



Child Support—the way it was

Since 1988, child support has been calculated based on a formula which took into account the amount of taxable income earned by both parents, the number of nights per calendar year the child spent with the paying parent, the number of children involved and the number of other dependant biological children living with the payer.

The Changes

As a result of the Federal Government's report "Every Picture Tells a Story", a recommendation was made that there be a review of the formula on which child support was calculated. A common complaint with the current formula was that the same percentage of child support was payable for children regardless of their age and no account was taken of the differences in spending between those parents who earned a higher income as those who earned a lower than average income.

From 1st July 2008, a new formula will apply which makes reference to the actual costs of children based on their age. Both parent's income will be taken into account and the actual cost of a child is apportioned between the parents based on both their actual incomes and the number of nights per year the child spends with each parent.

The New Formula

An example of the new formula applicable after 1st July 2008 is as follows:

Peter and Lyn have one child, Ella, who is 5 years old. Ella lives with Peter and spends time with Lyn for 24% of the time. Peter's annual taxable income is \$50,000.00 and Lyn's annual taxable income is \$60,000.00.

Work out each parent's child support income (taxable income less self-support amount currently \$18,252.00)

Peter: $\$50,000.00 - \$18,252.00 = \$31,748.00$

Lyn: $\$60,000.00 - \$18,252.00 = \$41,748.00$

Add Peter's and Lyn's child support incomes together: $\$31,748.00 + \$41,748.00 = \$73,496.00$

Calculate the percentage for each parent of the combined income amount based on each parent's child support income:

Peter earns \$31,748.00 of the total \$73,496.00 ($31,748.00/73,496.00 = 43\%$)

Lyn earns \$41,748.00 of the total \$73,496.00 ($41,748.00/73,496.00 = 57\%$)

Therefore Peter will be responsible for 43% of Ella's total costs and Lyn will be responsible for 57%.

Calculate the percentage for which each parent is spending time with the child:

Lyn has the care of Ella for 24% of the nights per year and Peter has the care of Ella for 76% of the nights per year.

Calculate the percentage for which each parent is responsible for meeting the costs of the child while the child is in their care:

Because Lyn has the care of Ella for 24% of the nights per year, she will therefore be meeting 24% of Ella's total costs and Peter will be meeting 76% of Ella's total costs.

Different percentages will apply depending on the number of nights per year each parent spends with the child. You can access further information at the Child Support Agency website www.csa.gov.au.

Calculate the percentage for which each parent is responsible for meeting the balance of the costs of the child:

Lyn is responsible for meeting 57% of Ella's total costs (from step 1) and is already meeting 24% of Ella's total costs (from step 3). She will therefore need to meet a further 33% of Ella's total costs ($57\% - 24\% = 33\%$).

Peter is responsible for meeting 43% of Ella's total costs (from step 1) and he is already meeting 76% of her total costs (from step 3). Therefore, no further child support is payable by Peter.

Calculate the costs of the child (based on a table which can be accessed at the Child Support Agency website):

The total cost for a 5 year old with parents having a combined income of \$73,496.00 is deemed to be \$11,290.80 per year. The costs per child is capped once the combined child support income of the parents reaches \$154,453.00.

Calculate the child support payable by each parent:

Lyn will need to meet a further 33% of Ella's total costs (from step 4):

$$\$11,290.80 \times 33\% = \$3,725.96$$

Lyn will therefore need to pay to Peter a further \$3,725.96 per year for child support, in addition to the total costs which she meets when Ella is in her care.

The Changes in Summary

In summary, the major changes to the new formula are:

Both parent's incomes are taken into account;

Both the payer and payee have the same amount of disregarded income;

The child support payable is based on research about the actual costs of children;

A higher level of support is paid for teenage children.

It is hoped that the new formula will better reflect the real costs of children taking into account the combined income of both parents and each parent's actual care of the children. There are, however, pitfalls in the new formula and many payee parents will find that the child support they receive will be significantly reduced as a result of the new formula. Whether the new formula is fairer to both parents will remain to be seen.

WARNING

These articles reflected the state of the law at the time of publication. But the law is a living creation which is constantly changing and adapting. These articles should be treated as an information resource only and not as a substitute for specific legal advice in respect to your particular problems and circumstances.