

NON-CUSTODIAL PARENTS PARTY (EQUAL PARENTING)

Social Policy Research Centre,
University of New South Wales,
Sydney. NSW. 2052

Dear Sir

Shared Parental Responsibility Research Project

We wish to make a submission to “Shared Parental Responsibility Research Project”

Children from separated families should have the right of contact with both parents. The current legislation does not go nearly far enough.

There is a need for the actual implementation of a rebuttable presumption of equal time shared parenting into the Family Law legislation.

One effect on contact has been the recent changes that the Government has made to the child support formula. The changes became effective on 1 July 2007.

When contact (by the payer with the children) is below 14 per cent (i.e below 52 nights per year), the child support payments are increased considerably from what they were before 1 July 2007. When contact is above 14 per cent, the child support payments are considerably reduced.

As a result, the new formula effectively made two (2) lots of child support payers and payees.

This approach by the Government lacks logic.

Graphs 1 and 2 in Appendix A provide examples of these changes.

Graph 1. Low to Medium-High Income Earners.

(Approximately 75 per cent of child support clients would fall into this type of graph)

The Government has said that the taxable incomes of both parents are being taken into account. This is not true. If contact is kept below 14 percent (i.e below 52 nights per year), then the child support payments are effectively based only on the payer’s taxable income.

As a result, there is a huge discouragement for child support payers to seek employment in higher income producing jobs.

If contact is 14 per cent and above, then the child support payments are then based on both parents’ incomes.

From graph 1, it can be discerned that:

1. If contact is 14 per cent and above, the current child support payments are a lot less than what was paid prior to 1 July 2007.
2. If contact is reduced to below 14 percent (i.e. 51 nights or less), two (2) situations are created. The child support payments will remain the same when the payee's taxable income is relatively low. Alternatively the payments can be increased by a factor of up to 4 times. This is in the case when the payee's income is relatively high.

These changes effectively place a huge incentive on the custodial parent to reduce contact to below 14 per cent (i.e. item 1 above).

Graph 2. Medium–High Income Earners to High Income Earners.

(Approximately the remaining 25 per cent of child support clients would fall into this type of graph).

From graph 2, it can be discerned that:

1. If contact is kept below 14 per cent, there is little change to the current child support payments – both before and after 1 July 2007.
2. If contact is left at 14 per cent or above, there is a drop of 50 per cent in the child support payments to the custodial parent.

Again these changes effectively place a huge incentive on the custodial parent to reduce contact to below 14 per cent (i.e. item 1 above).

It is also interesting to note that there is little difference between child payments if contact is 14 per cent (52 nights) and above or 35 per cent (128 nights) and above.

This again emphasizes that the Government has failed to appreciate that contact and the amount of child support payments actually made are linked in direct proportion (not in the reverse).

Summary

What the Government has tried to do is to increase child support payments when contact is low. At the same time, the Government has tried to reduce child support payments when the contact is higher.

As stated previously in our submission, the Government has failed to appreciate that the amount of child support actually paid is directly proportional to the amount of contact that the child support payer/non-custodial parent has been with the children. This is opposite to where the new formula is taking parents.

Also, because of the drop in child support payments, due to these changes and other reasons, the Government has been tinkering with the formula. These changes have been made in an attempt to increase payments.

This is without trying to solve the real problem. This is the lack of involvement of the parents in the decision-making process.

Examples of some of the more recent child support changes are:

1. Since 1 July 2008, child support payers who are on low incomes and who are not recipients of Centrelink benefits have had their child support payments arbitrarily increased. To date, 70,000 child support payers have been affected in this way. (ref. CSA's third report on the child support changes).
2. Since 1 July 2009, negative investment income has been added back into the child support formula. This has affected child support payers who purchased shares on borrowed money. Shares have gone down, the loan repayments remain and the child support liability has gone up.
3. From 1 July 2010, salary sacrifice contributions will be added back into the child support formula. The child support payer does not have the use of these funds. However the outgoing child support payments will increase.

As a result of these additional changes, the child support payer may not have the liquidity available to pay these increases. This can have disastrous financial consequences for the persons affected by these changes.

In making these additional changes, the Government has just made the problem worse.

This is because the Government has failed to appreciate that the amount of child support actually paid is directly proportional to the amount of contact that the child support payer has been with the children

What we need is a platform from where contact can be started. This can be achieved with the implementation of a rebuttable presumption of equal time shared parenting into the Family Law legislation.

Yours faithfully

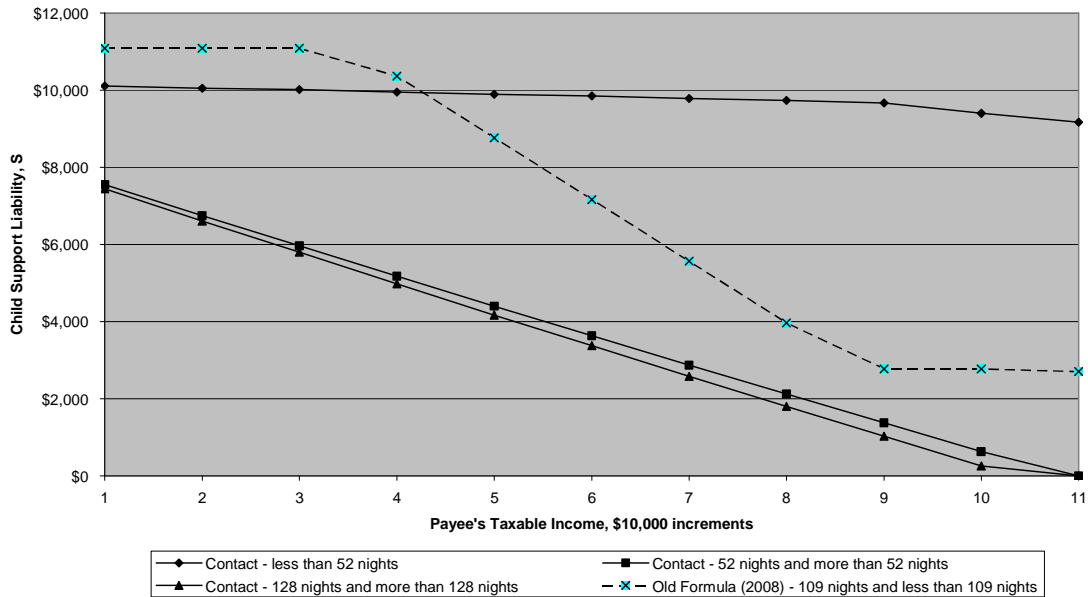
John Flanagan
Non-Custodial Parents Party (Equal Parenting).
20 October 2009.
Enclosed: Appendix A

Appendix A

(Note:

1. The details are based on three (3) children - all 13 years and older (it is noted that the age of the children has no impact on the old formula and it makes very little difference to the amount of child support in the new formula)).
2. The figures are obtained from the CSA calculator located at <http://www.csa.gov.au>

Graph 1 - Payer's Taxable Income = \$50,000 pa (2009)



Graph 2 - Payer's Taxable Income = \$120,000 pa (2009)

