy' compliance team investigate those defrauding and avoiding their responsibilities with the clearance and ability to access bank statements, supplier's accounts, fuel cards, real estate transactions etc.
- ATO to investigate non lodgement of tax returns and undeclared cash income. Each time someone signs a tax declaration at a new job the ATO links this information through data links with agencies to ensure current payment agreements are kept up to date.
- Public dob in hotline where photos can be produced of those working cash employment whilst claiming welfare.



What our Parents have to say:

- What I'd like to see is that they are forced to sit down with their kids and explain to them why it is that 'winning' in 'the game of separation/divorce' is so much more important to them than their kids.
- To stop ex's earning this 'cash' investigate and severely fine employers that pay it as they are ripping the system to.
- The formulas they use need to be looked at. I have my daughter 6 days and nights per week. She spends 24 hours a week with her dad. Because he has his own business, he gets cash jobs and hides his income. He also rents a room in his house out at about \$170 a week that he doesn't declare. Because I work part time and I am completely honest with all I earn, my cost % is 60 % and ex's cost percentage is 40%! So his CS is calculated at \$15 a week.
- I pay all her school fees, all medical/health insurance + all her school uniform costs every year. They want a "say" in their upbringing and preach the shared parental responsibility but are not willing to contribute to the costs of schooling or medical costs.
- There needs to be a minimum amount for their income and make it a reasonable amount. They need to abolish the \$0 income amount, because we all know that you can't live off nothing. Maybe they need to do a capacity to earn for those who claim they earn nothing or very, very little and make those parents pay a decent amount of child support. Non-payment of child support also needs to be seen as a debt and treated as such. Those that don't pay it should get a bad credit rating, it should affect their ability to get loans etc. My ex telling ds why he won't pay child support won't work, he just lies. He's told ds before that he pays for things, buys him presents etc and that I spend it all on me or sell his presents. Hitting him where it hurts - his credit rating, taking possessions, not allowing him to travel etc is more likely going to work. There's an attitude among too many that as a single parent you shouldn't expect child support and that really needs to change. As a society, we should be demanding that parents are responsible and not be joking off the lack of responsibility as 'just one of those things'. I think a lot of this also comes from the stereotyping of single parents - who live it up on their ex's and government's money. People need to remember it's about the children and children have two parents who should be supporting them, not one. But hey, I received child support last week - all \$11 of it (for the first time in I've forgotten how many years), so that should cover lots of expenses right.
- If the payer of CS is avoiding tax, aren't the ATO the ones who have legislation to chase this up? Also the whole system needs to be more child focused including the language that's used.
- Not having done his tax for a 'number of years' and refusal to talk to CSA meant the onus was on me to try & correct an incorrect CSA assessment in his favour!! I knew the estimate of his income was grossly overestimated, which in turn dropped our FTB. I understand the CSA's hands were tied, but



surely the ATO with this knowledge can chase this up. It took 6 months to sort FTB out onto the disbursement method, but I don't want this to bounce back and I end up with a debt one day if/when he finally does his tax.

- #1 As someone else suggested a separate child support account is set up & money deducted from it for child related expenses (school costs, sports, clothes, shoes, medical) AND a % for day to day living expenses (food, rent/mortgage, electricity, water, fuel). This would also help to free up some of the custodial parents money for other things.

#2 Government pays the custodial parent the child support deemed payable & then THEY (the government) Chase the money up from the non-paying parent just like they would in any other situation where people owe the government money and the same penalties apply for non-payment such as jail time for fraud.

Or the money is taken from the paying parent in their wages just like taxes & HECS repayments & the government gets it back that way. But, this way, the non-paying parent is ripping off the government & the custodial parent & children are not made to suffer the consequences.

- While I don't usually stress over the lack of child support, I think it's important that policies are made to improve things. The real focus needs to be about the children and the responsibilities of both parents. While I'll pay for whatever my child needs (because he's my child), the lack of child support from his father does mean he misses out on things. I guess I'm not comfortable with giving parents who wish to avoid their responsibilities a free ride. And chasing up child support shouldn't be the responsibility of the payee if going through CSA.
- My ex has never lodge a tax return and is a self-employed handy man. Have told CSA but they have told me I have to find out how much he earns I have to do their job lol. He has never paid child support. Not even offered a cent. So guess who has to pay CSA. Me!!! Even THOUGH I have custody of my youngest son. When my oldest went to live with him and I had the youngest. Again I paid CS but ex never had to CS for my youngest.
- The whole system is very unfair, supports dishonest non-custodial parents, it does not support children.
- Make Child support the same as recollecting HECS... it's taken from their wages & paid directly to the CS agency or ATO (& then sent to CS or whatever) CS just liaise with the ATO & flags are put on people's names that need to pay CS & when the employment declaration gets sent by the employer to the ATO the ATO then liaise with the employer to collect the CS from their wage. It would solve almost all issues re not paying & the custodial parent wouldn't have to fear non-payment, debts or more abuse.
- Taskforce report from 2005? They recommended taking drivers licence if CS is not paid/late. Papers by Cook and Natalier have analysed the report and the disparity between the recommendations and what the Govt. actually put in place - big difference and we could promote adoption of what has already been recommended but not implemented as the next phase, because clearly the first phase hasn't worked!!



- My daughter is 17 and I've never received any child support from her father as he always worked for cash and claimed 70% care of her through Centrelink due to court orders. In 2003, he even added up the amount of nights she spent there and put in a claim for \$3000 in back pay, which he got! He never bought her clothes, or anything. I used to send them out there as it was upsetting for my daughter.
- Have a look at the Family Law Legislation. It stipulates that children are entitled to 50% of each parents earnings to support them (or there about). The wording is similar to "each parent is responsible for 50% of the financial responsibility to care for a child"..... As far as I'm concerned the CSA is acting outside of the FEDERAL FAMILY LAW LEGISLATION and a class action needs to be brought against them for failing to uphold the Federal Family Law Legislation!!!!!!
- Instead of this calculation of 'income' and people in seats who don't get out there and investigate our claims when we report exactly what's going on...I think they should put a financial amount on children per age. And the same set amount across the board of society levels. What would the figures be...well who knows,,, but I'd be happy with \$800+ a year PER child around 7+8 (and increased as they get older due to the greater necessities in life and schooling). It won't sound fair to some (cos I'm no judge of figures) but it sure beats the \$390 per year I get for 2 kids on the whole. It would beat the measly minimum payment because a parent chooses to fraud the system, it would mean level playing field between the haves and the have nots etc and making all children worth the same amount regardless.
- When it comes to non-payers they shouldn't be entitle to centre link at all, their assets and bank accounts should be investigated
- Appealed to so many MP's etc when put on Newstart about the unfairness of this when arrears of CS were so huge!!
- ATO should be more proactive in issuing default tax returns. My problem's been an Ex who just doesn't lodge because it's none of my business how much money he makes-there wasn't an issue of him working cash in hand. He went for 4 years without doing a tax return and ended up with a huge tax & child support bill. Normally it takes 5 years or more if the ATO ever gets around to doing a default assessment on an ordinary wage earner. Secondly there's the compliance matter. If members of the public could report tax evasion to the ATO by submitting photographs of people on job sites for example, or photographs of new assets such as luxury cars homes or holidays this should be sufficient evidence for ATO to investigate the financials of someone working in a cash economy- it's easy enough to pull bank statements, accounts with suppliers such as Bunnings or Masters or on fuel cards to track things, real estate transactions are easily accessible across government departments via online business portals same as car sales and the sale of airline tickets (just to give an example). ATO do have 'Cash Economy' compliance teams that are expertly trained in catching out people who work in cash jobs. They normally recruit in these teams once or twice a year but haven't for a lengthy period of time due to a nationwide recruitment freeze on public sector employment. ATO have the legislation in place to do all of this kind of work; they just don't have the manpower to do it. They have all the data links with other agencies to share information; every time someone signs a TFN declaration at a new job they get that as well but the compliance staff don't have the time to go and data match this with payment summaries and tax returns. I also agree with the comment about it



affecting someone's credit rating and or jail time for non-payment of child support. Other Western countries do; why should a nonpayer be able to live the life of luxury while their kids are going without child support? Give them a bad credit rating so next time they want a new luxury car they can't get finance. All they have to do to get rid of the black mark on their credit file is to make a payment arrangement to pay off their child support debt; miss a payment and the black mark goes back on the credit file.

- For those who hide money & assets in a new partners name, there earnings to assets should also be looked at & they should be charged
- For non-payers.....A private eye will catch some out. Other penalties such bad credit. Jail?
- Send out private investigators like Centre link does
- I think that the payments should/could be paid by the CS then they can proceed to collect from the paying parent, via their taxes or directly from any wages or Centrelink benefits. This would have saved a lot of issues for my family Also it stops the paying parent having a debt not only to the custodial parent and to the CS as they also have fees attached for collecting the money, etc. My ex may owe me a reduced amount of \$25,000 but the CS have not reduced how much he owes them which last time when I spoke to them was almost \$15,000. As for Family Court and CS most lawyers will not bring up what is or is not happening regarding CS. As that is something that the CS office will do for you, Also paying CS has nothing to do with whether you should have access to your children, their safety should always be the first thing the Courts/judges need to follow through on. Also CS should be able to investigate the ones who do cash jobs. It should not be up to the receiving parent. I was threatened with a harm if I said anything, if you had been in a relationship with someone who you know that did cash jobs then why would the paying parent suddenly stop?? That was my arguement to them.
- I think instead of the custodial parent having to spend days compiling receipts, forms etc to apply for special child support because we care for a child with a disability the non-custodial parent who has no caring role and lots of free time should write why they should not pay them amount asked.
- As it being a tax return instead of 100% going to the owed parent for back child support a fair disbursement would be 50/50 being the estranged parent has been found via the ATO, a court hearing/re-hearing to sort out ongoing payments and the remaining back pay so it does not put one person too far behind then if they do not want to pay up have their driver's license suspended until they realise what it is too loose and take away from the child in need, and if that is not a good enough deterrent a warrant issued for child support evasion then 12 months in work detail and the money to be paid off that way, and if that does not work jail or loss of all parental rights of the estranged parent.
- The tax department needs to more actively chase up those who do not do tax returns - as stated above, it has serious consequences for the parent who is owed the money once they get it. But that is IF they ever get it! The child support agency do not have enough teeth to go after people who owe money or who don't do tax returns.



There needs to be a much more active response to chasing up non-payment. And the onus needs to be taken off the receiving parent to do all the chasing up and proving of rates of care etc.

- I don't understand why they aren't made to do a tax return yearly like we are. If we don't do it...we get payments cut off. My ex frauds the system and always gets away with it. No amount of explaining or pointing out the repetitive behaviour gets me anywhere.
- The ridiculous % calculation and self-support amounts - my son's father has 0% care and lives with his wife rent free and is deemed to have that same self-support amount as myself who has 100% care responsibility and also has to provide a home and EVERYTHING else? Also - he refused to have visitation, meaning I had to give up the part time job I had - this reduced our COMBINED income which resulted in a reduction in CS because the pool of income that the % was worked out on was smaller!