



Championing  
Single Mothers  
& their Children  
since 1973



## Parliamentary Inquiry into Financial Abuse, Answers to Questions on Notice from Senator O'Neill received 8/11/24<sup>1</sup>

### 1. Can you summarise any key recommendations that the committee could consider for its inquiry report on financial abuse?

Single Mother Families Australia supports the recommendations set out in [Opening the black box of child support: Shining a light on how financial abuse is perpetrated](#) report, namely to:

- I. Delink family payments from child support by eliminating the Maintenance Income Test. The separation of child support from family payments simplifies administrative work and system complexity, enhances system safety, and improves the certainty of social security.
- II. Co-design family violence processes within the child support system to recognise the high rates of violence experienced by system users. The positioning of family violence as the norm rather than the exception within the system would ensure that perpetrators are not rewarded through exemptions or non payments and victim survivors are not re-victimised.
- III. Move all child support collections back into the Australian Tax Office. The ATO is best positioned to collect child support payments, address the \$1.7 billion\* child support debt in the Agency Collect half of the scheme, close assessment loopholes, and uphold the expectations of timely and paid-in full payment.
- IV. Make all payment debts owed to and enforced by the Commonwealth. The principle of the Commonwealth paying women first and pursuing non-compliance second is a superior policy approach and one that would create certainty of payments, reduce administrative burdens and enable the child support system to operate in the best interest of the children.

\*We note that the Department of Social Services has now updated Agency Collect debt to \$1.83 billion at 30 June 2024, this is an increase of \$140 million from previously published figure of \$1.69 Billion at 30 June 2022.<sup>i</sup>

### 2. Could you provide additional information on the role of private collection pathways in enabling financial abuse and non-payment of child support?

Private Collect is used by approximately 50% of all active cases in the child support scheme affecting around 500,000 children at June 2024. In 2002, the Howard Government's stated its support for an increase in private over agency collections "*to ensure arrangements are non-intrusive to personal privacy.*"<sup>ii</sup> Single Mother Families Australia has long expressed concern over the increasing numbers of cases covered by Private Collect and its potential to harm women. We note that these concerns have been known for 10 years when they were raised in the 2014 Parliamentary Inquiry into Child Support, [From Conflict to Cooperation](#). That Inquiry's Recommendation 19 stated:

*The Committee recommends the Australian Government conduct ongoing statistical surveys of the rate of actual payment for Child Support Program clients using Private Collect, with results published regularly and summaries provided in the Department of Human Services annual report.*

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*Opening the Black Box of Child Support: Shining a Light on Financial Abuse* questions the scheme's assumption that all decisions to choose Private Collect over Agency Collect are made between parents who get along, work together, and that it will not be used to hide payment outcomes. All payments collected through Private Collect assume the payment is made on time and in full, however there are no mechanisms to ensure this is the case, other than the payee requesting a switch from Private to Agency Collect. In circumstances where financial or other forms of abuse are being perpetrated, payees (usually mothers) may be too fearful to make this change. Even if they do, Services Australia says it can generally only collect debts/arrears owed for the past three months (or nine months in exceptional circumstances) for Private Collect.<sup>iii</sup>

Opening the Black Box research finds:

- Nearly 1 in 2 (47%) of women who "chose" Private Collect said they were pressured by their ex-partner so that he didn't have to pay child support.<sup>iv</sup>
- For 7 in 10 financially abused women using Private Collect, payments were not received in full or at all.<sup>v</sup>
- There were consequences for women using Private Collect who tried to pursue underpayments from their former partners. More than 8 in 10 reported their former partners became angry, 6 in 10 said they refused to pay and 1 in 2 said they became violent.<sup>vi</sup>

The report then states "*With the benefit of hindsight and increased understanding of family violence, the promotion of Private Collects can be seen to have kept financial abuse in the shadows and out of public scrutiny.*"<sup>vii</sup>

### **3. Could you expand on the rationale for the decoupling of family tax benefits from child support payments?**

Vexatious former partners can manipulate the system to deliberately create debts for the single mother and her children.

For example: a former partner is supposed to lodge a tax return so that the child support amount can be assessed correctly. They are allowed to instead lodge a *provisional income assessment* and DSS data shows more than 1 in 4 (nearly 164,000 or 28% of >592,000 payers) use this method.<sup>viii</sup> There are no restrictions on how long this method can be used and provisional income often produces a lower median income than that calculated after tax returns were lodged<sup>ix</sup>. For example, a payer's provisional income means they are assessed to pay \$100 per week child support (the mother loses \$25 a week as above) for 5 years. However, in the 6<sup>th</sup> year, the payer lodges a tax return for the same 5 years which shows a higher income and that they should in fact have paid \$200 a week. The single mother is deemed to have been paid too much in family payments as \$200 a week in child support should have reduced her family payments by \$75 not \$25 a week, an overpayment of \$50 a week.  $\$50 \times 52 \text{ weeks} \times 5 \text{ years} = \$13,000$  debt to Centrelink which is immediately clawed back from future family payments or other debt recovery methods. Of course, she should get the increased child support assessment back paid for these 5 years (\$13,000) but the payer does not transfer these payments, and the debt is typically not pursued or recovered.

*Opening the Black Box of Child Support: Shining a Light on Financial Abuse* finds:

- 2 in 5 survey respondents had incurred a family payment debt to Services Australia at some point and 1 in 2 of these said the debt was due to a retrospective child support change. The debt they owed to Services Australia, was, on average, just under \$3,500 and these were being automatically deducted from their family payments.<sup>x</sup> These same women were owed an average of \$12,000 in child support from their former partners.<sup>xi</sup>
- Changes introduced by the Morrison Government in 2017 increased the government's pursuit of such debts under the guise of making the system "fairer."

Payees who are collecting privately are assumed by Services Australia to be receiving 100% of their assessed amount of child support and Family Tax Benefit is calculated on the assumed receipt of child support. In terms of calculating FTB Part A, the Entitlement method is based on the amount of maintenance the individual is entitled to receive, not what is *actually* received. It applies to all payees in the Private Collect system (approximately 300,000 parents caring for 500,000 children). This rule is also reflected in Services Australia Annual Report that “The amount of Private Collect transferred assumes 100% of Private Collect payments are collected.” This assumption relates to \$2.236 B in Private Collect in the financial year 2023-24 alone.<sup>xii</sup> The Department of Social Services confirmed in testimony on 6/11/24<sup>xiii</sup> that they are unable to determine the amount of debt in the Private Collect scheme “*by definition it is a private arrangement... there's no interaction with government at all*” and “*we don't have a way of doing that, because we're not investigating people who have elected to do a private collect arrangement.*”

*Opening the Black Box of Child Support: Shining a Light on Financial Abuse* finds:

- Women using Private Collect were losing on average \$600 a month (\$7,200 a year) in family payments because of assumed receipt of child support (even when it had not been received).<sup>xiv</sup>

Assumed receipt of child support and reduced family payments are the default for Agency Collect half of the scheme

The default rule for all payees in the Agency Collect half of the scheme (another 300,000 parents) is to also have their FTB payment based on the assumed receipt of child support payments (the entitlement method) unless payees know they can request to have it assessed using the disbursement method which uses the actual amount of child support received to calculate FTB.

*Opening the Black Box of Child Support: Shining a Light on Financial Abuse* finds:

- Two-thirds (65%) of survey respondents who received fortnightly FTB and collected using Agency Collect used the disbursement method.

The income test for child support (known as the Maintenance Income Test) reduces family payments by 50 cents in the dollar above a very modest amount, yet income from employment is treated much more generously.

- For example, a single Mum who is assessed to receive child support of \$100 a week for 2 children in her care will lose \$25 from her family payments per week. (Any income from child support above \$50 a week reduced family payments by 50 cents per dollar.) A couple family with 2 children (aged 10 and 13) don't start to lose any family payments until their income (usually from employment) is greater than \$1,254 per week and then it only reduces by 20 cents per dollar.<sup>xv</sup>

The Federal government saved \$800 million a year in 2019-20 due to the Maintenance Income Test; \$800m that did not go to single parents and their children.<sup>xvi</sup> We do not know how much of this was deducted erroneously when child support payments were not even received by these families.

#### **4. Could you expand on the rationale for limiting private collection pathways, and placing child support collection within the remit of the ATO?**

Re limiting private collection pathways, see response provided for questions 2 and 3 above. Re placing child support collections within the remit of the ATO:

- Establishing child support under the ATO was a world-leading initiative of the original scheme. Post the enactment and following a change in government and response to male discontent, child support was removed from the ATO in 1998. There is irrefutable evidence that Services Australia's collection and enforcement is not working. The high level of debt, the extended time of non-lodgement of tax returns, and the elevated amount of payees with minimal payments (22%) are clear indicators. The Child

Support Agency was [established](#) to overcome enforcement, low-level payment, and coverage within a combating child poverty framework. In the 1980s, policy framers were concerned with weekly average payments of \$26 [per child per week](#). In 1988, \$26 was equivalent to purchasing power at about \$69.30 today. However, today, nearly a quarter of payees (22%) have a child support assessment of up to \$8 per week. The backslide would bewilder the original policy framers of the child support scheme.

- Moreover, the framing has had policy and cultural implications, as child support payments and debts are treated 'differently' and less serious for women entitled to receive child support. For example, payers (primarily men) do not incur any credit rating disadvantage due to outstanding child support debt. For payees (mainly women), child support is not calculated as income for banking products or tenancy agreements as the systemic unreliable and low payments are known.

#### The full extent of child support debt is unknown

- As stated above, around \$1.83 billion is owed<sup>xvii</sup> to around 500,000 children in the government collect scheme where the government is supposed to collect and pass on. This is an underestimation of the total debt in this half of the scheme as it excludes monies owed after children turn 18, debts that have been written off, or where either or both parents live overseas.
- Nearly one in four active paying parents (24.3%) have debt and only 56% have a payment plan in place. This figure under-estimates the true extent of debts and payment plans as it excludes cases where there is no current or future liability but there is still a child support debt.<sup>xviii</sup>
- As stated earlier, we do not know how much of the \$2.236 billion in 2023-24 was received by children in a "private" arrangement where the paying parent is supposed to transfer directly to the parent caring for the children, nor the extent of debt from previous years, yet the policy assumes all is received and reducing family payments accordingly.<sup>xix</sup>

#### Low levels of child support and punishment for pursuing improvements

Key findings from *Opening the Black Box of Child Support: Shining a Light on Financial Abuse*:

- 45% of all survey respondents had a child support assessment of either \$0, the minimum of \$8 a week, or were not sure what their assessment was. Just over 1 in 2 had an assessment for more than \$8 per week<sup>xx</sup> but only a quarter of women experiencing financial abuse received a child support payment of above \$8 a week.<sup>xxi</sup>
- Women experiencing financial abuse at the time of the survey reported that their ex-partner had reduced the amount that they should pay – and thus the money that flowed to children – by either: legally minimising their taxable income (57%), submitting inaccurate income assessments (55%) or by having their own business (52%).
- 1 in 5 women who reported that their ex-partner's income was inaccurate ended up having to pay them child support as a result.<sup>xxii</sup>
- The average child support debt owed to respondents and their children was just under \$14,000.

#### **5. Could you provide additional information on the disparity between collection behaviours for people with tax debts raised against them versus those with child support debt?**

SMFA does not have expertise in the collection behaviours for people with tax debts raised against them. However, we can point out that poor child support compliance rates are often correlated with tax return non filing<sup>xxiii</sup>.

## Endnotes

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<sup>i</sup> Senate Community Affairs Legislation Committee [Estimates Hansard, 6/11/24](#).

<sup>ii</sup> [Child Support Scheme Facts and Figures 2001-2002](#)

<sup>iii</sup> Australia's Child Support Scheme, [Third interim report](#) of the Joint Select Committee on Australia's Family Law System, 22/11/21.

<sup>iv</sup> 47% page 104 of *Opening the Black Box of Child Support: Shining a Light on Financial Abuse*

<sup>v</sup> 21% (expected and received nothing) + 48% (received less than expected) = 69% page 116 *Opening the BB*

<sup>vi</sup> Figure 19 page 121 *Opening the BB*

<sup>vii</sup> Page 106 *Opening the BB*

<sup>viii</sup> Department of Social Services, [Child Support Program Data](#), June 2024.

<sup>ix</sup> See [Economic Inclusion Advisory Committee](#) 2023 Report, page 78.

<sup>x</sup> Page 130 *Opening the BB*

<sup>xi</sup> Page 131 *Opening the BB*

<sup>xii</sup> [Services Australia Annual Report 2023-24](#)

<sup>xiii</sup> Senate Community Affairs Legislative Committee Estimates Hansard, 6/11/24.

<sup>xiv</sup> Page 127 *Opening the BB*

<sup>xv</sup> [A guide to Australian Government payments, 29/9-31/12/24](#)

<sup>xvi</sup> Figures cited in [Economic Inclusion Advisory Committee](#) 2023 Report.

<sup>xvii</sup> Senate Community Affairs Legislative Committee Estimates Hansard, 6/11/24. .

<sup>xviii</sup> [Services Australia Annual Report 2023-24](#)

<sup>xix</sup> [Services Australia Annual Report 2023-24](#)

<sup>xx</sup> Table 5 page 86 *Opening the BB*. Nothing =20%, Min =16%, Not sure = 9% = 45% B

<sup>xxi</sup> 26%, Figure 16, page 111 *Opening the BB*

<sup>xxii</sup> Page 87 *Opening the BB*

<sup>xxiii</sup> Kay Cook, 2013, page 59, Child Support compliance and tax return non-filing: A feminist analysis. Australian Review of Public Affairs.