

18 June 2019

Mr Jonathan Boyd  
fyi-request-10347-c9372cd7@requests.fyi.org.nz

Dear Mr Boyd

Thank you for your request made under the Official Information Act 1982 (OIA), received on 20 May 2019. You requested the following:

*Why must income change by a minimum -15% to be reassessed for child support as oppose to actual income?*

*Does this also apply if I earn 15% more than estimated, i.e I do not get back charged?*

A child support assessment uses a parent's income from either the preceding calendar year or the preceding tax year (please see the examples below). Where there has been a significant drop in a parent's income they may elect to estimate their income for the child support year so that an assessment is made based on current income. This will mean that the assessment will more closely reflect their current situation.

Section 40 of the Child Support Act 1991 (the Act) requires that for an estimation of income to be accepted the year to date income (if any), plus estimated taxable income, is 85% or less than the original adjusted taxable income used in the parent's child support assessment. The relevant legislation is available on the New Zealand Legislation website ([www.legislation.govt.nz](http://www.legislation.govt.nz)) by searching "Child Support".

In situations where income has reduced but the criteria for estimating income are not met, it is possible to apply for an administrative review of a child support formula assessment. There are 12 grounds under which an administrative review may be applied for and these include Ground 8 – the income, earning capacity, property or financial resources of either parent or the child have not been taken into consideration. Information about administrative reviews is available on Inland Revenue's website ([www.ird.govt.nz](http://www.ird.govt.nz)) by searching "administrative review".

### **Process when income is estimated**

When an estimation of income has been accepted, child support is reassessed for the election period the estimation applies to and reduces the amount payable for the remainder of the child support year (from the start of the election period to 31 March).

At the end of the child support year, the estimated income is reconciled with the actual income in a process called a square up. All customers with an estimation in place at the end of the child support year are squared-up for the period(s) where they estimated their income.

Determining what income to use for the square up is done by comparing the income originally used in the assessment against the annualised actual income. The lesser of the two is used for the square up. This means that where a parent estimates their income and

earns more for that period than they estimated they would, they will not be squared up for that period on an income greater than the income originally used in their child support assessment. The relevant legislation is section 44 of the Act.

### **Process when income is not estimated**

Most parents are assessed for child support on either salary and wage income or self-employment income. Parents whose income is fully taxed at source (salary and wages) are assessed for the child support year using the income from the preceding calendar year. Parents whose income is not fully taxed at source (usually self-employed) are assessed for the child support year using the income from the preceding tax year.

For example:

- A parent who receives only salary and wages is assessed for child support for the year 1 April 2019 to 31 March 2020. Their income from 1 January 2018 to 31 December 2018 is used in their assessment. If their income increases over the next calendar year then that income will be used in their assessment for the year 1 April 2020 to 31 March 2021.
- A parent who is self-employed is assessed for child support for the year 1 April 2019 to 31 March 2020. Their income from 1 April 2017 to 31 March 2018 is used in their assessment. If their income increases over the next tax year then that income will be used in their assessment for the year 1 April 2020 to 31 March 2021.

Thank you for your request.

Yours sincerely



Lauren Ireland  
**Segment Management Lead – Families**