

House of Representatives Standing Committee
on Family and Community Affairs

Submission No: 378

Date Received: 8-8-03

Secretary: [REDACTED]

30 July, 2003

Trish Draper MP
Federal Member for Makin
959 North East Road
Modbury SA 5092



Dear Mrs Draper,

I am writing this letter to you regarding my discussions with a member of your office following the Child Support Seminar at Sfera's On The Park on the 2nd July 2003. I would like to submit some arguments and ideas in relation to using overtime in the calculations of child maintenance.

Firstly, I would just like to give you some background information on my situation and myself. I am a 37-year-old [REDACTED]. I separated from my ex-wife two and a half years ago after an 11-year marriage. I have two children, [REDACTED] 11 and [REDACTED] 9 who both live with their mother.

As part of the settlement agreement I left our marital home and total equity to my ex-wife, as I wanted to see my children in a decent home, and not on the rental roundabout as so many of their friends. I took on all the debts from our marriage, totalling \$39,000, in exchange for my superannuation of approximately \$80,000, which was left intact. Unfortunately, it is of no immediate use to me as I am unable to access it for another 28 years. I currently rent a two-bedroom house, which I have had to fully furnish, and spend every second weekend with my children.

I acknowledge and agree with the need for child support, and that both parents are financially responsible for their children. What I do not agree with is the fact that overtime is included in the calculation for child maintenance. The current formula which is based on the payers gross income may be applicable for the self-employed (such as contractors, sub-contractors etc) who do not generally work to an hourly rate, but it does not take into account the person who is on an average 38 hour pw base wage, such as myself. I currently work a substantial amount of overtime to make ends meet and start afresh after my divorce, i.e. establish and pay for a home.

It appears to me that several formulae are needed to cover the working conditions of different people. It frustrates me to hear stories of some people hiding their income to avoid paying maintenance while the rest (myself included) have to include their overtime component. I feel this is one area that needs to be reviewed, that is, the inclusion of a persons overtime component when calculating maintenance payments. As an example, I have listed below my actual financial situation regarding the source of my frustration:

2002/2003 financial year;	Gross taxable income,	\$108,700
	Base wage approx,	\$ 51,000
	Therefore overtime component	\$ 57,700

This equates to 77 hours of work per week or 39 hours of overtime (at current penalty rates this equates to approximately 7 days work per week, many of which are 12-hour days).

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Maintenance payment on my base wage;	\$ 51,000 gross
	<u>-\$ 12,315</u>
	\$ 38,685
	\$ 38,685
	<u>X 27%</u>
	\$ 10,445 per annum
	Or \$ 201 per week

Maintenance payments on my gross taxable income (02/03);	\$108,000 gross
	<u>-\$ 12,315</u>
	\$ 95,685
	\$ 95,685
	<u>X 27%</u>
	\$ 25,834 per annum
	Or \$ 497 per week

As you can see, I am currently paying almost \$300 dollars per week or 150% more in maintenance than I would if I worked NO overtime. I must point out that the overtime I work is purely voluntary. Unfortunately, I am in a Catch 22 situation, as once I earn over \$62,000 per year I pay 48.5% tax like everybody else. Couple this to 27% in maintenance and I am left with 24.5% of every dollar I earn. My example below paints an even worse picture (based on weekly expenditure):

Base wage per week	\$ 980
Tax	<u>\$ 238</u>
Net income	\$ 742
Child maintenance	\$ 496
Rent	\$ 105
Loan from separation	\$ 150
Car	\$ 117
Health insurance	\$ 22
Food	\$ 80
Utilities	\$ 50
Petrol	<u>\$ 60</u>
Total outlay per week	\$1080

As you can see, my total expenditure per week exceeds my base net weekly pay, and I am now committed to overtime just to keep my head above water. Please note that I have not allowed for incidentals when I do have my children, which at my current workload is a rarity.

There are many more people where I work that are in a similar situation, that have refused to work overtime because of the increase in child support the following year. Consequently, I have seen their quality of life suffer and ultimately their children's lives. I do not want to resign myself to the fact that this is my only option, as going on the dole is definitely not one.

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At the end of the day;

- The payee misses out
- The payer misses out
- The government misses out (income tax)
- The innocent ones, the children miss out.

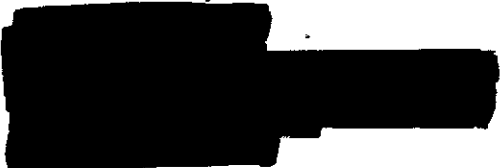
I believe that a fairer system could be devised from the following suggestions:

1. The maintenance payment calculations are done on the payer's net income.
2. The maintenance payment calculations are based on the payers base wage (38-hour week).
3. As per dot point 2. With a much smaller overtime component included (eg <10%).
4. Base the calculation on a rate that drops on a sliding scale according to the income tax level.

A possible way of pushing one of these suggestions through would be to raise the ceiling on the maximum income cut-off used for calculating the maintenance payments

In conclusion I do not believe that one formula should be used to assess all cases, and that people working seven days a week (many of them 12-hours) be disadvantaged. All we are trying to do is make a new start and get on with our lives. I hope this letter can assist you and the Standing Committee on Family and Community Affairs in correcting this situation. If you have any queries on this letter please do not hesitate to contact me.

Yours sincerely,

A large black rectangular redaction box covering the signature and name of the sender.