



19 February 2024

Dear [REDACTED]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 21 January 2024. The information you requested is outlined in **Appendix A**. The response to your request is enclosed.

### **Requests that do not constitute an OIA request**

The following requests do not constitute a request for official information under the OIA, rather they are requests for advice:

*Would using the minimum wage as the minimum income for both parents (prior to any deduction for living allowances) reduce the number of applications for a Ground 8 review and thereby reduce the administrative load in processing ground 8 reviews?*

*Why isn't the recognised minimum cost of raising each child simply divided on a pro rata basis based on the recognised level of care each parent has for each child, accounting for their 50% equal level of responsibility as parents?*

*Does the IRD agree that by having the care cost % differ from actual care % breaches the Human Rights Act S21(1)(li) with regards to a prohibited ground of discrimination – family status - having the responsibility for part-time care or full-time care of children, given parents with higher levels of care% are given higher levels of care cost% and parents with lower levels of care % are given lower levels of care cost %. This is clearly discriminatory against parents with lower care % and cannot be justifiable under a free and democratic society when the purpose of child support is to support the child and by reducing the care cost % based on a parent lower level of care % actually does the opposite of supporting the child for when they are in the care of the parent with the lower care % despite that parent still having care costs when the child is in their care?*

*What is the rationale for any level of shared care below 28% having a child support care cost % of 0% despite those parents still incurring costs to raise their child(ren)?*

*What is the rationale behind rounding any care % below 50% down to the nearest whole % point but any care % above 50% is rounded up to the nearest whole percentage point?*

*If any rounding does need to be done why is it not done in the same way as our currency is calculated with anything below 0.5 rounded down and anything 0.5 or above is rounded up. The current system for child support can result in a parent actually losing or gaining up to 0.9% in their recognised level of care?*

Responding to this part of your request would require Inland Revenue to engage in debate or to create justifications or explanations. The OIA does not require agencies to do this (see the Ombudsman's website).<sup>1</sup>

### **Information refused**

Inland Revenue does not hold information about the annual cost of raising a child in New Zealand. The minimum amount of child support is not related to the annual cost of raising a child. Section 72(1) of the Child Support Act 1991 (the Act) sets out how the minimum amount of child support is calculated. Your request for information related to the annual cost of raising a child in New Zealand is refused under section 18(g) of the OIA, as the information is not held by Inland Revenue, and I do not believe it is held by another agency.

Before the commencement of each child support year, the Commissioner of Inland Revenue must approve a child expenditure table for the forthcoming child support year only. The child expenditure table for the 2025 child support year is available on the Inland Revenue website: [Child support expenditure tables \(ird.govt.nz\)](https://www.ird.govt.nz/child-support-expenditure-tables). Your request for this information is refused under section 18(d) of the OIA, as the information is publicly available.

Your request for the expected annual cost of raising a child for the 2026-2029 years is refused under section 18(g) of the OIA, as Inland Revenue does not hold this information, and I do not believe it is held by another agency.

The objects of the Act are outlined in section 4 of the Act which is available online: [Child Support Act 1991 No 142 \(as at 06 October 2023\), Public Act – New Zealand Legislation](https://www.legislation.govt.nz/act/public/1991/0000/142/01/01). Your request for the purpose and intent of the Act is therefore refused under section 18(d) of the OIA as the information is publicly available.

Inland Revenue does not hold information on whether the cost of raising a child in New Zealand is taken in consideration with determining the impact of child poverty on a child or household. I consulted with Stats NZ on this part of your request who advised they do not hold this information. I have therefore decided to refuse this part of your request under section 18(g) of the OIA, as Inland Revenue does not hold this information, and I do not believe it is held by another agency.

There is no threshold for income to be considered as zero after allowances are deducted as part of the formula assessment. Your request for the number of times this has occurred is therefore refused under section 18(g) of the OIA, as Inland Revenue does not hold this information, and I do not believe it is held by another agency. Further information about allowances deducted from a parent's child support income can be found in section 34(1) of the Act.

### **Domestic maintenance**

The collection and payment of domestic maintenance is included as one of the objects of the Act. Both child support and domestic maintenance were historically administered by the Department for Social Welfare. When the decision was made to transfer the responsibility of

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<sup>1</sup> <https://www.ombudsman.parliament.nz/what-ombudsman-can-help/requests-official-information/your-ability-request-official-information>

child support to Inland Revenue, this included domestic maintenance, to allow the same collection provisions and resources to be used.

Domestic maintenance payments are court ordered and can be made regardless of whether the receiver has a child or not. Inland Revenue is unable to comment on the reasons for which payment has been granted.

### **Child expenditure and the formula assessment**

Inland Revenue uses a child expenditure rate as part of the child support formula assessment. The annual amount used in each calculation changes depending on the income of the parents included in the assessment. The child expenditure table is set out in schedule 3 of the Act and on Inland Revenue's website: [Child support expenditure tables \(ird.govt.nz\)](http://ird.govt.nz).

Child expenditure for child support purposes differs between children as the child support formula assessment is based on the premise that children should receive the amount of financial support they would have if they lived together with both parents. This level of financial support is determined according to a parent's capacity to provide financial support relative to their level of care. The minimum wage is not used as the minimum income for all parents as income is dependent on each parents' circumstances and not all parents have the capacity to earn the minimum wage.

Inland Revenue does not consider a minimum cost of raising a child as part of the child support formula assessment. Rather, a minimum liability applies in cases where a liable parent earns less than the allowances applied to their assessment. The minimum liability amount is split between each child a parent is liable to pay child support for. As outlined in the objects of the Act, the Act does not state an objective of ensuring the minimum cost for raising a child, rather it affirms the right for a child to be maintained by their parents based on their relative capacity to do so.

A minimum cost of raising a child was considered as part of the *Officials' Report to the Social Services Committee on Submissions on the Bill* in September 2012<sup>2</sup> (the Officials' report):

*"The current scheme provides that there is a minimum amount of child support payable each year per parent. It is recommended that this provision be retained to limit the impact of the changes on low-income recipients.*

*While applying a minimum payment for each child may be a positive outcome in theory, in practice it would either require a reduction to be made to the applicable minimum amount payable per child or alternatively, result in child support liabilities that significantly exceed a parent's ability to pay when a parent has to support several children (possibly leading to non-payment). Either option is likely to be to the detriment of the children involved."*

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<sup>2</sup> <https://www.taxpolicy.ird.govt.nz/-/media/project/ir/tp/publications/2012/2012-or-csa/2012-or-csa-doc.doc?modified=20200910091219&modified=20200910091219>

The formula assessment does not treat a parent's income as zero if it is below a specific amount after allowances have been deducted. However, due to the allowances mentioned previously, a parent may have 0% of the combined child support income even if they do receive income.

A parent's care cost percentage is directly related to the proportion of care that they provide to the child. However, it is recognised that the cost of raising a child is not necessarily dependent on the percentage of ongoing daily care that a parent has. Care cost percentage is therefore set based on a range of care percentages which are set out in Schedule 2 of the Act.

The child support formula does not allow a situation where more than 100% of the total care cost percentage is exceeded, except for in cases where a household assessment is in place. A household assessment applies when a carer of a child (usually a third party), has at least 35% care of a child, the child's parents have not separated, and the parents have some care of the child. In any other circumstance, the total care percentage would not exceed 100%. The example of this occurring which you have provided in your request is incorrect. If a parent has 35% of the ongoing daily care of a child, their care cost percentage would be 25%. If the other parent has the remaining 65% of the ongoing daily care, their care cost percentage would be 75%. The total care cost percentage would equal 100%.

Previous studies have been conducted with information provided by Stats NZ's Household Economic Survey (HES) which determined that there was a direct increase of expenses as a child ages. The costs of teenagers were found to be higher than those aged 12 and under in low, middle and high-income households.<sup>3</sup>

### **Establishing proportions of care**

Section 15 of the Act sets out how the Commissioner of Inland Revenue must establish proportions of care.

The Commissioner does not assume each parent has an equal level of care when establishing proportions of care. If a care agreement or court order exists, the Commissioner must rely on this to establish proportions of care<sup>4</sup> unless there is a claim that the agreement is not being followed.

In the absence of a court order or agreement, sections 15(4) and (5) of the Act apply:

#### *15(4)*

*If there is no care order or agreement relating to the child, or if the Commissioner is satisfied, on the basis of evidence provided, that a care order or agreement does not accurately reflect the proportion of ongoing daily care provided by a carer to a child, the Commissioner must establish the proportion of care provided by a carer primarily on the basis of the number of nights that the child spends with the carer.*

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<sup>3</sup> [Costs of raising children. Claus, Leggett and Wang \(2009\) - nzae.org.nz](http://nzae.org.nz)

<sup>4</sup> Section 15(1) of the Child Support Act 1991



**15(5)**

*If the Commissioner is satisfied, on the basis of evidence provided, that the number of nights spent with a carer is not a true reflection of the proportion of care actually provided by a carer to the child, the Commissioner must establish the proportion of care provided on the basis of the amount of time that the carer is the person responsible for the daily care of the child.*

Inland Revenue will request supporting evidence from all parties if there is a disagreement on the level of ongoing daily that each parent has, or if there is a claim that the care agreement or court order is not being followed. Examples of evidence that can be provided to assist the Commissioner in establishing proportions of care may include (but is not limited to):

- Confirmation from both parents agreeing to the care arrangement
- A letter from school or daycare including enrolment records and signed school reports
- Court documents, parenting orders or adoption papers
- Letters from lawyers, family conference notes, statutory declarations
- Confirmation from a third party (e.g., a counsellor, accountant, the Ministry for Social Development (MSD), Oranga Tamariki or StudyLink)

The age of the child, sex of the parent or their income or employment status are not factors that are considered when establishing proportions of care.

The minimum amount of recognised care being set at 28% and adjustments to the minimum level of recognised care was considered in the previously mentioned Officials' report<sup>5</sup>:

*"During the discussions of what the care should be considered it was recognised that the Australian definition of four nights out of 10 to be acceptable. The Committee further noted that this definition should be flexible but suggested that the length of time spent by children with each parent must be substantial, and that there must be a sharing of basic costs. These recommendations were incorporated into the current child support formula. Inland revenues basis is 103 nights per year, which can be met by any variation of pattern of care including weekly, fortnightly, 28-day arrangements and monthly. Further discussions regarding increasing the requirement above 28% or below 28% has been considered and the 28% was upheld."*

### **Breakdown of child support payments**

Inland Revenue does not explicitly store gender information. Gender information is implied based on a customer's title.

The data you requested is outlined below. Customers included in the "unknown" category include those whose titles are missing or are gender-neutral (e.g., Dr, Rev, Mx). The data below relates to receiving carers and liable parents that have a current formula assessment for a qualifying child as at 5 February 2024.

- 78.6% of all liable parents are male and 21.2% are female (0.2% are unknown).

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<sup>5</sup> <https://www.taxpolicy.ird.govt.nz/-/media/project/ir/tp/publications/2012/2012-or-csa/2012-or-csa-doc.doc?modified=20200910091219&modified=20200910091219>

- 81.9% of all receiving carers are female and 15.3% are male (2.8% are unknown).
- Males have an average care percentage of 16.6%, and average care cost percentage of 16.3%.
- Females have an average care percentage of 76.3%, and average care cost percentage of 76.9%.

The tables outlined in **Appendix B** contain the administrative review information you requested.

- Table 1 outlines the total number of applications including those where an application was made under multiple grounds, and applications where a departure was not granted.
- Table 2 outlines the total number of reviews which resulted in a departure from the formula assessment. Applications resulting in a departure from the formula assessment could either increase or decrease an entitlement or liability under any ground considered in the review. Additionally, some applications may result in a decision that was contrary to what was applied for.

### Sharing information with MSD

Inland Revenue must accept a properly completed child support application<sup>6</sup>. Properly complete applications, and therefore child support entitlements, cannot be 'reversed'. If a parent was required to submit a child support application through MSD, and it was later determined that the parent was not eligible to receive that social security benefit (and therefore not required to apply for child support), this would not influence their entitlement to receive child support. Whether or not a parent is entitled to receive a benefit does not affect their child support entitlement if a properly completed application is received by Inland Revenue. Since 1 July 2023, sole-parent beneficiaries are no longer required to apply for child support and receiving carers may choose to either cancel or uplift any child support owed to them.

Inland Revenue and MSD have a Memorandum of Understanding, which is publicly available: [Memorandum of understanding with Ministry of Social Development \(MSD\) \(ird.govt.nz\)](https://www.ird.govt.nz/memorandum-of-understanding-with-ministry-of-social-development-msd).

Some examples of information that MSD may provide Inland Revenue include:

- Full name
- Date of birth
- MSD and IRD numbers
- Benefit details including benefit type and rate paid, benefit start and end dates and reason for changes to benefit
- Details of any children including name, date of birth, IRD numbers and dates children are in the care of either parent

### Plans for review of the Child Support Act 1991

Child support is planned to be reviewed against the debt to Government framework as part of a wider review of Inland Revenue's debt practices. There is no expectation that this review will necessarily result in changes to Inland Revenue policies or the Child Support Act 1991.

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<sup>6</sup> See section 13 of the Child Support Act 1991

**Right of review**

If you disagree with my decision on your OIA request, you can ask an Inland Revenue review officer to review my decision. To ask for an internal review, please email the Commissioner of Inland Revenue at: [CommissionersCorrespondence@ird.govt.nz](mailto:CommissionersCorrespondence@ird.govt.nz).

Alternatively, under section 28(3) of the OIA, you have the right to ask the Ombudsman to investigate and review my decision. You can contact the office of the Ombudsman by email at: [info@ombudsman.parliament.nz](mailto:info@ombudsman.parliament.nz).

If you choose to have an internal review, you can still ask the Ombudsman for a review.

**Publishing of OIA response**

We intend to publish our response to your request on Inland Revenue's website ([www.ird.govt.nz](http://www.ird.govt.nz)) as this information may be of interest to other members of the public. This letter, with your personal details removed, will be published in its entirety. Publishing responses increases the availability of information to the public and is consistent with the OIA's purpose of enabling more effective participation in the making and administration of laws and policies and promoting the accountability of officials.

Thank you for your request.

Yours sincerely



Sue Gillies

**Customer Segment Leader, Families**

## Appendix A: OIA Request

*I am writing to request the following information under the Official Information Act.*

1. *What is the current figure for the annual cost of raising a child in New Zealand according to the NZ Government, IRD, and under the Child Poverty Reduction Act?*
  - *What factors are taken into account when determining this figure and how is this figure then calculated?*
  - *Is this the same figure used by IRD when calculating Child Support payments?*
  - *What is the projected/expected annual cost of raising a child for the next 5 years for Child Support purposes?*
  
2. *Why does the cost of raising a child differ between children based on the parents' level of income when each parent is equally (as the child's parent) responsible for the welfare and wellbeing of the child (regardless of the level of care they have or their income)?*
  - *Is there a recognised minimum cost of raising a child each year in New Zealand?*
  - *Due to the ability of parents to apply for a review under Ground 8 (capacity to earn) and the ability of every parent (except where illness or disability have an impact) to have the capacity to earn the minimum wage, why is the minimum wage (\$22.70/hr) not used as the minimum income for all parents when calculating child support (regardless of whether they are on a benefit or not)?*
  - *Would using the minimum wage as the minimum income for both parents (prior to any deduction for living allowances) reduce the number of applications for a Ground 8 review and thereby reduce the administrative load in processing ground 8 reviews?*
  - *Why does the current system treat a parent's income that is below a certain level as 0% of the combined income (even after a living allowance has been deducted) despite them having a clear and obvious income above \$0.00 and therefore a clear and obvious portion of the combined income?*
  - *What is the rationale for including the parents' income in the child support calculations if the objective of the Act is to ensure the minimum costs of raising a child are being met?*
  - *Why isn't the recognised minimum cost of raising each child simply divided on a pro rata basis based on the recognised level of care each parent has for each child, accounting for their 50% equal level of responsibility as parents?*

*For example;*

*Annual cost to raise a child under 12 in New Zealand = \$1100*

*Parent A has 65% care Parent B has 35% care*



*Parent A carries 65% of the cost but is responsible for 50% whereas Parent B carries 35% of the cost but is responsible for 50%*

*Parent B would be required to pay the difference between their 50% responsibility and their 35% cost, to Parent A to cover the difference between Parent A's 50% responsibility and the 65% costs they incur.*

*Parent B would pay Parent A \$165 in child support per year.*

3. *What is the purpose and intent of child support in New Zealand?*
4. *Under the Child Support formula, why does the child support care cost % differ from the child support care % - with some situations resulting in a higher level of child support care cost % than the level of care being provided (e.g. 76% care = 100% care cost), and others resulting in a lower level of child support care cost % than the level of care being provided (35% care = 25% care cost)?*

- *Does the IRD agree that by having the care cost % differ from actual care % breaches the Human Rights Act S21(1)(li) with regards to a prohibited ground of discrimination – family status - having the responsibility for part-time care or full-time care of children, given parents with higher levels of care% are given higher levels of care cost% and parents with lower levels of care % are given lower levels of care cost %. This is clearly discriminatory against parents with lower care % and cannot be justifiable under a free and democratic society when the purpose of child support is to support the child and by reducing the care cost % based on a parent lower level of care % actually does the opposite of supporting the child for when they are in the care of the parent with the lower care % despite that parent still having care costs when the child is in their care?*
- *Why does the child support formula allow the situation where more than 100% of the total care cost % is possible?*

*Where one parent has 35% care their care cost = only 25% and where the other parent has 65% care their care cost = 78%, making a total of 103% of the care cost.*

- *What is the rationale for any level of shared care below 28% having a child support care cost % of 0% despite those parents still incurring costs to raise their child(ren)?*
- *What is the rationale behind rounding any care % below 50% down to the nearest whole % point but any care % above 50% is rounded up to the nearest whole percentage point?*
- *Given the formula already allows for the total care cost % to go above 100% why do the care % levels need to be rounded at all, given clearly here is no issue with the total going over 100% in other parts of the formula?*
- *If any rounding does need to be done why is it not done in the same way as our currency is calculated with anything below 0.5 rounded down and anything 0.5 or*

*above is rounded up. The current system for child support can result in a parent actually losing or gaining up to 0.9% in their recognised level of care?*

5. *Why is domestic maintenance still included within the Child Support Act (s72 (1c)) when the purpose of the Child Support Act is for the parents to provide for the financial support of their children, not their ex-spouse or partner?*
  - *Is the inclusion of domestic maintenance to help meet the living costs of the other parent? If so, is this not already accounted for through the deduction of a living allowance in the child support calculation/formula?*
6. *What rationale is used to determine that a child over 12 years of age costs more to raise than a child under 12, and if this was based on data obtained through imperial research, when was this research conducted and is it still relevant to today's society and economic climate, particularly in relation to the cost of living and reality of households reducing expenditure to meet the cost of living?*
7. *Is the cost of raising a child in New Zealand linked to, or taken into consideration with regards to, determining the impact of child poverty on a child and the household, and the impact this has on household expenditure?*
8. *How is the minimum amount of child support calculated, and how does it relate to the actual annual cost of raising a child in New Zealand?*
9. *How does IRD determine level of care % when there is no court order or signed agreement between parents and the level of care is in dispute?*
  - *What factors are taken into account?*
  - *Is either parent given priority over the other based on the age of the child, the sex of the parent, or their income or employment status?*
  - *In disputed level of care cases does IRD start from a base of 50% equal shared care, and then use evidence to reach a different level of care?*
  - *Why is there are minimum level of childcare % required before any level of care is recognised? Why is the minimum set at 28%?*
10. *Are there any plans for a review of the current child support system?*
11. *What is the breakdown on child support payments/liability for the following:*
  - *paying males vs receiving females*
  - *paying females vs receiving males*
  - *the minimum and average figures for the annual cost of raising a child*
  - *the average care % for males vs females*

- *the average care cost % for males vs females*
  - *the number of reviews requested each year for each of the different grounds of review and the number of reviews resulting in changes made to liabilities as a result of those reviews.*
  - *The number of cases where a receiving parent still has an income after the living allowances are deducted but that income is below the threshold and therefore viewed by IRD for child support purposes as being 0% of the combined parental income*
12. *What is IRD's policy, regulations and standard operating procedures for correcting or reversing a child support application/formula assessment when MSD has made an error, that has resulted in a receiving parent being mandated to apply for child support because MSD have incorrectly placed them on a main benefit with dependent children, but MSD have later determined the receiving parent was not actually entitled to such a benefit, and therefore was not mandated to apply for child support at the time they applied?*
- *This cannot be viewed as voluntary application as they were initially mandated to apply but were later to not fit the criteria required of them to be mandated.*
  - *What recourse does the liable parent have against IRD to continue to find them liable?*
13. *What information are IRD and MSD able to share between each other in relation to individuals? Does this include incomes, types of benefits the individual is receiving, care arrangements of children, employment status, relationship status, etc?*

**Appendix B****Administrative review applications received by ground for calendar year ending 31 December**

Year	Ground											Total
	1	2	3	4	5	6	7	8	9	10	11	
2022	284	77	741	185	314	228	447	2374	310	133	79	3459
2023	344	93	823	250	343	270	541	2545	265	163	108	3745
<b>Total</b>	<b>628</b>	<b>170</b>	<b>1564</b>	<b>435</b>	<b>657</b>	<b>498</b>	<b>988</b>	<b>4919</b>	<b>575</b>	<b>296</b>	<b>187</b>	<b>7204</b>

**Administrative review applications resulting in a departure for calendar year ending 31 December**

Year	Number of departures
2022	1297
2023	1342
<b>Grand Total</b>	<b>2639</b>