

Mr Tom Burke
Policy Analyst, Public Services Committee
House of Lords
UK Parliament

22 April 2025

Dear Mr Burke

INQUIRY INTO CHILD MAINTENANCE IN BRITAIN

1. Thank you for the opportunity to provide a submission into the House of Lords Public Services Committee's inquiry regarding child maintenance.
2. As a matter of background, my role is the Inspector-General of Taxation and Taxation Ombudsman in Australia. My statutory remit is to contribute to the fairness and integrity of the tax and superannuation systems of Australia. On that basis, I can only provide commentary to you in relation to the interface between the tax and child support systems of Australia. In our email exchange, I recommended other key officials within the Australian Government and academia who may be able to provide a more fulsome input to your review. For example, the Australian's Commonwealth Ombudsman has initiated a review into financial abuse impacting the child support system in Australia. Their report is expected in May 2025 and will be of interest to you. You will also be interested in the Australian Parliament's Parliamentary Joint Committee on Corporations and Financial Services [review](#) into financial services regulatory framework in relation to financial abuse.
3. I understand you have a remit to look at the operation of child maintenance and the barriers to making child support arrangements through the child maintenance service. I can only comment on one small but important aspect of the system. My submission is based on findings from my recent [review](#) of financial abuse within the Australian tax system. One of the areas we have considered in this review is how financial abuse in the tax system can manifest within the child support system. While we are not experts in the child support system, I hope that the information we provide from an Australian system perspective will aid your consideration of child maintenance in Great Britain.

Financial abuse – our key findings

4. Financial abuse can happen to anyone. It impacts people in all walks of life. Financial abuse can occur at any time during an intimate partner relationship, even after it has ended – for example, by weaponising the child support system to trap victim-survivors in a cycle of dependency, fear and vulnerability.
5. Prevention is better than response. In designing any systems or process improvements, we urge the Committee to consider safeguards to ensure that these improvements cannot be exploited to cause harms. In particular, all policy or procedural reform responses to financial abuse need to be informed by the lived experience of victim-survivors, to ensure they do not contribute to further risks of harm or trauma.
6. Victim-survivors can find it hard to recognise or describe how they have been abused. This makes it hard for government agencies to identify such individuals and to provide the right support. In Australia, there is no shared definition of financial abuse and no common agreed form of evidentiary requirements.
7. Perpetrators use a variety of means to inflict financial abuse, including government systems and services. Quite often that leaves the victim-survivors needing to navigate themselves across multiple agencies whose processes are not aligned and who require them to re-tell their experience over again, thereby creating additional trauma.
8. Financial abuse has only come to the fore in public policy fairly recently and Government responses are still being considered. This means that victim-survivors have had debts for which they were not responsible inflicted on them and are being held liable for their payment, often by different government agencies. The agencies do not have a legislative solution by which they can either write off the debt or transfer it to the perpetrator.

Financial abuse in the tax system can impact child support, leaving victim-survivors with under or unpaid child support

9. In Australia, child support assessments rely on timely and accurate reporting through the tax system (on self-assessment tax returns). Perpetrators of financial abuse deliberately delay lodging their tax returns, underreport income, or do not lodge tax returns at all to prevent child support from being correctly assessed. This may leave victim-survivors of financial abuse with under or unpaid child support.
10. The interaction between the Australian Taxation Office (ATO) and the administrator of the Australian child support scheme is critical in ensuring the child support and tax systems work effectively. The effectiveness of this interaction is under review and there are definite loopholes which perpetrators can and do exploit to inflict harm or hardship on their victim-survivors.
11. The ATO has an information sharing arrangement with the child support administrator. Under this arrangement, the ATO operates a child support lodgment enforcement program to pursue those whose non-lodgment of tax returns presents a risk to the operation of the child support system. This can result in the taxpayers lodging their outstanding tax returns, being issued with default assessments, or being referred for prosecution consideration, noting that prosecution actions are subject to resourcing availabilities.
12. Not all cases result in timely engagement by the reported persons. The success of the child-support lodgment enforcement program depends on the quality of the information exchanged and the ATO's compliance approach and risk assessments.
13. Notably, the child support lodgment enforcement program does not verify the accuracy of the lodgment, which is undertaken through the ATO's other compliance activities. Their approach to compliance is shaped by the risk profiles and engines which drive tax compliance and enforcement and are not shaped by child support risks.
14. The recovery of child support debts is supported through a tax refund intercept process. This allows tax refunds due to a child support debtor to be taken directly



from the ATO to pay that person's child support debt. The amounts recovered through this process may not reflect the full extent of child support owing, as we are aware that perpetrators deliberately underreport their income to reduce child support payment obligations.

Financial abuse may impact more than just child support - other welfare payments may also be impacted

15. In Australia, due to the interactions in the calculation of child support and other welfare payments, financial abuse in the tax system can impact the victim-survivor's access to child support payments and create welfare debts in their name. For example, where a victim-survivor does not receive their full entitlement to child support, their maintenance income assessed for family tax benefit (FTB) purposes may be lower and, accordingly, their FTB may be higher in some cases. If enforcement or collection action is taken and child support is back paid, this can change FTB entitlements. If it is determined that the victim-survivor was overpaid FTB, this can create a debt in certain circumstances, despite there being mechanisms in place to manually or automatically reduce the debt.
16. This problem is compounded where a victim-survivor is seeking relief from their tax debts on the grounds of hardship. The ATO does not offer hardship relief if the release of the tax debt does not relieve the hardship caused by other types of debts – which means if the perpetrator has created debts in both the tax and welfare systems, the victim-survivor cannot seek hardship relief from the tax office. The systems will consider the relevant debts in isolation. We have also made recommendations on this to the ATO.

Difficulties in evidencing financial abuse and the trauma that comes from having to retell traumatic events multiple times

17. Evidencing financial abuse is a significant challenge for both victim-survivors and for the ATO, particularly when there is no intervention from law enforcement or other organisations.
18. The ATO has accepted our recommendation to consider options to obtain supporting information where the taxpayer may not have direct evidence of

financial abuse, including from trusted partners (e.g. state-based health services, law enforcement agencies, registered financial counsellors etc).

19. The Committee may wish to consider how it may obtain supporting information to assess a claim of financial abuse in child maintenance. We are aware that in the UK, certain qualified money or debt advisors can use an Economic Abuse Evidence Form to tell an organisation that an individual has experienced economic abuse, so that the individual does not have to repeat their story multiple times. We understand that this initiative is being adopted by financial services firms in the UK and in HMRC.

Conclusion

I trust that the above information is helpful. I wish you well in your review.

If you have any further questions, please contact Helen Fong, Acting Deputy Inspector-General of Taxation, on +61 2 8239 2123 or via email at Helen.Fong@igt.gov.au.

Yours sincerely



Ruth Owen
Inspector-General of Taxation and Taxation Ombudsman



About the Inspector-General of Taxation and Taxation Ombudsman

We are an Australian Commonwealth statutory agency, established in 2003. We undertake systemic review investigations and complaint investigations on behalf of individual taxpayers - to the extent they deal with tax administration matters. We also provide independent advice and recommendations to the Australian Government, the Australian Parliament, the Australian Taxation Office and the Tax Practitioners Board, to influence improvements in taxation administration.