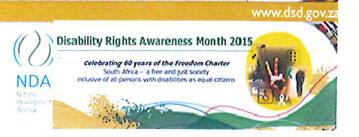
# OVERVIEW OF PROPOSALS TO UNIVERSALISE THE CHILD SUPPORT GRANT

# Presentation to Portfolio Committee on Social Development 14 June 2017

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# STRATEGIC CHALLENGES TARGETING & MEANS TESTING

- The CSG is subject to Means Testing.
- · A number of eligible children not receiving CSG.
  - ... as a result, we rely on people's to declare their income
- ... this result in inclusion and exclusion errors
- ... the multiple cost of targeting exceed the realized benefits.













# Universalisation of the CSG

- Consider the removal of the current means test applied to the programme.
- Is envisaged that universalisation will ensure that many poor children currently excluded do enter the system.
- It transforms the CSG into a child benefit, delivering on the Constitution's promise of social inclusion for all South African's.

#### **Reasons For Universalisation**

- ✓ Qualifying families living in less poor households who therefore do not take up the grant
- ✓ Qualifying families living in remote areas and therefore unable to access the CSG
- ✓ Qualifying families that are not aware of the CSG or think they don't qualify
- ✓ Qualifying families facing documentation issues.



### DSD PROPOSAL: - CSG UNIVERSALISATION

• In light of this DSD completed a study in 2012 – commissioned to EPRI through UNICEF.

#### **Main Findings**

- Many poor children are excluded. Using NIDS 2008, an estimated 3.8 million poor children were not receiving the CSG.
- 70% of these children' caregivers never applied for the grant due to the challenges in the application process.
- 26% of them cited missing documents as the main reason for not applying for the grant.
- Universal coverage of the CSG would imply an increase in coverage but does not solve the documentation issue.
- Recommended that provision should be done through tax options.

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## **DSD PROPOSAL: - CSG UNIVERSALISATION**

• In 2015/16 a follow-up study was commissioned to SASPRI to explore options for both delivering and financing universal CSG

#### **Main Findings**

- The current CSG is unquestionably too small an amount, it can never be expected to eliminate all poverty or even child poverty, whatever the level at which it is paid.
- Universalisation of CSG on its own does not have a desirable impact on inequality and little on poverty.
- Universalisation and increasing the amount payable need not be regarded as mutually exclusive, as both could be pursued.
- Cost Implication: Pursuing two instruments at a time caries huge financial costs for government.

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# TAX OPTIONS STUDY RECOMMENDATIONS

• In 2015 a follow-up study was commissioned to SASPRI to explore options for both delivering and financing universal CSG.

#### **Main Recommendations**

- **Policy instrument**: Implement a universal child benefit (rather than a universal child tax credit).
- **Delivery org**: be implemented as a cash payment via SASSA, rather than as a tax rebate via SARS SASSA already possesses the records of beneficiaries The purpose fit within the poverty alleviation mandate of DSD.
- **Delivery**: same as is currently the case for CSG.
- **Funding of the policy**: It can be financed by adjusting personal income tax rules. However alternative financing sources should also be explored.
- **Payment:** Should be payable at a flat rate (not tapered) and irrespective of the birth-order of the child and should be exempt of tax.

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# **Current Status**

Discussion paper has been completed at the end of 2016/17 financial year and Consultation on the paper will commence in the second quarter of 2017/18.



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