

# CHILD SUPPORT AMENDMENT BILL 1998 (No. 5)

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*Commentary on the Bill*

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## OVERVIEW

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The child support scheme, set up in 1992 and administered by Inland Revenue, is an integral part of Government social policy. An estimated 600,000 people - including children, custodians and liable parents - are directly affected by the workings of the scheme.<sup>1</sup> Given this scale, it is particularly important that the child support laws operate effectively and fairly.

Child support is generally an amount determined by a formula set out in the Child Support Act 1991, or agreed to by the parents concerned. In addition to collecting this child support, Inland Revenue may also collect child maintenance determined by a court in another country.

Inland Revenue also collects spousal maintenance for about 600 people under the child support scheme. Spousal maintenance is a payment between two parties that may be awarded by the courts or arranged by a private agreement, for the benefit of the recipient rather than her or his children. A person does not have to have children to receive spousal maintenance, and someone with children may receive both spousal maintenance and child support.

The child support scheme was the subject of a major review by the Child Support Review 1994 Working Party. Most of the operational recommendations put forward by the working party have already been implemented.

### **Administering the child support scheme**

Most of the amendments in this bill are the result of a recent review of the administration of the child support scheme to improve its efficiency. They take up, and in some cases build upon, a number of the recommendations of the 1994 review.

These amendments have been designed to solve a series of practical problems that impede the smooth functioning of the scheme.

Inland Revenue is to be allowed greater discretion to write off penalties, a measure designed to introduce greater flexibility into the scheme.

From 2001-02 the child support year is to begin in July, rather than April. This change, together with recently enacted tax simplification measures, will allow most liable parents' assessments to be based on their previous year's income rather than their income of two years earlier.

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<sup>1</sup> "Custodian" may include a person entitled to receive spousal maintenance, "child support" may include spousal maintenance, and "liable parent" may include a person who is required to pay spousal maintenance.

Then there are the liable parents who choose to estimate their income for the current year. Two types of problems emerge here:

- Some liable parents fail to furnish their tax return to enable an end-of-year square up to be carried out; or
- if they have already paid their full year's child support by the time they estimate their income, the law says they must continue to pay the minimum amount - \$10.00 a week - for the rest of the year.

The amendments in this bill deal with these and associated problems.

Problems related to liable parents who are in hospital or in prison long-term are also dealt with, increasing both the fairness and efficiency of the law.

Other administrative measures allow greater flexibility in matters such as notices of assessment, refunds of child support, salary deductions, payments to custodians' bank accounts, and when the person entitled to child support and/or spousal maintenance takes over responsibility for collection of the debt.

### **New Zealand/Australia reciprocal agreement**

The bill contains minor amendments to the Child Support Act in anticipation of a reciprocal agreement with Australia that will enable the two countries to collect each other's child support debt.

### **Taxable income**

The bill also corrects an anomaly that arises when a liable parent is not a resident of New Zealand for tax purposes. In this situation the liable parent is usually assessed at only the minimum amount of \$520 for the year. The change will allow overseas taxable income to be included in the liable parent's child support assessment.

### **The amendments**

The bill amends the Child Support Act 1991, and all unspecified section references in this commentary are to that Act. The only other Act of Parliament amended by the bill is the Family Proceedings Act 1980.

## **WRITE-OFF OF PENALTIES**

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*(Clause 27)*

### **Summary of proposed amendments**

Penalties will be written off when:

- Liable parents keep to debt repayment arrangements entered into within three months of when Inland Revenue first assessed their liability.
- An initial penalty is more than the arrears to which it relates and the liable parent concerned has no history of late payments.

Additional provisions will allow Inland Revenue the discretion to write off penalties when, under the circumstances, it would be unjust or unreasonable to charge penalties.

These measures are expected to encourage voluntary compliance with the child support law by giving Inland Revenue greater flexibility to write off penalties, particularly when the liability first arises.<sup>2</sup>

### **Background**

When payments of child support are late, the law imposes an initial penalty of 10% (or a minimum of \$5) of the unpaid amount, and 2% on the outstanding balance (including penalties) every subsequent month. At present, Inland Revenue can write off late payment penalties only when:

- The late payment arises through the failure of an employer or other third party to make a deduction.
- A liable parent keeps to an agreed arrangement to repay a debt on which incremental penalties have been incurred, in which case only the incremental penalties may be written off.

Penalising a compliant liable parent for a small failure may be counter-productive and actually reduce voluntary compliance. For example, it takes about six weeks to process an application for child support, because of the many steps involved. Liability begins from the date of application for payment, so liable parents may face a first payment that is the equivalent of two or three months of payments. Often they cannot meet this first payment and go into arrears, which attracts penalties.

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<sup>2</sup> These changes also apply to spousal maintenance.

## **Key features**

Penalties will be written off when liable parents keep to debt repayment arrangements they entered into within three months of when the assessment for their first payment was issued, and when an initial penalty is greater than the arrears to which it relates and the liable parent has no history of late payments.

Inland Revenue will be able to exercise discretion in considering whether a penalty should be written off when:

- The liable parent had reasonable cause for the delay in payment, and took corrective action as soon as possible. “Reasonable cause” will be defined to include events such as a serious illness.
- In failing to pay on time, the liable parent had acted in good faith on the advice of an Inland Revenue officer, and that advice proved to be incorrect.
- The delay in payment was due to an honest oversight by a liable parent who has no history of previous late payment and who paid the debt as soon as he or she became aware of the oversight.
- The person entitled to child support has taken over responsibility for collecting the debt and it would be unfair or unreasonable to enforce collection of the remaining penalty.

The first three changes are consistent with the new compliance and penalties legislation that came into effect on 1 April 1997, and recognise that the circumstances leading to a late payment are not always entirely within the control of the liable parent. In those situations it is often neither reasonable nor just to impose a penalty. The proposed amendments will allow Inland Revenue to accommodate these circumstances, and it will publish guidelines to ensure consistent application of the provisions.

The fourth change arose from a recommendation of the Child Support Review 1994 Working Party.

The changes will have no adverse effect on custodians entitled to child support because the penalties that are collected are retained to offset the costs of enforcing payment.

## **Application date**

The amendments will apply from the date of enactment.



## **INCOME YEAR OF ASSESSMENT AND INFLATION FACTOR**

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*(Clauses 2, 3, 5, 6, 7, 23, 26, 36, 37 and 38)*

### **Summary of proposed amendments**

The changes are designed to achieve a closer match between the income on which an assessment is based and the current ability of a liable parent to provide financial support. They involve changing the child support year so that, from the 2001-02 year, it will begin in July rather than in April. Recently enacted tax simplification measures will provide Inland Revenue with earlier income information. All these changes will enable Inland Revenue to base the assessments of about 75% of liable parents, those who have income tax deducted from their wages, salaries or benefits, on their income for the year ending on the 31 March before the start of the child support year.

Other liable parents, those who do not have all their income tax deducted at source, will also move to a child support year that begins on 1 July, but will continue to have their assessments based on their income of two years earlier. An inflation factor will be added to the income of this group to bring them into line, as closely as possible, with the rest.

For both groups there will be a transitional period covering 1 April to 30 June 2001.

### **Background**

One of the objects of the Child Support Act is that liable parents provide for their children according to their capacity to provide financial support. By law, child support is based on income earned by a liable parent two years earlier, because that is the most recent income information available to Inland Revenue when the assessment is made.

The law also provides for annual consideration of an inflation factor to be based on average wage movements. It has proved impracticable to comply with that aspect of the legislation, however, because Inland Revenue does not receive annual wage movement information in time for its annual issue of child support assessments.

The tax simplification initiatives contained in the Taxation (Simplification and other Remedial Matters) Act 1998 mean that Inland Revenue will receive income information from employers earlier than it does at present.

## **Key features**

The bill proposes that the child support year will run from 1 July to 30 June (rather than the present year of 1 April to 31 March). This will allow child support assessments to be based on income for the tax year ending on the 31 March before the start of the child support year. This measure will enable the child support assessments of liable parents who are employees and beneficiaries to be based on their income for the year ending on the 31 March before the start of the child support year.

Other liable parents will continue to have their child support assessments based on their income of two years earlier. An inflation factor will be added to the income of this group to bring them into line, as closely as possible, with those whose assessments are based on the previous year's income. The inflation factor will be based on the average of actual headline inflation determined by the Consumer Price Index over the year ending on the 31 March before the start of the child support year.

Because the bill specifies how the inflation factor is to be set, the existing provision allowing an inflation factor to be set by an Order in Council is no longer required and will be repealed.

The amendments will require a transitional period from 1 April to 30 June 2001. Child support liability for the transitional period will be one-quarter of the previous year's final liability.

## **Application date**

The amendments will apply from the child support year beginning in 2001.

## **ESTIMATION OF INCOME**

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*(Clauses 9-17, 25 and 30)*

### **Summary of proposed amendments**

The provisions governing the estimation of income for child support purposes are being amended to make them fairer and easier to use. The changes:

- allow reconciliation assessments to be issued when liable parents who have estimated their income fail to furnish tax returns;
- stop those liable parents from estimating their income again until they furnish their outstanding returns;
- cap child support at what would have been payable had income not been estimated;
- ensure that those who estimate their income part-way through the year will not have to continue paying the minimum amount of \$10 a week when the amount they have already paid covers their liability for the year;
- provide for the state to waive its entitlement if the preceding change results in a custodian moving on to a social welfare benefit;
- provide that when liable parents revoke an estimation or no longer meet the criteria for estimating income, their liability will revert to what it would have been had they not estimated, with the resulting shortfall being spread over the rest of the year;
- make it no longer necessary that an application to estimate income be in the “approved form”;
- remove the child support use of money provisions.

### **Background**

The rules on estimating income in the Child Support Act arose because of the need to use income earned two years earlier as the basis of assessment. They were designed to give relief to liable parents whose current income has fallen by at least 15% from that on which their assessment is based. In this situation, they may ask for a new assessment based on an estimate of their income.

Liable parents who estimate their income part-way through the year may have already paid sufficient to cover their total estimated liability for the year. Despite this, they are still required to pay the minimum amount of \$10 per week. This can result in custodians receiving too much child support.

Liable parents may revoke their estimation, but their liability for that year is still based on actual income. (The end of year square-up, or reconciliation, is discussed below.)

After the end of the child support year, a liable parent who has estimated his or her income must file a tax return to enable an end-of-year reconciliation to be made. A further payment is required if the liable parent has underestimated the year's income, and an underestimation penalty may be charged. If an overpayment occurs because the liable parent overestimated his or her income, the overpayment is offset against any future liability, or refunded when there is no continuing liability.

Custodians are disadvantaged when liable parents who estimate their income fail to file income tax returns, because Inland Revenue cannot reconcile estimated and actual income to ensure custodians have been paid the correct amount.

The current law requires liable parents to fill in a prescribed form if they want to estimate their income. Many liable parents make a written request to do this but must still complete a form as well, which causes delays and creates paperwork.

The law allows for use of money interest to be charged when child support is underpaid, in recognition of the monetary benefit gained by a liable parent through having the use of the unpaid child support. The primary intention of the use of money interest provisions in the Child Support Act was to give liable parents an incentive to file an income tax return so their correct child support liability could be determined. Return filing is now partially enforced through the recently introduced late filing fee. Furthermore, the proposal in this bill to issue reconciliation assessments when liable parents fail to file returns will limit the period over which interest would be calculated. No use of money interest rate has been set since the 1993-94 child support year.

The Child Support Review 1994 Working Party considered that the estimation of income provisions should be made simpler, fairer and easier to understand.

### **Key features**

The amendments in this bill are intended to make the income estimation provisions fairer and easier to use.

To overcome the problem of liable parents not filing their tax returns so an end-of-year reconciliation can be carried out, the proposed amendments allow Inland Revenue to issue a reconciliation assessment for the amount that a liable parent would have had to pay had he or she not estimated. Furthermore, these liable parents will be prevented from estimating their income again until they have filed their outstanding tax return(s).

To ensure that liable parents who estimate their income and do file their income tax returns are not disadvantaged by the change outlined in the previous paragraph, all liable parents will have their liability capped at the amount they would have had to pay had they not estimated their income.

Liabe parents who estimate their income part-way through the year may have already paid sufficient to cover their total estimated liability for the year. In this situation, they will no longer have to continue paying the minimum amount, \$10.00 a week. As a result of child support payments ceasing, some custodians may have to go on a social welfare benefit for the rest of the year. If this happens the state will waive its entitlement to retain any of the child support for that period so that the custodian does not incur a child support debt.

When liable parents revoke their estimation, or when they no longer meet the threshold for estimating income, their child support liability will revert to what would have been payable had they not estimated. The amendments will allow the resulting shortfall to be spread over the rest of the child support year, which means that by the end of the year they will have met their child support liability in full, and there will be no need for a reconciliation assessment.

It will no longer be necessary for liable parents to complete an “approved form” to make an estimation.

The provisions imposing interest on underpaid child support will be removed from the Act. They were put there to encourage liable parents to file their income tax returns, but the law now sets penalties for not filing a tax return, and this bill introduces further consequences for liable parents who do not file returns.

### **Application date**

Most of the amendments are to apply from the date of enactment, although some changes will apply as follows:

- From the 1999-2000 child support year, liable parents will no longer have to continue paying the minimum amount when, at the time they estimate their income, the amount they have already paid exceeds their annual estimated liability. The amendments to the provisions relating to revocation of estimations and write-off of custodians’ debts will also apply from that year.
- The repeal of the provision for use of money interest on underestimation of income, and the corresponding objection rights, are to apply from the 1998-99 child support year.
- The amendment setting a maximum liability when liable parents choose to estimate their income is to apply from the 2000-01 child support year.

## **EXEMPTIONS FOR LONG-TERM PRISONERS, HOSPITAL PATIENTS**

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*(Clauses 19, 20, 21 and 22)*

### **Summary of proposed amendments**

Exemptions from paying child support will:

- cover the full period of a liable parent's imprisonment or hospitalisation if more than 13 weeks; and
- be extended to long-term hospital patients who are on a reduced social welfare benefit, and patients in private hospitals and residential care institutions.

The income criteria, which are used to determine whether an exemption may be granted, will be calculated on a weekly basis for liable parents who are in prison or hospital for more than 13 weeks but less than the full child support year.<sup>3</sup>

### **Background**

The minimum child support liability is \$10 a week, but some long-term prison inmates and hospital patients are exempted from paying this in recognition of their limited opportunity for earning income. Under current law, prisoners and hospital patients generally receive an exemption only if they are in prison or hospital for the full child support year; they do not receive it for part years.

The exemption is not available to patients in private hospitals or people in residential care. Nor is it available to long-term patients in public hospitals who are social welfare beneficiaries, even though the combination of the reduced benefit and automatic child support deduction leaves them with only \$16.98 a week from which to meet all their personal needs.

To qualify for the exemption the liable parent must have no income for the child support year or, if the income is solely from investments, it must not exceed \$520 gross. This means that liable parents may be required to pay a full year's child support even if they are released from hospital or prison in the last few weeks of the child support year and their only income after release is a social welfare benefit.

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<sup>3</sup> These changes also apply to spousal maintenance.

## **Key features**

Exemptions from child support liability will be available for the liable parent's full period of imprisonment or hospitalisation if longer than 13 weeks, and he or she meets the income criteria. The income will be calculated on a weekly basis when a period of hospitalisation or imprisonment is more than 13 weeks but less than a full child support year. Liable parents will be exempted from paying child support if their gross income from investments during their period of hospitalisation or imprisonment averages less than \$10 a week, and they have no other gross income during that period.

The exemptions will also be extended to include long-term hospital patients whose sole income is a reduced social welfare benefit and those who are in private hospitals and residential care institutions.

As a result, the bill amends the definition of "hospital patient" in the Child Support Act, in keeping with the change in the Health Reforms (Transitional Provisions) Act 1993. Similarly, references to "net" income will be amended to "gross" to make the Child Support Act consistent with the Taxation (Core Provisions) Act 1996.

Liable parents who are granted an exemption from child support will no longer need to reapply for the exemption at the beginning of each new child support year.

## **Application date**

The amendments to the definition of "hospital patient" and the substitution of "gross" for "net" income are to apply from the date of enactment.

The remaining amendments are to apply from the 1999-2000 child support year.

## NOTICES OF ASSESSMENT FOR CHILD SUPPORT

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*(Clauses 24 and 28)*

### **Summary of proposed amendments**

The changes are intended to allow more flexibility in the content of the notices of assessment that Inland Revenue issues to liable parents. They also allow the department *not* to issue a new notice of assessment when the amount of child support to be paid does not change as a result of a reassessment. This means that notices of assessment do not need to contain irrelevant information, and they will be issued only when there is a change in the amount of child support to be paid.<sup>4</sup>

A further minor amendment ensures that liable parents are notified of their right to apply for an administrative determination.

### **Background**

The Child Support Act is specific as to the content of notices of assessment issued. Some of this content is inappropriate and unnecessary in certain circumstances. For instance, when the notice relates to a court order or spousal maintenance, information relating to annual and monthly rates, income or the living allowance may be irrelevant.

Under the present law, when there is a change in a liable parent's circumstances that leads to a reassessment of the parent's liability but does not result in a change in the amount payable, Inland Revenue must still issue a notice of assessment to the parent. This means that liable parents may receive notices that contain no new information.

### **Key features**

The amendments will provide flexibility so that the content of notices of assessment can be varied to suit the particular circumstances to which they relate. This will mean that unnecessary or irrelevant information can be omitted.

Inland Revenue will also be able to refrain from issuing a notice of assessment to a liable parent when the amount of child support payable does not change as a result of a reassessment. Even so, all liable parents will continue to receive at least one notice of assessment for each child support year in which they have a liability.

A further minor amendment will ensure that notices of assessment include the right to apply for an administrative determination when liable parents believe they have grounds for departure from the formula assessment. This change was overlooked when the administrative determination provisions were introduced in 1994.

### **Application date**

The amendments are to apply from the date of enactment.

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<sup>4</sup> These changes also apply to spousal maintenance.



## **REFUNDS**

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*(Clause 34)*

### **Summary of proposed amendments**

The amendments remove the requirement that applications for refunds of excess child support must be in writing, and allow Inland Revenue to refund excess child support without a prior application in some circumstances. This will speed up refunds and reduce paperwork.<sup>5</sup>

### **Background**

The current requirement for applications for refunds to be in writing delays those refunds and creates unnecessary double handling and paperwork.

A number of final credits are held on Inland Revenue's child support data base.

### **Key features**

The amendments will allow requests for refunds to be made either verbally or in writing. This is consistent with Inland Revenue's general policy to encourage greater use of the telephone in contacts with the department.

When Inland Revenue is satisfied that the liable parent is not in arrears and has no known future liability, it will be able to refund excess child support without a prior application. If the available final credit is less than \$5 and no request for a refund has been received after 12 months from when that credit arose, it will be transferred to the liable parent's tax account.

### **Application date**

The amendments are to apply from the date of enactment.

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<sup>5</sup> These changes also apply to spousal maintenance.

## **DEDUCTIONS OF CHILD SUPPORT FROM WAGES AND SALARIES**

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*(Clauses 31 and 32)*

### **Summary of proposed amendments**

Liable parents will be able to choose to have more than 40 percent in child support deducted from a single wage or salary source when they have more than one employer or source of income. This will simplify their paying arrangements.

Employers will be able to deduct child support according to the pay period under which they operate.<sup>6</sup>

### **Background**

Liable parents may have more than one source of income. For example, they may hold down two jobs, or work part-time and receive a social welfare benefit. Under current law, their child support may have to be deducted from more than one source, even though they may prefer there to be a single deduction.

The legislation protects liable parents from unreasonable deductions by providing that such deductions cannot reduce salary and wages by more than 40 percent. This amount is calculated on a weekly basis. Administrative practice has been to allow employers to calculate the maximum deduction according to the pay period under which they operate.

### **Key features**

The main amendment will allow liable parents who, in accordance with the law, must have deductions made from more than one income source to choose to have the whole amount taken from only one of those sources. The maximum deduction from all sources is not to exceed 40 percent of their after-tax income.

Another amendment allows employers to make child support deductions according to the pay period they operate under, whether fortnightly or monthly, and is a compliance cost saving measure for them. The amendment merely legislates for existing practice.

### **Application date**

The amendments are to apply from the date of enactment.

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<sup>6</sup> These changes also apply to spousal maintenance.

## **“UPLIFT” OF DEBT AND FUTURE ENTITLEMENT**

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*(Clause 33)*

### **Summary of proposed amendments**

At present, custodians who are not social welfare beneficiaries may withdraw from the child support scheme and take over responsibility for collecting current arrears of spousal maintenance and/or child support. The amendment allows them to take over future entitlement also.

A further amendment allows social welfare beneficiaries who are entitled to spousal maintenance to take over responsibility for collecting both arrears and any future entitlement. (Social welfare beneficiaries cannot take over responsibility for collecting child support because it is generally retained by the state to meet the cost of the benefit provided.)

### **Background**

When child support and/or spousal maintenance is in arrears, non-beneficiary custodians are able to take responsibility for collection (uplift the debt) themselves. However, custodians who withdraw from the scheme must wait until the final amount of entitlement is in arrears before they can uplift that debt.

The state retains child support received for beneficiary custodians but they are entitled to receive spousal maintenance payments. However, they are unable to take over responsibility for collecting spousal maintenance in arrears. This problem arises because the provisions use the term “financial support”, which includes “spousal maintenance”. The intention of the legislation was to prevent beneficiary custodians from uplifting only their child support, which is retained by the state.

### **Key features**

Non-beneficiary custodians who choose to withdraw from the child support scheme but are entitled to a final payment of child support and/or spousal maintenance for the period up to the date they withdraw will be able to take responsibility for collection of that final amount themselves. They will not need to wait until it becomes a debt.

Beneficiary custodians who are entitled to spousal maintenance will be able to take over responsibility for collecting both past debts and future entitlement.

These will be voluntary choices.

### **Application date**

The amendments are to apply from the date of enactment.

## **CUSTODIANS' BANK ACCOUNTS**

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*(Clauses 4, 18 and 29)*

### **Summary of proposed amendments**

The amendments will preserve the administrative efficiency of requiring payments to be direct-credited to a bank account but achieve more flexibility by allowing custodians to choose any account for payments. To eliminate unnecessary delay in the start of child support, processing of an application will not be delayed because a custodian has failed to provide details of the bank account to which payments are to be made.

### **Background**

An application for child support must be “properly made”. This includes providing details of the custodian’s bank account. These details are not essential to begin processing a child support application, however, particularly when the custodian is a social welfare beneficiary. Delaying the acceptance of an application delays the start date of entitlement and deprives either non-beneficiary custodians or the state of revenue.

The requirement that a bank account must be in the custodian’s name was intended to ensure that payment went to the sole or principal provider of continuing daily care for the child(ren), but in practice has proved to be too inflexible.

### **Key features**

The requirements in the Child Support Act for an application to be “properly made” will be amended so that processing an application will not be delayed because a custodian has not given Inland Revenue details of his or her bank account.

Custodians who wish to have their child support paid to an account in, say, their child’s name, or an account held by a budget advisor, will be able to choose to do so.

### **Application date**

The amendments are to apply from the date of enactment.

## **OVERSEAS TAXABLE INCOME**

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*(Clause 8)*

### **Summary of proposed amendment**

Inland Revenue will be able to include overseas taxable income in the child support assessment base of a liable parent. This will ensure that assessments more accurately reflect that parent's ability to pay child support.

### **Background**

Under present law, child support is based on income that is taxable in New Zealand for the income year two years before the child support year. This means that liable parents who leave New Zealand, and cease to be resident for income tax purposes, can be assessed under the child support formula for only the minimum amount of \$520 a year once that previous income year does not contain income that is taxable in New Zealand. As a result, the amount of child support payable often bears no relation to the capacity of the liable parent to contribute to the support of his or her children.

### **Key features**

Inland Revenue is to be given the discretion to include income that is taxable outside New Zealand in the child support assessment base when a liable parent is not resident in New Zealand for income tax purposes. (Any overseas income should already be included in the parent's tax return if he or she is resident in New Zealand for income tax purposes.)

### **Application date**

The amendment will apply from the 1999-2000 child support year.

## **RECIPROCAL AGREEMENT WITH AUSTRALIA**

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*(Clauses 35 and 39)*

### **Summary of proposed amendments**

The amendments are in anticipation of a reciprocal agreement for the collection of child support and spousal maintenance being entered into with Australia. The changes allow for small debits arising from exchange fluctuations to be written off and exclude the operation, between New Zealand and Australia, of the United Nations Convention for the Recovery Abroad of Maintenance.

### **Background**

New Zealand and Australia are in the process of negotiating a reciprocal agreement for the enforcement of collection of child support and spousal maintenance. The agreement itself will be given effect in New Zealand by an Order in Council, although a small change is required to the Child Support Act 1991. There is also a consequential amendment to the Family Proceedings Act 1980.

### **Key features**

In anticipation of a reciprocal agreement being entered into between New Zealand and Australia for the enforcement of collection of child support and spousal maintenance, the following changes are being made to the Child Support Act 1991:

- Provision is being made to allow annual debits arising from exchange fluctuations of up to \$20 to be written off.
- The Family Proceedings Act 1980 is being amended so that, once the agreement comes into effect, people residing in New Zealand or Australia will not be able to seek maintenance using the United Nations Convention for the Recovery of Maintenance Abroad.

### **Application date**

The amendment to the Family Proceedings Act 1980 will be given effect by the Order in Council that gives effect to the reciprocal agreement. The small debit write-off provision will apply from the date of enactment.