



Australian Government

Department of Families,
Housing, Community Services
and Indigenous Affairs

Child Support Scheme Reforms

Fact sheet Ten: The new child support formula and the costs of children

From 1 July 2008, the Child Support Scheme uses a new formula to calculate child support payments. The new formula aims to ensure that both parents share the costs and responsibilities of raising children.

Background

A long standing concern about the Child Support Scheme was that child support liabilities calculated on a fixed percentage of income did not reflect what it costs to raise children. This concern was a key driver for the establishment of an expert and independent Taskforce to review child support policy and develop a formula that could better reflect the costs of children.

In 2004, the Government formed an independent Ministerial Taskforce to review the Child Support Scheme and, aided by a Reference Group, to determine the costs of raising children.

Members of the Taskforce included experts on topics such as social and economic policy, family law, family policy, and the costs of children.

Members of the Reference Group were from advocacy groups representing both receiving and paying parents, and also included professionals who had experience in parenting issues after separation, relationship mediation, counselling and social policy.

Taskforce findings

The Taskforce's report recommended replacing the current fixed percentage of income used to work out child support payments with a new way of calculating payments based on findings about the costs of raising children.

In February 2006, following the Taskforce's review, reforms to the Child Support Scheme to better reflect today's society, help balance the interests of parents and, above all, do the right thing by the children, were announced.

The costs of children

On the basis that there is no 'true cost' of children and that it is largely a matter for informed judgment, the Taskforce used three different accepted methodologies to review the costs of children:

- **expenditure survey:** records from the Australian Bureau of Statistics household expenditure survey that shows what families spend on their children
- **budget standards:** estimates what families would need to spend on their children to maintain a certain standard of living
- **comparison of other research findings:** identifies the most reliable and consistent findings from all other studies on the costs of children from Australia and around the world.

The Taskforce found that:

- the costs of raising children increase with age – younger children cost less than teenagers
- in families with more than one child, each additional child costs less than the last e.g. the cost of two children is not double the cost of the first child
- while the costs of children tend to increase with household income, these costs generally decline as a proportion of household income – on the whole, children from higher income families cost more than children from lower income families, but this cost represents a smaller proportion of household income.

The new child support formula closely links child support payments to these findings.

The cost of children table

The cost of children tables, which were developed for the new formula and are based on the Taskforce's findings, represent the net costs of raising children in Australia after Family Tax Benefit is taken into account.

The cost proportions gradually decline as the combined taxable income of both parents increases, and costs vary according to the age and the number of children in each child support case.

The costs of children are capped. This means that once a parent earns a certain amount, the costs of the children remain the same. The 2007 income cap is \$130,183. The 2008 income cap is \$136,890.

The costs of children are also indexed annually. For child support periods starting in 2007, refer to the *Costs of Children 2007 table* on CSA's website www.csa.gov.au. For child support periods beginning in 2008, refer to the *Costs of Children 2008 table* on page 4 of this fact sheet.

Child Support and Family Tax Benefit (FTB)

The Taskforce also recognised the increased government contribution to the cost of raising children through Family Tax Benefit (FTB). This contribution is much higher now than in 1989 when the child support formula was first introduced.

Given that parents are receiving a contribution towards the costs of their children through FTB, not just earned income, it is reasonable for child support payments to be based on what parents contribute out of their own earnings, after taking into account the government contribution through FTB payments.

More information is available

Detailed information about the new Child Support Scheme and the costs of children, including the costs of children tables, is available on the CSA website at www.csa.gov.au

The three research papers on the costs of children commissioned by the Taskforce, *Occasional Paper No. 18 - Costs of Children*, along with the *Every Picture Tells a Story* and *In the Best Interests of Children* are available on the Department of Families, Housing, Community Services and Indigenous Affairs website www.fahcsia.gov.au

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Cost of children 2008 tables

The costs of children are indexed each year. The 2008 figures below apply to you if your child support period starts during 2008.

Table 3A—Costs of the children 2008: Children aged 12 years and under			
(apportioned between parents)			
Parents' combined child support income	1 child	2 children	3 or more children
\$0 – \$27,378	17c for each \$1	24c for each \$1	27c for each \$1
\$27,379 – \$54,756	\$4,654 + 15c for each \$1 over \$27,378	\$6,571 + 23c for each \$1 over \$27,378	\$7,392 + 26c for each \$1 over 27,378
\$54,757 – \$82,134	\$8,761 + 12c for each \$1 over \$54,756	\$12,868 + 20c for each \$1 over \$54,756	\$14,510 + 25c for each \$1 over \$54,756
\$82,135 – \$109,512	\$12,046 + 10c for each \$1 over \$82,134	\$18,344 + 18c for each \$1 over \$82,134	\$21,355 + 24c for each \$1 over \$82,134
\$109,513 – \$136,890	\$14,784 + 7c for each \$1 over \$109,512	\$23,272 + 10c for each \$1 over \$109,512	\$27,926 + 18c for each \$1 over \$109,512
Over \$136,890	\$16,700	\$26,010	\$32,854

Table 3B—Costs of the children 2008: Children aged 13 years and over			
(apportioned between parents)			
Parents' combined child support income	1 child	2 children	3 or more children
\$0 – \$27,378	23c for each \$1	29c for each \$1	32c for each \$1
\$27,379 – \$54,756	\$6,297 + 22c for each \$1 over \$27,378	\$7,940 + 28c for each \$1 over \$27,378	\$8,761 + 31c for each \$1 over \$27,378
\$54,757 – \$82,134	\$12,320 + 12c for each \$1 over \$54,756	\$15,606 + 25c for each \$1 over \$54,756	\$17,248 + 30c for each \$1 over \$54,756
\$82,135 – \$109,512	\$15,605 + 10c for each \$1 over \$82,134	\$22,451 + 20c for each \$1 over \$82,134	\$25,461 + 29c for each \$1 over \$82,134
\$109,513 – \$136,890	\$18,343 + 9c for each \$1 over \$109,512	\$27,927 + 13c for each \$1 over \$109,512	\$33,401 + 20c for each \$1 over \$109,512
Over \$136,890	\$20,807	\$31,486	\$38,877

Table 3C—Costs of the children 2008: Children of mixed ages		
(apportioned between parents)		
Parents' combined child support income	2 children	3 or more children
\$0 – \$27,378	26.5c for each \$1	29.5c for each \$1
\$27,379 – \$54,756	\$7,255 + 25.5c for each \$1 over \$27,378	\$8,077 + 28.5c for each \$1 over \$27,378
\$54,757 – \$82,134	\$14,236 + 22.5c for each \$1 over \$54,756	\$15,880 + 27.5c for \$1 over \$54,756
\$82,135 – \$109,512	\$20,396 + 19c for each \$1 over \$82,134	\$23,409 + 26.5 for each \$1 over \$82,134
\$109,513 – \$136,890	\$25,598 + 11.5c for each \$1 over \$109,512	\$30,664 + 19c for each \$1 over \$109,512
Over \$136,890	\$28,746	\$35,866

Please note this fact sheet is for general guidance only. It should not be treated as a complete or authoritative legal statement.

More details about these changes can be found in other fact sheets and on the Child Support Agency website www.csa.gov.au

If you would like to read more information on the Taskforce and how the reforms started, visit the website of the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs www.fahcsia.gov.au