

New Child Support Scheme from 1 July 2008

There are six formulas used by the Child Support Agency (depending on the circumstances of the family dynamics).

Because of the complexities of the formula, it is highly recommended that you don't attempt to do your own calculations pursuant to the formula. For further information and calculations under the child support formulas, there is a child support website at www.csa.gov.au/estimator/estimator.aspx. Should you require to contact the Child Support Agency, their phone number is 131 272.

The basic formula

Section 35 of the *Child Support Assessment Act* sets out the basic formula comprising eight steps as follows:

- Step 1 – work out each parent's child support income;
- Step 2 – work out the parent's combined child support income;
- Step 3 – work out each parent's income percentage;
- Step 4 – work out each parent's percentage of care for the child;
- Step 5 – work out each parent's costs percentage for the child;
- Step 6 – work out each parent's child support percentage for the child;
- Step 7 - work out the costs of the child;
- Step 8 – the annual rate of child support is calculated by using the following formula:

Child support percentage x cost of child.

*Refer to example **attached** for how the formula works.

Checklist – how the basic formula works:

- The basic formula adds both parents incomes after deducting each parent's self support amount;
- Determines what percentage of the total income is obtained by each parent;
- Works out a percentage of each parent's care of the children using the number of nights the child or children spends with the parent;
- Applies the **percentage of care** against the costs of children which is not a flat amount (the costs of children increases when the income increases);
- Makes an adjustment from one parent to the other to make up any shortfall.

In relation to percentage care:

There will be an effect on child support if there is an order for the children to spend time with a parent. There are five levels of care under Section 55C of the *Child Support Assessment Act* as follows:

- Below regular care – 0% to less than 14% care of the child;

- Regular care – 14% to less than 35% care of the child;
- Shared care – 35% to less than 65% care of the child;
- Primary care – more than 65% to 86% care of the child; and
- Above primary care – more than 86% to 100% care of the child.

Actual nights and effect upon costs percentage:

Level of care	Nights per annum with client	Effect on cost
Below regular care (0 – 14% of care)	0 – 52	Nil
Regular care (14% to 35% care)	53 – 127	24%
Shared care (35% to 65% care)	128 – 237	25% to 50%
Primary care (65% to 86% care)	238 – 313	51% to 75%
Above primary care (86% to 100%)	314 – 365	76% to 100%

It is to be noted that there is a “creeping” effect on child support as arrangements approach an equal time arrangement and every night (seemingly) makes a difference.

Any parent currently having received an administrative assessment in receipt of a Centrelink benefit should check first with the Child Support Agency before signing a parental order or parental plan to see what effect it will have on their assessment.

There will be an impact on the Family Tax Benefit for any parent in receipt of Family Tax Benefit A or B and, in particular, the impact on an income tested pension or benefit should be checked first before signing a parenting order or parental plan.

Refer to the **attached** Costs of Children table from the Child Support Agency which is updated each year by the agency.

Refer to the **attached** example of how the basic child support formula works.

Child Support Agreements from 1 July 2008:

There are two types of Child Support Agreements, namely:

- Binding Child Support Agreement; and
- Limited Child Support Agreement.

A Binding Child Support Agreement must be certified by two independent lawyers certifying that they have advised the client of their rights and the effect of the agreement.

A Binding Child Support Agreement can be set aside if the amount provided for the child support is not “proper or adequate” in the circumstances.

Child Support Scheme



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A Binding Child Support Agreement cannot be terminated unless there is an order setting aside or varying the agreement or the parties enter into a termination agreement.

A limited Child Support Agreement need not be certified by independent lawyers.

If a limited Child Support Agreement varies more than 15% with a notional assessment from the Child Support Agency, the Agreement may be terminated.

After three years, either party can terminate a limited Child Support Agreement.

No Child Support Agreement should be entered into (whether limited or binding) without first checking the Family Tax Benefit implications and the extent to which any proposed agreement differs from a notional child support assessment.

Estimating Child Support – An Example

This example has been calculated using the basic formula.

Relevant facts:

Boris and Doris have separated. They have two children Michael (aged 12) and Kate (aged 10). Boris' adjusted taxable income is \$100,000.00. Doris' adjusted taxable income is \$25,000.00. The children spend 4 nights each fortnight with Boris plus half of the school holidays (122 nights) and spend the rest of the time living with Doris. Boris does not have any other dependant children.

Step 1 – work out the child support income

	Boris	Doris
Each parent's adjusted taxable income	\$100,000.00	\$25,000.00
Deduct self support amount	\$18,252.00	\$18,252.00
Deduct relevant dependant child amount	\$0.00	\$0.00
Each parent's child support income	\$81,748.00	\$6,748.00

Step 2 – work out the combined child support income

	Boris	Doris	Combined income
Add each parent's child support income	\$81,748.00	\$6,748.00	\$88,496.00

Step 3 – work out each parent's income percentage

	Boris	Doris
Each parent's child support income	\$81,748.00	\$6,748.00
Divide each parent's child support income by the combined child support income (\$88,496.00)	$\frac{\$81,748.00}{\$88,496.00}$ = 0.9237	$\frac{\$6,748}{\$88,496.00}$ =0.0763
Multiply by 100	0.9237×100 = 92.37	0.0763×100 = 7.63
Each parent's income percentage	92.37%	7.63%

Estimating Child Support – An Example

Step 4 – work out each parent’s care percentage

	Boris	Doris
Four nights per fortnight plus ½ school holidays (equals 122 nights per year)	33%	67%

Step 5 – work out each parent’s cost percentage

As Boris has “regular care” being less than 35%:

	Boris	Doris
Boris pays 24% of the cost of the children when they live with him, Doris is responsible for the balance	24%	76%
The cost percentage is taken from the Child Support care and costs table on page 2		

Step 6 – work out each parent’s child support percentage

	Boris	Doris
Each parent’s income percentage (as calculated on page 4)	92.37%	7.63%
Deduct each parent’s cost percentage	24%	76%
Each parent’s child support percentage	68.37 %	0.00%

If there is a positive percentage, the parent with the positive percentage **needs to pay child support**.

Step 7 – work out the cost of the children

From Costs of Children Table for 2008 – two children 12 and under

Parent’s combined child support income	2 children	3 children
\$82,135 - \$109,512	\$18,344	\$21,355
	+ 18 c for each \$1 over \$82,134	+ 24 c for each \$1 over \$82,134

Estimating Child Support – An Example

Cost of all children the child support children from table above	= \$18,344
Calculate amount over \$82,134	$\$88,496 -$ $\underline{\$82,134}$ $\$6,362.00$
Multiply \$6,362.00 by \$0.18	$\$6,362.00 \times$ $\underline{\$0.18}$ $\$1,145.16$
Add \$18,344 to \$1,145.16	= \$19,489.16
Total cost of the children	\$19,489.16

Step 8 - work out child support payable

	Boris	Doris
Each parent's child support percentage	68.37%	
Multiply by this amount by the total cost of the children	\$19,489.16	
Amount of child support for both children	\$13,324.74	

Boris pays \$6,662.78 in child support for Michael

Boris pays \$6,662.78 in child support for Kate

To find out more

To access the Costs of Children Table go to:

<http://www.csa.gov.au/ChildSupportFormula/childCostsTable2008.aspx>