



Notes for non-resident parents who are self-employed

child support agency

Payment

What is this leaflet about?

This leaflet summarises how we work out child maintenance for child maintenance cases opened between 5 April 1993 and 2 March 2003 **if the non-resident parent is self-employed**.

Cases set up between these dates are known as ‘old scheme’ cases. You can find full details of how we work out child maintenance for old scheme cases in our leaflet *Your child maintenance assessment and help in meeting exceptional circumstances* (CSA2024). We use different rules for working out child maintenance on cases set up on or after 3 March 2003, which we call ‘current scheme’ cases.

You have received this leaflet now because you have recently become self-employed and need to know how this will affect how much child maintenance you have to pay.

In this leaflet, we use some standard terms to talk about our services and the way we work. The glossary at the end explains them.

Important information about this leaflet

This leaflet is only a guide and does not cover every circumstance. We have done our best to make sure the leaflet is correct as of 12 April 2010, but it may not reflect changes to the law or our procedures after this date. You may wish to get independent advice before making financial decisions based on the information in this leaflet.

About us

The Child Support Agency (CSA) is the Government's child maintenance service. It is provided by the Child Maintenance and Enforcement Commission.

Our role is to make sure that parents who live apart from their children contribute towards their children's upkeep by paying child maintenance.

We use a standard process to work out how much child maintenance should be paid in each case, and to manage the payments. We can take legal action if the right amount of money is not paid at the right time.

To get help or more information, visit our website **www.csa.gov.uk** or call us on **0845 713 3133** or **0845 713 8924** (textphone). For details of call charges, opening times and our Welsh-language helpline, see page 21.

If you want to make a family-based arrangement, rather than one through the CSA, contact Child Maintenance Options for impartial information and support. Visit their website at **www.cmoptions.org** or call them on **0800 988 0988** or **0800 988 9888** (textphone).

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What is child maintenance and how is it worked out?

Child maintenance is money paid when parents live apart and the child normally lives with only one of their parents, or with neither. It helps pay for the child's everyday living costs.

When we worked out how much child maintenance you must pay, we used information from you and the parent with care including:

- how much income each parent received
- how many other children they had living with them who they had to support
- the age of the child or children who the maintenance would be paid for, and
- the housing costs of both parents.

We may also have used information from either parent's employer, Jobcentre Plus and HM Revenue & Customs (HMRC).

If you have recently become self-employed, the amount of child maintenance you must pay is likely to change. On page 9 we explain why and how.

How we work out child maintenance

To work out how much child maintenance you must pay, we follow a standard process set down in law. These 6 steps show how this works in general. For a full explanation of the process, read our leaflet *Your child maintenance assessment and help in meeting exceptional circumstances* (CSA2024).

- 1 We set a basic amount of money needed to look after the child, or children, each week, based on the age and number of children. This is known as ‘maintenance needed’.
- 2 We look at how much income each parent gets after tax, National Insurance and some of their contributions to an occupational or personal pension scheme are taken off. This is known as ‘net income’. This is the area that is most likely to change when you become self-employed. This is because to work out net income for parents who are self-employed, we must first work out your earnings, and our process for doing this is different for employed people.

You can read more details on how we work out earnings for parents who are self-employed on page 9.

- 3 Next we look at what each parent's day-to-day living costs are – such as their housing costs, and the amount they have to pay to support any children who live with them. This does not include stepchildren. The costs of supporting other children are based on standard amounts set in law for each child. The money they need for these living costs is known as 'exempt income'. Normally we also include an amount for travel-to-work costs, but if you are self-employed we do not include anything for travel to work.
- 4 We take away the exempt income from your net weekly income to give us the amount of income we can use to work out how much child maintenance you must pay. This is known as 'assessable income'.
- 5 We then use a standard formula to work out how much child maintenance you must pay. You normally pay 50p in every £1 of your assessable income, up to the level of maintenance needed.
- 6 In some cases, this may mean you would not have enough money to live on or to support any second family you have. To make sure you do have enough money to live on, we aim to make sure that you don't have to pay more than 30% of your net income in child maintenance. We do this by working out a level of 'protected income'. The only exception to the 30% limit is if you have to clear debts from late or missed payments. In this case, you may have to pay up to 40%.

What's different about the way the CSA works out child maintenance if I'm self-employed?

If you are self-employed, we work out your average weekly earnings for the most recent tax year. However, in some cases we cannot work out earnings from self-employment this way. For example, if you have only recently started self-employment, we start with details of the gross income (all the money that the business, rather than you, has earned). To work out earnings, we then take away from the gross income:

- any reasonable expenses paid to run the business (not including capital spending or business entertainment expenses), and
- VAT (value added tax).

Once we have worked out your earnings, we work out your net income in the way described on page 7.

The only other difference to our process is in working out exempt income. If you are self-employed, we do not include travel-to-work costs as part of your exempt income.

What changes to my circumstances must I tell the CSA about?

If either parent's circumstances change, it can mean we need to change the amount of maintenance that must be paid. So you should tell us if there is a change to any of the information you gave us to work out child maintenance, such as the amount of income you get.

In particular, as a non-resident parent, you **must** tell us if:

- your address changes (you **must** tell us about this within 7 days of the change)
- you pay child maintenance through a deduction from earnings order and you leave your job. You **must** tell us:
 - the name and address of your new employer (if any)
 - how much you expect to earn, and
 - your payroll number (if any).

The parent with care **must** tell us if there is a change to:

- the number of children living with them who you must pay child maintenance for, or
- the number of nights a child regularly stays overnight with you.

If you fail to give us the information we need, or you give us information that you know is false, we can take you to court and you could be fined up to £1,000. This applies to any person or organisation who, by law, must give us information – such as employers and accountants as well as parents.

Not all changes of circumstance will mean we need to change the amount of child maintenance that must be paid.

How can I pay child maintenance?

If your payment arrangements are already set up, in most cases we recommend you keep the same arrangements when you become self-employed.

You should continue to make or receive payments on the agreed dates and in the agreed way.

If you haven't already made payment arrangements, the easiest way for you to pay child maintenance is direct to the parent with care by standing order. This means you set up a regular payment direct from your bank or building society account to the account of the parent with care.

This is not the same as a family-based arrangement (known as a family arrangement in this leaflet), because we have worked out the amount that has to be paid and we can take action if you do not pay.

If you do not want to pay in this way, you must make the payments through us. In this situation, as you are self-employed, we'll normally ask you to set up a direct debit to pay us. You can call us to set up a direct debit over the phone or you will need to fill in some forms, which we can send you. We will then pass the forms to your bank or building society.

When we get the payment from you, we'll pay the right amount to the parent with care. We'll transfer this amount to their bank or building society account. We aim to transfer child maintenance within one week of receiving it.

We can also arrange for you to make your first payment, or a one-off payment, of child maintenance by debit or credit card or by online banking.

If you do not have a bank or building society account and cannot open one to pay child maintenance, you can discuss with us other ways of paying it.

When and why will you look again at how much child maintenance I must pay?

We will normally look again at the amount of child maintenance that you must pay when:

- either parent asks us to, because they believe the information used when we worked out the amount of child maintenance has changed, or
- we are given information by an organisation such as Jobcentre Plus, HMRC or a court which leads us to think the amount of child maintenance should change.

We will contact you to ask what has changed and then use our standard process to work out how much child maintenance you must pay in your case.

We may ask you or the parent with care for proof of any changes in circumstances. For example, we may ask to see wage slips to prove that the parent's earnings have changed, or we may ask both parents to keep a diary or record of when the child stays overnight with them.

Because earnings from self-employment can change more than income from employment, we may look more often at the amount of child maintenance you must pay.

When we have worked out what the new amount is in your case, we'll send both parents a letter explaining exactly what information we have used to work out the new amount you must pay, and what you can do if you disagree with this amount.

While we are looking at a case again, you must still pay child maintenance on time and in full.

For more information on when we will look at cases again and what happens if the amount of child maintenance you must pay changes, read our leaflet *For parents who live apart* (CSA2001). See the back page for details.

What happens if I give the parent with care money for another reason?

Exceptionally, a non-resident parent who normally pays child maintenance through us will agree to pay money to or for the parent with care for a particular reason. If you do this, you can ask us to count this payment towards the amount of child maintenance you have to pay or any arrears you owe.

We may be able to count this payment if it was made, with the agreement of the parent with care, for one of the following reasons:

- to pay a mortgage or loan which is taken out to buy or pay for essential repairs or improvement to the home where the child lives, and which is secured on that home
- to pay rent or council tax for the home where the child lives
- to pay gas, water or electricity charges for the home where the child lives, or
- to make essential repairs to the heating system or fabric of the home where the child lives.

If the non-resident parent regularly gives the parent with care money for another reason – such as to pay bills each month – then both parents should think about changing the way you arrange child maintenance. You could make a family arrangement, where you would not have to use the CSA. For more information, contact Child Maintenance Options by visiting **www.cmoptions.org** or call them on **0800 988 0988** or **0800 988 9888** (textphone).

What happens if I don't give you the information you need to work out child maintenance?

If you don't give us the information we need to work out child maintenance, or to look again at the amount of child maintenance that must be paid, we can make an **interim maintenance assessment**.

We can make different kinds of interim maintenance assessments. The most common one sets the amount to be paid at one-and-a-half times the maintenance needed. But if we think you can afford to pay more than this, we can make an interim maintenance assessment for a higher amount.

We can also make an interim maintenance assessment if either you or the parent with care does not give us any of the information we need to work out the amount of child maintenance you must pay.

If you have recently become self-employed and, through no fault of your own, cannot give us full proof of your income when we ask for it, we can ask you to pay up to £30 a week.

What happens if I then give you the information you need?

When we have the information we need, we use our standard process to work out the amount of child maintenance you must pay. You will then normally have to pay the new amount of child maintenance from the same date as the interim maintenance assessment was made. This means that:

- if the new amount of child maintenance is **less** than the interim maintenance assessment, we will reduce the amount you must pay until any overpayments are covered – you will not get money back, or
- if the new amount of child maintenance is **more** than the interim maintenance assessment, you will have to pay more to pay off the difference between the interim maintenance assessment and the child maintenance you owe.

What happens if I don't pay?

You are responsible for paying child maintenance in full and on time. If you have arranged child maintenance through us, and don't pay the right amount, we will take action to make sure you make payments as soon as possible.

If you are self-employed, we cannot take money direct from your earnings as we can for employees. But if you don't keep up payments, we can take the money direct from your bank or building society account. We can set up a deduction order to take regular payments or to take a one-off payment. We do not have to get your agreement before doing this. The bank or building society can charge an administration fee for each deduction they take.

We can also take action through the courts. This can be expensive and can result in you:

- paying your own legal costs and our legal costs, as well as the child maintenance you owe
- losing your driving licence for up to 2 years
- being forced to sell your home or other assets
- going to prison.

You can only stop this procedure if you contact us **before** you have to make your next payment to let us know that the payment will be delayed. You **must** explain why you can't pay in full and on time. If there is no good reason, we can still take the action above. If you can give us a good reason, we'll let the parent with care know and agree with you how to recover any money you have not paid.

If you are late paying or miss a payment, you can phone us and pay using a debit or credit card or online banking.

Notes for non-resident parents who are self-employed

If you want to know more about what happens if you don't pay, get a copy of our leaflet *What action can the Child Support Agency take if parents don't pay?* (CSL306). See the back page for details of how to get this leaflet. There is also more information on our website at **www.csa.gov.uk**.

Where can I get more help and information?

If you want to know more about child maintenance and how we work it out, visit our website at **www.csa.gov.uk**. You can download all our leaflets from there.

If you would like to talk to someone about your case, you can call our national helpline on **0845 713 3133** from 8am to 8pm Monday to Friday and 9am to 5pm on Saturdays.

Please have your National Insurance number with you when you call.

We may record our phone calls to check our service and to train our employees.

Textphone services

If you have speech or hearing difficulties, a textphone service is available on **0845 713 8924**.

Textphones are for people who find it hard to speak or hear clearly. If you do not have a textphone, some libraries or citizens advice bureaux may have one. Textphones do **not** receive text messages from mobile phones.

Notes for non-resident parents who are self-employed

Welsh-language helpline

If you want to speak to us in Welsh, you can ring our Welsh-language helpline on **0845 713 8091**. The line is open from 9am to 5pm, Monday to Friday. There is also a Welsh-language textphone service on **0845 713 8099**.

Other languages

If English is not your first language, you can use your own interpreter or one we provide.

Call charges

Calls to **0845** numbers from BT landlines should cost no more than 4p a minute. You may have to pay more if you use another phone company or a mobile phone, or if you are calling from abroad. Calls from mobile phones can cost up to 40p a minute, so check the cost of calls with your service provider.

Information in other formats

This leaflet is available in other languages, in Braille and on audio cassette. You can order information in these formats online or by contacting our national helpline.

We also have large-print versions of this leaflet available for you to download from our website, **www.csa.gov.uk**.

Leaflets available from us

For parents who live apart

(Reference: CSA2001) For all parents

Your child maintenance assessment and help in meeting exceptional circumstances

(Reference: CSA2024) For all parents

How to appeal

(Reference: CSA2006(A)) For all parents

Paying child maintenance direct from your earnings

(Reference: CSA2034) For non-resident parents

What action can the Child Support Agency take if parents don't pay?

(Reference: CSL306) For all parents

How do I complain about the service I get from the Child Support Agency?

(Reference: CSL308) For all parents

My case is moving to the child maintenance scheme introduced in 2003 – what will change?

(Reference: CSL310) For any parent whose case is moving to the current scheme

How does the Child Support Agency use and store information?

(Reference: CSL311) For all parents

Glossary

Assessable income

The assessable income is the net income, less the exempt income. We use assessable income to work out the amount of maintenance that must be paid. We do this by using a standard formula on the assessable income of the non-resident parent and the parent with care.

Child

For child maintenance purposes, a child is anyone under 16 or someone between 16 and 19 who:

- is not, nor has ever been, married or in a civil partnership, and
- is in full-time non-advanced education.

However, if child benefit is still being received, someone under 19 can still be regarded as a child for child maintenance purposes even if they are not in full-time non-advanced education.

Child maintenance

Money paid by the non-resident parent to the parent with care to help pay for their child's everyday living costs.

Deduction from earnings order

One of the ways we normally set up payments if the non-resident parent is employed. Under a deduction from earnings order, we ask the non-resident parent's employer to take child maintenance direct from the non-resident parent's earnings and send it to us.

We can also set up a deduction from earnings order if the non-resident parent is employed and they have not kept to other payment methods or failed to agree a payment method.

Deduction Order

This is how we take the child maintenance that the non-resident parent owes, direct from their bank or building society account. We can set up a deduction order to take regular payments or to take a one-off payment. We do not have to get the non-resident parent's agreement to do this and do not have to ask a court for permission. The bank or building society can charge an administration fee for each deduction they make.

Exempt income

The amount of net income each parent is allowed to keep for their basic living costs, including paying the living costs of any of their own children living with them.

Interim maintenance assessment

If the non-resident parent does not give us the information we need to work out how much child maintenance must be paid, we can make an interim maintenance assessment. This assessment means that the non-resident parent may have to pay child maintenance at a higher rate until they give us the information we need to work out the right amount of child maintenance.

Maintenance needed

The amount of money needed to pay for the basic day-to-day costs of looking after a child (or children). It is also known as 'the maintenance requirement'.

Net income

Net income is the weekly amount of income (usually pay or salary) left after taking off:

- income tax
- National Insurance
- half of any amount you pay into an occupational or personal pension. If the pension is set up to repay a mortgage, only 37.5% of the money paid into the pension scheme is taken away.

Income can also include certain benefits, tax credits and occupational or personal pensions. Bonuses and commission also count as pay or salary.

We count Working Tax Credit as income if the **non-resident parent's** earnings are higher than their partner's earnings. If the non-resident parent and their partner's earnings are the same, we include half of the Working Tax Credit in the child maintenance calculation. We don't count Working Tax Credit as income if the non-resident parent earns less than their partner.

Non-resident parent

The parent who the child does not normally live with.

Parent with care

The parent or carer who the child normally lives with and who therefore pays for most of the child's everyday living costs. In some cases this can be a grandparent, guardian or other family member – who is known as the 'person with care', rather than the parent with care.

Protected income

We work out a minimum amount of weekly income for the non-resident parent to make sure they are left with enough money to live on, and to support any second family they have, after paying child maintenance. This amount is known as protected income.

Information in CSA leaflets is also available in other languages, in large print, in Braille and on audio cassette.

You can get any of our leaflets:

- by phone on **0845 713 3133** (the line is open from 8am to 8pm Monday to Friday and 9am to 5pm on Saturdays)
- by textphone on **0845 713 8924**, or
- from our website at **www.csa.gov.uk**.

Where textphone numbers are provided, these are for people who find it hard to speak or hear clearly. If you do not have a textphone, some libraries or citizens advice bureaus may have one. Textphones do not receive text messages from mobile phones.

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