



15 December 2022

Dear [REDACTED]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 17 November 2022. You requested the following:

- 1. I would like to know what are the six separate living allowance levels used in a child support calculation and the criteria for meeting each level*
- 2. I would also like to know what is the exact criteria for establishing Liable parent vs Receiving parent when shared care is exactly 50/50 and neither parent is receiving a sole parent benefit*
- 3. I would also like to know what is the exact criteria for establishing Liable parent vs Receiving parent when shared care is exactly 50/50 and one parent is receiving the sole parent benefit*
- 4. I would also like to know what is the exact criteria for establishing Liable parent vs Receiving parent when shared care is exactly 50/50 and both parents are receiving sole parent benefit*

Information being released

The information you have requested is below, detailed per question.

Question 1: Standard Living Allowance

Under the old formula assessment prior to the child support reform which came into effect 1 April 2015, there were six living allowances. Living allowance levels under the old formula assessment were assigned as follows:

- L1 – Single with no partner or dependants
- L2 – Living with a partner but no dependants
- L3 – One dependent child
- L4 – Two dependent children
- L5 – Three dependent children
- L6 – Four or more dependent children

This is no longer the case and there are only two living allowances under the current child support formula assessment.

Most parents are allocated the standard living allowance, which is set each year under section 35A of the Child Support Act 1991 (the Act). In the current child support year, the standard living allowance is \$24,452.

There is another living allowance which applies only to people who have been granted supported living payments under subpart 4 of Part 2 of the Social Security Act 2018. In the current child support year, this living allowance is \$27, 527.

From 1 April 2015, parents can have a dependent child allowance in addition to their living allowance. The dependent child allowance is calculated in the same way the expenditure for qualifying children within the formula assessment is calculated, as detailed below.

Questions 2 – 4: Establishing Liable Parent vs Receiving Parent

Whether either, both, or neither parent is receiving a sole parent benefit has no impact on the formula assessment calculation. Beneficiary status is not something the formula assessment takes into account. The crux of your question is determined in Step 6 below, however the full calculation is outlined below to provide context.

Step 1

Establish each parent's adjusted income. This is the income they earned in the relevant income year. The relevant year is established as follows:

- (a) If, in the most recent tax year, the person's income was derived solely from withholding income, the person's withholding income for the calendar year (1 January to 31 December) immediately preceding the start of the child support year; or
- (b) If, in the most recent tax year, the person's income was not derived solely from withholding income, then we will use the income derived in the tax year immediately preceding the most recent tax year, inflated by the inflation percentage for the child support year.

Step 2

Deduct the living allowance and any dependent child and/or multi-group allowances that may apply. The result is the parent's child support income.

Step 3

Add both parents' child support incomes together to get a combined child support income.

Step 4

Divide each parent's individual child support income by the combined child support income to get an income percentage for each parent.

Step 5

Work out each parent's proportion of care for the child and then obtain their care cost percentage from the table contained in Schedule 2 of the Child Support Act 1991.

Step 6

Subtract the care cost percentage from the income percentage for each parent. The result is the "child support percentage".

1. If the result is a negative percentage, that parent is a receiving carer.
2. If the result is a positive percentage, that person is a liable parent.
3. If the result is a nil percentage, the person is a liable parent.

Step 7

Work out the costs for each child, based on the parents' combined child support income applied against the "Child expenditure" table.

Step 8

Work out the child support payable by multiplying the positive child support percentage from step 6, by the cost of the child, from step 7.

More information about recognised care can be found in the IR156, *Helping you to understand recognised care* guide, which you can find on Inland Revenue's website: www.ird.govt.nz.

You can determine the child support formula for your specific situation using the child support liability/entitlement calculator at: www.ird.govt.nz/child-support/types/formula-assessment/amount/estimate

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 again for your request.

Yours sincerely



Sue Gillies
Customer Segment Leader – Families Customer Segment