

15<sup>th</sup> April 2016

Committee Secretary,  
Community Affairs Legislation Committee

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Standing Committee on Community Affairs Legislation Committee,

*Social Services Legislation Amendment (Interest Charge) Bill 2016*

### Who we are

The National Council of Single Mothers and their Children Incorporated (NCSMC) is an organisation dedicated to single mother families. The Council has become a platform whereby both the community and the government can communicate; it has led the way in obtaining a range of beneficial outcomes; has actively sought to reduce systemic prejudice; continually challenges existing norms, and over many years has achieved improved opportunities and outcomes. One of our greatest strengths is our expertise and commitment in working with and for, the advancement of single mother families impacted by poverty, hardship and or domestic violence.

### Recommendation One:

Family Payment recipients who have social security debts due to the interactions and the failings of the Child Support scheme and/or the Australian Taxation Office should have their debt waived and that this an automatic response undertaken by DHS-CL. It should never incur any interest. NCSMC points out that family payment debt can be a direct consequence of;

- The failings of the Child Support Agency to collect and transfer the stated Child Support liability on time and then recover the debt. The subsequent recovery, timeframe and amount, are not known to the recipient. It can be some time later and then resultant in an over payment of family payments which may have spanned years.
- The Australian taxation office not enforcing the lodgment of an annual tax return as per prescribed dates and therefore the payment level then becomes an 'estimate'. Again, an outcome that is not the responsibility of the recipient and once the 'actual' income is known the recipient may have over payment of Family Payments.

### Recommendation Two:

The process to recover social security debts to current recipients of income support needs to be a negotiated outcome, which takes into consideration the financial capacity for recipients to make the repayment. NCSMC seeks that repayments are 'suspended' if the recipient is contending with housing stress and or other measures of financial hardship.

The discussion that has accompanied this legislation states a capacity for recipients to enter



into a payment plan and that it would be consistent with an individual's ability and it takes account of financial hardship. NCSMC acknowledges that the actual seeking of an affordable payment plan is in itself a challenge. Women report that they did not have discussions, the income support is reduced (beyond what they can manage), expected annual supplements are intercepted and that negotiated repayment plan requires ongoing discussion otherwise it is dissolved.

*I had to negotiate every 3 months to keep the same repayment plan... missed the deadline once and it was gone.*

*April 2016*

#### The recommendation Three:

Administration errors, 'glitches with the online system' and/or the function to report earnings online can all result in social security debt. NCSMC seeks that debt that is the product of the failings of the Department of Human Services and or their systems must remain free from any interest charges.

#### Family Payment Debts and Child Support

The Social Security System and Child Support have several legislative points of interaction.

##### 1. Family Payments Part A & Maintenance Action Test:

Recipients who qualify for more than the base rate of Family Payments Part A must commence a Child Support assessment which is approved by the Child Support Agency otherwise, and irrespective of their eligibility, the recipient will only receive the base rates of Family Payments Part A. This process is known as the *Maintenance Action Test*. If this process is not completed the recipient is deemed to have 'failed' the *Maintenance Action Test* and will only receive the base rate of Family Payments Part A.

Once a Child Support assessment has been approved by the Child Support Agency the recipient can access exemptions, most notably if there are safety fears associated with the collection of child support. NCSMC has consistently stated that women are not fully versed with this interaction and that they may have 'failed' a test whilst not even knowing of its existence. Additionally, women do not take out a child support assessment as they may not know of the 'exemptions' and or the process of seeking and maintaining one is too onerous.

The second component of the Legislation interaction is known as the *Maintenance Income Test*. The outcome of the maintenance income test is the reduction of Family Payments based upon the stated Child Support liability. It is this component that can result in family payment debts which the recipient has no control as outlined below.

*His taxes haven't been done for 23 years.... I have worked (26 years) and not missed a return*

*April 2016*

National Council for Single Mothers and their Children Inc.

Eliminate and respond to violence, hardship and inequality for single mothers and their children

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1.1 The non-lodgment of tax returns:

NCSMC has continuously advocated for parents with an enforceable Child Support liability to lodge their tax return as per prescribed dates and not breach their obligation. The lodgment of a tax return should not be negotiable and be free from any legal recourse or focus. The perennial issue of not having an accurate and timely assessment of income corrodes the overall effectiveness of the Child Support system. It impacts upon the accuracy of Family Payments and it reduces the ability of the receiving families (the primary place where the children reside) to budget with any accuracy. Once the payers' 'actual' income is known and it replaces the 'estimate' the recipient may have an over payment of Family Payments and then a debt.

1.2 Child Support Debt

The Child Support Scheme has not yet functioned at a level that manages to overcome Child Support debt, partial and /or sporadic payments. The impact is felt by the primary place of residence where children reside. It is the inability and our growing Child Support debt that has led NCSMC to continuously seek a 'state guaranteed payment system'. In addition to giving financial certainty it also renders Child Support being used as an avenue for post-separation control and financial abuse. The subsequent recovery of child support, its timeframe and amount, are not known to the recipient and it is not unusual for the recovery of child support debt to be years later. The recovery, although welcomed, has the potential to result in an over payment of family payments. It is this debt that must be waived as an automatic response undertaken by DHS-CL.

*Our ex's deliberately underestimate their income so we get a debt .....It is a continuation of coercive controlling violence.*

*A Survivor of Domestic Violence  
April 2016*

The recipients, mostly mothers, are reliant upon the Child Support Scheme and the Australian Taxation Office to fulfil their function. If either or both agencies did not achieve this she may end up with a family payment debt as illustrated in 1.1 and 1.2. This is already an unsatisfactory outcome. We continue to work with mothers who experience this predicament and assist them to have their debt waived. NCSMC is aware that there are mothers who would not even consider this prospect and in consulting with other organisations we understand that the seeking a waiver has limited success. NCSMC is seeking that the waiver of this debt is the first action of DHS-CL and we certainly oppose further injustice by added interest.

If you wish to seek additional information or clarification please do not hesitate to contact us.

Warm regards

Terese Edwards  
Chief Executive Officer

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