

# Revised Departmental Disclosure Statement

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Child Support Amendment Bill
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A revised departmental disclosure statement for a Bill the government is proposing to amend seeks to bring together in one place a range of information to support and enhance the Parliamentary and public scrutiny of that Bill in amended form.

It highlights material changes to previous disclosures relating to:

- the general policy intent of the Bill and other background policy material;
- some of the key quality assurance products and processes used to develop and test the content of the Bill;
- the presence of certain significant powers or features in the Bill that might be of particular Parliamentary or public interest and warrant an explanation.

The original disclosure statement for the Child Support Amendment Bill, dated 6 March 2020, can be found at this link

<http://disclosure.legislation.govt.nz/bill/government/2020/228/>

This revised disclosure statement was prepared by the Inland Revenue Department.

The Inland Revenue Department certifies that, to the best of its knowledge and understanding, the information provided is complete and accurate at the date of finalisation below.

3 July 2020

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## The Main Areas of Change to the Original Disclosures

This is a revised disclosure statement for the Child Support Amendment Bill.

A revised disclosure statement incorporates the content of the original disclosure statement for the Bill, but also includes and highlights the changes needing to be made to the original disclosure statement to accurately reflect the Bill with the proposed government amendments incorporated.

The amendments made to the disclosure statement are highlighted by the use of:

- underlined text, to represent new material added since the last disclosure statement, and
- ~~strike through text~~, to represent any material deleted since the last disclosure statement.

The main areas of change to the original disclosure statement are:

- the addition of the repeal of child support incremental penalties, and
- the consequential simplification of the penalty write-off rules.

## Part One: General Policy Statement

This Bill amends the Child Support Act 1991. Broadly, the policy proposals in the Bill are—

- the simplification of penalty rules by, among other things,—
  - moving the imposition of the second phase of the initial penalty to 28 days after the initial due date; and
  - repealing the rule that provides that the minimum penalty imposed is \$5; and
  - introducing a grace period of 60 days from the first due date during which a newly liable person, or a person returning to the child support scheme, will not be charged late payment penalties; and
  - repealing incremental penalties; and
  - simplifying the penalty write-off rules;
- introducing payment of financial support by compulsory deduction from source deduction payments made by an employer to newly liable persons:
- imposing a time bar of 4 years that will—
  - prevent reassessments for periods outside the 4-year period; and
  - start 4 years after the end of the relevant child support year; and
  - be subject to specific exceptions to address concerns about fairness (such as whether the information provided by a person is fraudulent or wilfully misleading):
- inserting a definition of income, which will—
  - widen the definition of income used for child support purposes to include investment income such as dividends and interest; and
  - move the definition of income used for child support purposes from a taxable income to a net income base.

The Bill also contains technical amendments to assist with the administration of the child support scheme, including when working with customers who have unusual circumstances. These include—

- providing that when a person joins the child support scheme, an estimation can be backdated to the start of the assessment if received within 28 days of notification of the assessment:
- updating the end-of-year reconciliation rules for estimates to reflect the income over the period an estimate applies for:
- replacing the offsetting departure ground with a provision permitting Inland Revenue to offset the amount owed between 2 parents:
- repealing the urgent maintenance order provisions:
- amending the prisoner exemption to allow it to be granted to a liable person who is the overseas equivalent of a New Zealand prisoner in legal custody under the Corrections Act 2004:

- amending the hospital exemption to allow it to be granted to a liable person in an overseas hospital or residential care facility:
- introducing an exemption for persons suffering from long-term periods of illness:
- repealing the mixed-age expenditure table:
- providing Inland Revenue with a discretion to adjust child expenditure calculations in situations where complex care arrangements for children in the same calculation are not adequately accounted for by the usual method:
- clarifying the legislation to state explicitly that a child support assessment should end when a child leaves State care:
- introducing time constraints of 60 days for the provision of court orders of parentage for the backdating of child support assessments:
- providing that a person has 28 days from the date on which they are first notified of an assessment to advise Inland Revenue of existing living circumstances, otherwise the circumstances are effective from the date of application for child support:
- providing that a child should not be considered financially independent for child support purposes unless they are aged at least 16:
- providing that child support should cease at the end of the calendar year in which a child turns 18, if that child attends school up until the end of the school year:
- amending the definition of residency, for child support purposes, to enable a person's intentions to be taken into account.

The child support scheme will move to Inland Revenue's new systems and processes in April 2021 (release 5 of Inland Revenue's multi-year Business Transformation).

This move creates opportunities to improve the administration of the child support scheme.

In 2017, the previous Government released a discussion document *Making Tax Simpler: Better administration of social policy* (the **discussion document**). The discussion document explored proposals for improving the way social policy entitlements and obligations, including child support, are administered by Inland Revenue.

The focus of the discussion document was not on changing the fundamental policy settings, but rather improving the administration of the scheme by taking advantage of the opportunity offered by the modernisation of Inland Revenue's systems.

The discussion document set out a number of problems with the child support scheme that require legislative change. Some of the problems result in unfairness, while others have arisen because the situation was not contemplated or the person's situation is unusual or complex. Those problems can lead to dissatisfaction with the scheme and reduced compliance. Adding to this, the rules for penalties are overly punitive and complex and work more as a disincentive rather than an incentive to pay.

The proposals in the Bill are aimed at, with respect to the scheme,—

- improving administration; and
- reducing complexity; and
- improving fairness; and
- increasing compliance.

The following is a brief summary of the primary policy measures contained in this Bill. A comprehensive explanation of the policy items is provided in a commentary on the Bill that is available at <https://taxpolicy.ird.govt.nz/publications/2020-commentary-child-support-bill/overview>.

## Changes to penalty rules

### **Change to timing of imposition of second stage of initial late payment penalty**

The Bill proposes moving the second phase of the initial penalty to 28 days after the due date, to give Inland Revenue time to contact the customer with the aim of working with the person to get them back on track.

### **Removal of minimum \$5 penalty rule**

The \$5 minimum penalty rule will no longer apply. The penalty charged at the expiry of the due date will be 2% of the outstanding balance. That will ensure that the 2% penalty imposed is in proportion to the amount outstanding.

### **Introduction of grace period**

For people new to the child support scheme, a grace period will apply during which late payment penalties will not be charged. The grace period will start on the first due date and will apply for the following 60 days. It will allow a liable person time to adjust to making financial support payments.

### **Repeal of incremental penalties**

Late payment penalties are imposed on a liable parent if they do not pay on time. Initial penalties are applied in two stages in the first month, and if the amount is not paid incremental penalties are imposed each month the amount is outstanding. Incremental penalties will no longer be charged.

### **Simplification of the penalty write-off rules**

As a consequence of the proposal to no longer charge child support incremental penalties, the child support penalty write-off rules will be simplified.

## Compulsory deductions for newly liable parents

A newly liable person will pay their financial support obligations by automatic deduction from source deduction payments made by their employer. That will be regardless of whether or not they have defaulted on their obligations. The amendment will encourage compliance by helping newly liable parents get their payments right from the start.

## Introduction of time bar for reassessments of child support

There will be time limits placed on reassessing child support years by introducing a rule that would restrict reassessments of a child support year to a 4-year period from the end of the relevant child support year. That proposal will reduce uncertainty for parents.

## Definition of income used for child support

The definition of income used for child support is amended to better reflect a parent's financial capacity by incorporating investment income and no longer offsetting losses from earlier years.

## Departmental disclosure statement

The Inland Revenue Department is required to prepare a disclosure statement to assist with the scrutiny of this Bill. The disclosure statement provides access to information about the policy development of the Bill and identifies any significant or unusual legislative features of the Bill.

A copy of the statement can be found at

<http://disclosure.legislation.govt.nz/bill/government/2020/>.

## Regulatory impact assessment

The Inland Revenue Department produced a regulatory impact assessment on 8 August 2019 to help inform the main policy decisions taken by the Government relating to the contents of this Bill.

The proposals to repeal incremental penalties did not require a regulatory impact assessment as it was subject to the temporary suspension of regulatory impact analysis requirements for COVID-19 policy responses. However, Inland Revenue Department produced a supplementary analysis report on 4 June 2020.

A copy of ~~this~~the regulatory impact assessment and supplementary analysis report can be found at—

- <http://taxpolicy.ird.govt.nz/publications/type/regulatory-impact-assessment>
- <http://www.treasury.govt.nz/publications/informationreleases/ria>

## Part Two: Background Material and Policy Information

### Published reviews or evaluations

<b>2.1. Are there any publicly available inquiry, review or evaluation reports that have informed, or are relevant to, the policy to be given effect by this Bill?</b>	<b>YES</b>
<p>In 2017, the previous Government released a discussion document <i>Making Tax Simpler: Better administration of social policy</i> (the discussion document). The discussion document explored proposals for improving the way social policy entitlements and obligations are administered by Inland Revenue, including child support. Proposals in the bill were the subject of submission on the discussion document. The discussion document is available at <a href="https://taxpolicy.ird.govt.nz/publications/2017-dd-mts-9-social-policy/overview">https://taxpolicy.ird.govt.nz/publications/2017-dd-mts-9-social-policy/overview</a></p> <p>A Commentary on the Bill is available at <a href="https://taxpolicy.ird.govt.nz/publications/2020-commentary-child-support-bill/overview">https://taxpolicy.ird.govt.nz/publications/2020-commentary-child-support-bill/overview</a> The commentary provides a more detailed explanation of the main proposed legislative changes in the Bill.</p> <p>A supplementary commentary on the repeal of child support incremental penalties and simplification of the penalty write-off rules is available at <a href="https://taxpolicy.ird.govt.nz/publications/2020-commentary-child-support-bill-supplementary/overview">https://taxpolicy.ird.govt.nz/publications/2020-commentary-child-support-bill-supplementary/overview</a></p> <p>Inland Revenue's 2019 research document <i>Charging penalties to incentivise child support payment</i> presented the results of research undertaken to determine what interventions would encourage customers to comply with their child support obligations and why currently compliant customers comply. The options canvassed ranged from removing all penalties through to removing incremental penalties and changes to initial penalties. The research will be available at <a href="https://www.ird.govt.nz/about-us/publications/research-evaluation">https://www.ird.govt.nz/about-us/publications/research-evaluation</a></p>	

### Relevant international treaties

<b>2.2. Does this Bill seek to give effect to New Zealand action in relation to an international treaty?</b>	<b>NO</b>
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<b>2.2.1. If so, was a National Interest Analysis report prepared to inform a Parliamentary examination of the proposed New Zealand action in relation to the treaty?</b>	<b>NO</b>
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### Regulatory impact analysis

<b>2.3. Were any regulatory impact statements provided to inform the policy decisions that led to this Bill?</b>	<b>YES</b>
<p>A regulatory impact assessment and supplementary analysis report <del>was</del>were prepared by Inland Revenue and <del>is</del>are available at <a href="https://taxpolicy.ird.govt.nz/publications/type/regulatory-impact-assessment">https://taxpolicy.ird.govt.nz/publications/type/regulatory-impact-assessment</a> and <a href="https://treasury.govt.nz/publications/legislation/regulatory-impact-assessments">https://treasury.govt.nz/publications/legislation/regulatory-impact-assessments</a></p>	

<b>2.3.1. If so, did the RIA Team in the Treasury provide an independent opinion on the quality of any of these regulatory impact statements?</b>	<b>NO</b>
The regulatory impact assessment <u>and supplementary analysis report</u> prepared for the proposed changes <del>was</del> reviewed by Inland Revenue and <del>was</del> <u>were</u> assessed as meeting the quality criteria.	

<b>2.3.2. Are there aspects of the policy to be given effect by this Bill that were not addressed by, or that now vary materially from, the policy options analysed in these regulatory impact statements?</b>	<b>NO</b>
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### Extent of impact analysis available

<b>2.4. Has further impact analysis become available for any aspects of the policy to be given effect by this Bill?</b>	<b>NO</b>
The Commentary on the Bill, available at <a href="https://taxpolicy.ird.govt.nz/publications/2020-commentary-child-support-bill/overview">https://taxpolicy.ird.govt.nz/publications/2020-commentary-child-support-bill/overview</a> , contains analysis of the proposals included in the Bill at its introduction. This may supplement existing published analysis, or, for proposals that did not require a regulatory impact assessment, may provide impact analysis of the proposals.  <u>A supplementary commentary on the repeal of child support incremental penalties and simplification of the penalty write-off rules is available at <a href="https://taxpolicy.ird.govt.nz/publications/2020-commentary-child-support-bill-supplementary/overview">https://taxpolicy.ird.govt.nz/publications/2020-commentary-child-support-bill-supplementary/overview</a></u>	

<b>2.5. For the policy to be given effect by this Bill, is there analysis available on:</b>	
<b>(a) the size of the potential costs and benefits?</b>	<b>YES</b>
<b>(b) the potential for any group of persons to suffer a substantial unavoidable loss of income or wealth?</b>	<b>YES</b>
For the policy changes where a regulatory impact assessment was required, the assessment provides an analysis on the size of the potential costs and benefits. <u>For the proposals to repeal incremental penalties and simplify the penalty write-off rules, a supplementary analysis report was prepared and provides an analysis on the size of the potential costs and benefits.</u> For the remaining policy items in the Bill, there is little or no publicly available analysis on the size of potential costs and benefits, as these have been assessed as having no or a very minor impact on individuals.	

<b>2.6. For the policy to be given effect by this Bill, are the potential costs or benefits likely to be impacted by:</b>	
<b>(a) the level of effective compliance or non-compliance with applicable obligations or standards?</b>	<b>YES</b>
<b>(b) the nature and level of regulator effort put into encouraging or securing compliance?</b>	<b>YES</b>

The Bill contains a suite of changes which are intended to improve voluntary compliance with the child support scheme. If people do not react to the changes as expected, the gains in voluntary compliance may not be achieved.

The benefits associated with compulsory child support deductions from employment income are less likely to be affected by customer compliance as the burden of compliance falls on employers.

The proposal to move the imposition of the second stage of the initial late payment penalty is intended to allow time for Inland Revenue to contact people to discuss their situation and help them meet their child support obligations. The benefits may, therefore, be affected by Inland Revenue's efforts to contact customers in the time between the imposition of the first and second stages of the initial late payment penalty.

Broadly, the costs and benefits of repealing incremental penalties will not be affected by the level of effective compliance or non-compliance and the nature and level of regulator effort. However, while Inland Revenue expects that the repeal of incremental penalties will improve voluntary compliance with the child support scheme, if people do not react to the changes as expected, the gains in voluntary compliance may not be achieved.

## Part Three: Testing of Legislative Content

### Consistency with New Zealand's international obligations

**3.1. What steps have been taken to determine whether the policy to be given effect by this Bill is consistent with New Zealand's international obligations?**

The proposals in the Bill will have no impact on New Zealand's obligations under the Child Support Reciprocal Agreement with Australia.

### Consistency with the government's Treaty of Waitangi obligations

**3.2. What steps have been taken to determine whether the policy to be given effect by this Bill is consistent with the principles of the Treaty of Waitangi?**

The proposals in the Bill that were included the previous Government's 2017 discussion document were subject to extensive public consultation. This is directly in line with the "duty to consult" principle of the Treaty of Waitangi.

### Consistency with the New Zealand Bill of Rights Act 1990

**3.3. Has advice been provided to the Attorney-General on whether any provisions of this Bill appear to limit any of the rights and freedoms affirmed in the New Zealand Bill of Rights Act 1990?**

**NO**

Advice provided to the Attorney-General by the Ministry of Justice, or a section 7 report of the Attorney-General, is generally expected to be available on the Ministry of Justice's website upon introduction of a Bill. Such advice, or reports, will be available on the Ministry's website at <https://www.justice.govt.nz/justice-sector-policy/constitutional-issues-and-human-rights/>

### Offences, penalties and court jurisdictions

**3.4. Does this Bill create, amend, or remove:**

**(a) offences or penalties (including infringement offences or penalties and civil pecuniary penalty regimes)?**

**NO**

**(b) the jurisdiction of a court or tribunal (including rights to judicial review or rights of appeal)?**

**NO**

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**3.4.1. Was the Ministry of Justice consulted about these provisions?**

**NO**

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### Privacy issues

**3.5. Does this Bill create, amend or remove any provisions relating to the collection, storage, access to, correction of, use or disclosure of personal information?**

**YES**

The proposal to introduce compulsory child support deductions from salary or wages for newly liable parents does involve the disclosure of personal information. That is, the fact that a person is liable for child support will be disclosed to the person's employer.

<b>3.5.1. Was the Privacy Commissioner consulted about these provisions?</b>	<b>YES</b>
The Privacy Commissioner was consulted and supports the compulsory deductions proposal as a measure that is consistent with applying good privacy values.	

## External consultation

<b>3.6. Has there been any external consultation on the policy to be given effect by this Bill, or on a draft of this Bill?</b>	<b>YES</b>
<p>Extensive public consultation took place on the main proposals in that were included in the 2017 discussion document <i>Making Tax Simpler: Better administration of social policy</i>. The discussion document canvassed proposals about Working for Families and student loans, as well as child support. The consultation generated 37 email submissions, 183 comments on the online forums, 374 responses to the surveys and one response to the foreign language surveys. Inland Revenue officials held 17 face-to-face meetings with stakeholders.</p> <p>Submitters generally supported the proposals in the discussion document. Submitters' comments were mixed about making compulsory child support wage deductions for all liable parents with employment income. Some submitters expressed concerns about the compliance costs for employers and there were concerns whether compulsory deductions should apply to fully compliant parents. Officials subsequently consulted with the Office of the Privacy Commissioner. The Privacy Commissioner supports the compulsory deductions proposal as a measure that is consistent with applying good privacy values.</p> <p>Submitters supported expanding the "income" definition used for child support purposes to better align with that used for Working for Families tax credits and student loans.</p> <p>Submitters strongly supported the proposal to provide Inland Revenue with additional authority to work with customers who have unusual circumstances in order to achieve the intended outcome for the specific social policies.</p> <p>Officials also undertook targeted consultation with interest groups on the proposal to introduce a time bar. These groups were:</p> <ul style="list-style-type: none"> <li>• National Beneficiaries Advocacy Consultative Group;</li> <li>• The Federation of Budget Advisors;</li> <li>• Citizens Advice Bureau; and</li> <li>• Chartered Accountants Australia and New Zealand.</li> </ul> <p>One group was comfortable with the proposal and thought that the proposed exceptions addressed any possible inequities. Another group supported a time bar when there has been a default assessment and a reassessment would result in a reduction of child support paid by the liable parent and a debt for the receiving carer. However, they did not support the introduction of a time bar when there has been a default assessment and a reassessment would result in an increase in child support being payable by the liable parent and money due to the receiving carer. Their concerns include:</p> <ul style="list-style-type: none"> <li>• that the proposal undermines the integrity of the child support scheme and may be perceived by the public and those who pay the correct amount of child support as unfair;</li> <li>• it fails to meet the objective of the child support scheme which is to ensure parents fulfil their responsibilities to financially support their children; and,</li> <li>• that it fails to ensure that Inland Revenue meets its responsibilities to administer the scheme for those parents who voluntarily choose to receive their child support through Inland Revenue.</li> </ul>	

To address concerns about fairness, it is proposed that the time bar will not apply if:

- information provided by a person in the child support assessment is fraudulent or wilfully misleading or omits income of a particular nature in a return;
- it is found that a person who is part of the child support assessment died;
- the person should never have been made liable (for example, a person is subsequently found not to be the parent of a child);
- an amendment is required for the purpose of avoiding a dual liability (for the same child) with an overseas jurisdiction;
- Inland Revenue has not met the notification requirements;
- a Court Order is granted that applies to a time barred period;
- it relates to an application for the exemption from paying child support for victims of sex offences; or
- when a new child support assessment should result in the reassessment of contemporaneous time barred assessment, the time barred assessment can be reassessed.

On balance, officials consider that the proposal is fairer as it provides parents with more certainty while still addressing the equity concerns through the specified exceptions to the time bar. Currently, 98% of reassessments are made within the proposed four-year period.

Some of the minor or technical changes were not consulted on due to their minor nature. However, the use of discretion for those in unusual circumstances was included in discussion document.

The discussion document contained proposed approaches to social policy debt management that included no longer charging penalties and interest in certain situations and supported an early intervention approach aimed at debt prevention. However, it did not canvass the specific penalty proposals put forward here.

Officials have consulted with the Treasury, Ministry of Social Development and the Ministry for Children—Oranga Tamariki (as Inland Revenue collects child support for beneficiaries and wards of the State), the Ministry of Justice in respect of the proposals to repeal the provision allowing for urgent maintenance and the time limits for the provision of orders of parentage.

Ministry of Justice were informed of the proposed penalty changes. The Department of Prime Minister and Cabinet (Child Poverty Unit) was consulted on the penalty proposals. These agencies generally agreed with the proposals.

At Cabinet's direction, officials also consulted with the Disabled Peoples' Organisations Coalition to determine who would be captured in the extension of the hospital exemption. As a result of this consultation minor changes were proposed to the proposed exemption to make it clearer.

Officials requested consultation from the Legislation Design and Advisory Committee (LDAC) on the proposed time bar and proposed discretion to modify expenditure calculations when perverse outcomes are reached. Officials presented to LDAC two possible solutions to the discretion:

- A more clearly delineated (and less flexible) power to identify within the total expenditure the actual marginal cost of dependent children for the purposes of calculating the dependent child allowance in situations when dependent children do not share the same care arrangement.
- A broader discretion permitting the Commissioner to modify expenditure calculations when complex care arrangements for children in the same calculation are not adequately accounted for by the usual method.

LDAC did not object to the proposed broad discretionary power for the Commissioner. LDAC did, however, recommend that the Bill include a test for the exercise of the discretion to modify

calculations. The Bill reflects that the discretion should apply only in exceptional circumstances, and that in applying the test the Commissioner must have regard to whether the formula would result in an unfair or unintended outcome.

For the proposed time bar, LDAC noted that the current rules raise natural justice issues as it may be difficult for a parent to exercise their right to a fair hearing when objecting to a reassessment after a significant period has passed. As such, LDAC concluded that the proposal seemed an improvement.

### Other testing of proposals

<b>3.7. Have the policy details to be given effect by this Bill been otherwise tested or assessed in any way to ensure the Bill's provisions are workable and complete?</b>	<b>YES</b>
<p>All proposals in the Bill were reviewed by Inland Revenue's Business Transformation Programme to ensure that systems can be developed within the required time frames and align with outcomes sought by the Business Transformation Programme.</p> <p>The proposals have also been reviewed by internal operational subject matter experts under Inland Revenue's standard process for assessing the administrative impacts of any new policy initiatives and ensuring they are workable and complete.</p>	

## Part Four: Significant Legislative Features

### Compulsory acquisition of private property

<b>4.1. Does this Bill contain any provisions that could result in the compulsory acquisition of private property?</b>	<b>NO</b>
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### Charges in the nature of a tax

<b>4.2. Does this Bill create or amend a power to impose a fee, levy or charge in the nature of a tax?</b>	<b>NO</b>
This Bill does amend the penalties imposed under the Child Support Act 1991, however it does not create or amend a power to impose a fee, levy or a charge in the nature of a tax.	

### Retrospective effect

<b>4.3. Does this Bill affect rights, freedoms, or impose obligations, retrospectively?</b>	<b>NO</b>
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### Strict liability or reversal of the usual burden of proof for offences

<b>4.4. Does this Bill:</b>	
<b>(a) create or amend a strict or absolute liability offence?</b>	<b>NO</b>
<b>(b) reverse or modify the usual burden of proof for an offence or a civil pecuniary penalty proceeding?</b>	<b>NO</b>
-	

### Civil or criminal immunity

<b>4.5. Does this Bill create or amend a civil or criminal immunity for any person?</b>	<b>NO</b>
-	

### Significant decision-making powers

<b>4.6. Does this Bill create or amend a decision-making power to make a determination about a person's rights, obligations, or interests protected or recognised by law, and that could have a significant impact on those rights, obligations, or interests?</b>	<b>NO</b>
-	

## Powers to make delegated legislation

<b>4.7. Does this Bill create or amend a power to make delegated legislation that could amend an Act, define the meaning of a term in an Act, or grant an exemption from an Act or delegated legislation?</b>	<b>NO</b>
-	

<b>4.8. Does this Bill create or amend any other powers to make delegated legislation?</b>	<b>NO</b>
-	

## Any other unusual provisions or features

<b>4.9. Does this Bill contain any provisions (other than those noted above) that are unusual or call for special comment?</b>	<b>YES</b>
<p>In consultation about the proposed changes, concerns were raised about the time bar. Officials undertook consultation with interest groups on this proposal. One group was comfortable with the proposal and thought that the proposed exceptions addressed any possible inequities. Another group supported a time bar when there has been a default assessment<sup>1</sup> and a reassessment would result in a reduction of the child support paid by the liable parent and a debt for the receiving carer. However, they did not support the introduction of a time bar when there has been a default assessment and a reassessment would result in an increase in child support being payable by the liable parent and money due to the receiving carer. Their concerns include:</p> <ul style="list-style-type: none"> <li>• that the proposal undermines the integrity of the child support scheme and may be perceived by the public and those who pay the correct amount of child support as unfair;</li> <li>• it fails to meet the objective of the child support scheme which is to ensure parents fulfil their responsibilities to financially support their children; and</li> <li>• that it fails to ensure that Inland Revenue meets its responsibilities to administer the scheme for those parents who voluntarily choose to receive their child support through Inland Revenue.</li> </ul> <p>To address concerns about fairness, the time bar would not apply if:</p> <p>information provided by a person in the child support assessment is fraudulent or wilfully misleading or omits income of a particular nature in a return;</p> <ul style="list-style-type: none"> <li>• it is found that a person who is part of the child support assessment died;</li> <li>• the person should never have been made liable (for example, a person is subsequently found not to be the parent of a child);</li> <li>• an amendment is required for the purpose of avoiding a dual liability (for the same child) with an overseas jurisdiction;</li> <li>• Inland Revenue has not met the notification requirements;</li> <li>• a Court Order is granted that applies to a time barred period;</li> <li>• it relates to an application for the exemption from paying child support for victims of sex offences; or</li> </ul>	

<sup>1</sup> A default assessment is when a parent has not filed a relevant return and the Commissioner has determined the income on which to base a child support assessment.

- when a new child support assessment should result in the reassessment of contemporaneous time barred assessment, the time barred assessment can be reassessed.

Officials consider that, on balance, the proposal is fairer as it provides parents with more certainty while still addressing the equity concerns through the specified exceptions to the time bar.

Officials consulted with the Legislation Design and Advisory Committee (LDAC) on the proposed time bar and other drafting issues. LDAC suggested consideration of a general exception to the time bar to cover any other situations where the time bar would be unfair to any of the parties. However, we consider that a general exemption would undermine the certainty of the time bar. Currently 98% of reassessments are within the proposed four year period.

In relation to making compulsory child support wage deductions for all newly liable parents with employment income, some submitters to the 2017 discussion document *Making Tax Simpler: Better administration of social policy* expressed concerns about the additional costs for employers and there were concerns whether compulsory deductions should apply to fully compliant parents.

Making deductions compulsory for new employees will help parents comply with their obligations right from the start. Additional costs for employers would be relatively minimal, as employers are required to deduct child support payments upon request by Inland Revenue.