



08 June 2022

Dear [REDACTED]

Thank you for your request made under the Official Information Act 1982 (OIA), transferred to Inland Revenue from the Ministry of Social Development on 13 May 2022. You requested the following:

Information regarding why a parent who no longer have their children aren't paying any liability towards the rising of their children in care with relatives who are recipient of a UCB as I understand from latter research that the payment for UCB is insufficient.

Currently, under the Child Support Act 1991 (the Act), parents or carers receiving a sole parent rate of benefit or an Unsupported Child's Benefit (UCB) must apply for child support when they are applying for a benefit. The liable parents (parents liable for the payment of child support) pay any child support that is owed to Inland Revenue, and the Government retains this payment to offset the amount of the benefit that is being paid. Any excess child support paid above the amount of the UCB payment is paid to the caregiver, and not treated as income for benefit abatement purposes. A liable parent that fails to meet this obligation could be subject to collection action.

Unsupported Child's Benefit

The UCB is a payment that helps caregivers support a child or young person whose parents cannot care for them because of a family breakdown. The caregiver must meet eligibility requirements including having the primary responsibility for the day-to-day care of the child. It is not a requirement that the caregiver is related to the child.

You note that your research has found that the UCB payment is insufficient.

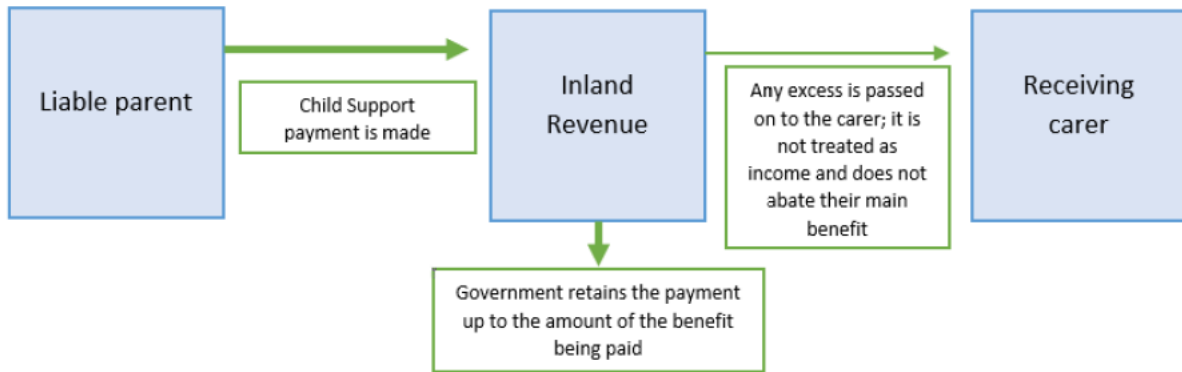
UCB is provided for the benefit of the child in respect of who it was granted, including the child's maintenance and education. To that effect, the UCB is viewed as a standardised payment to reimburse caregivers for general costs likely to be incurred, as opposed to an income replacement to support a household. These payments are non-taxable and are not affected by any income or assets the caregiver may have. If the child has certain types of income, this may abate the rate of UCB, e.g., beneficiary income from a family trust or ACC payments.

In 2019, Oranga Tamariki (the Ministry for Children) carried out a review into the financial assistance provided to caregivers to make sure it met the needs of children and caregivers. Following this review, changes have been made to better support caregivers, including those in receipt of the UCB. These changes include:

- a \$25 per week per child increase to UCB caregiver payments in 2021,
- a further \$5 increase to UCB caregiver payments in 2022 to align with an increase to the Family Tax Credit,
- extending birthday and holiday allowances, the nappy payment, and a \$10 weekly payment for small costs to children who live with caregivers receiving the UCB, and
- broadening the scope of eligibility for the UCB to include caregivers who may provide care for less than 12 months.

Child support payments

The child support payment process for UCB recipients is outlined below:



This process aligns with one of the objectives of the Act, which is to ensure that the costs to the State of providing an adequate level of financial support for children and their carers are offset by the collection of a fair contribution from liable parents. Child support payments to sole-parent beneficiaries have historically been retained, and this has remained the policy throughout various reforms of the welfare system since the 1930's.

As part of Budget 2022, the Government has announced that from 1 July 2023, child support payments will be passed on to sole-parent beneficiaries and automatically charged as income for benefit purposes. However, this child support pass-on policy change does not apply to UCB recipients. Further information relating to this Budget 2022 change will be published in the near future.

Publishing of OIA response

Please note that Inland Revenue regularly publishes responses to requests that may be of interest to the wider public on its website. We consider this response is of public interest so will publish this response in due course. Your personal details or any information that would identify you will be removed prior to it being published.

Thank you for your request. I trust that the information provided is of assistance to you.

Yours sincerely,



Murray Shadbolt
Policy Lead, Families and Individuals