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PARLIAMENT OF UGANDA

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REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT ON THE RECONSIDERATION OF THE INCOME TAX (AMENDMENT) BILL, 2016

OFFICE OF THE CLERK TO PARLIAMENT
November 2016

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**REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC
DEVELOPMENT ON THE RECONSIDERATION OF THE INCOME TAX
(AMENDMENT) BILL, 2016**

1.0 Introduction

The Income Tax (Amendment) Bill, 2016 was returned by His Excellency the President of the Republic of Uganda on 11th May 2016 in accordance with Article 91 of the Constitution of the Republic of Uganda.

H.E the President recommitted to Parliament for reconsideration of clause 21 (1) (q) (a) of the Income Tax (Amendment) Bill, 2016, which exempts the employment income of Members of Parliament, except Salary.”

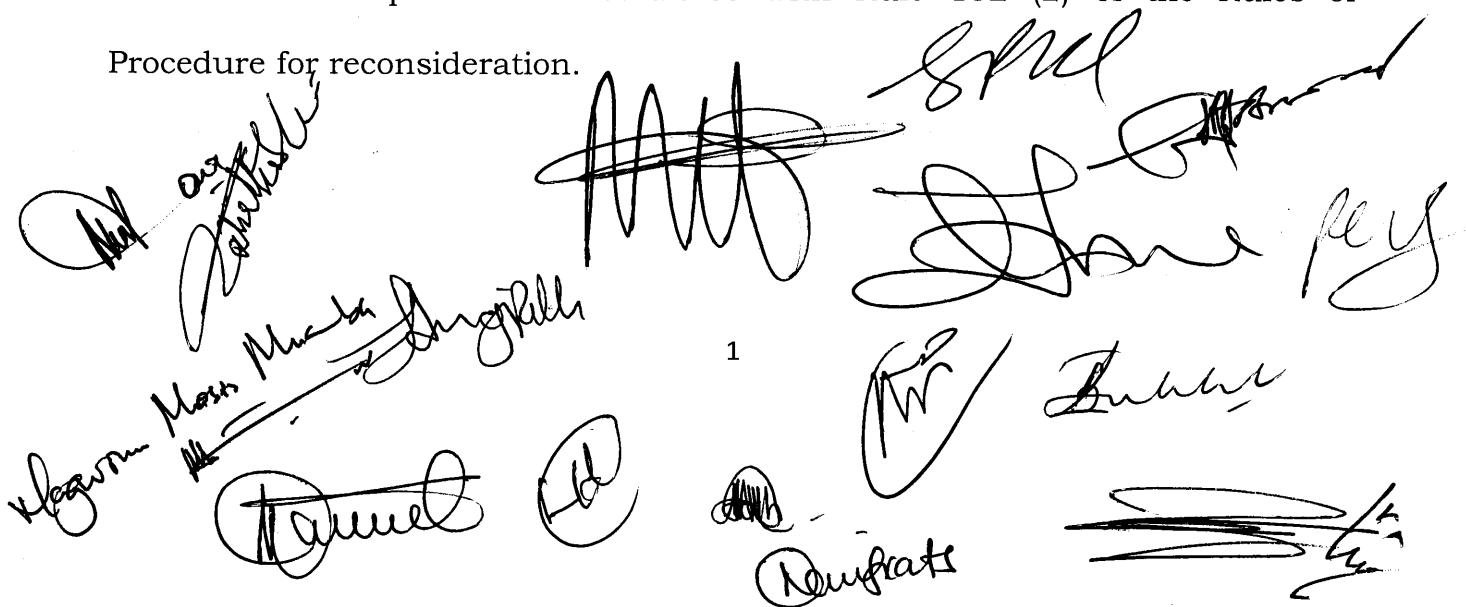
The proposed clause was as follows:

“The Income Tax Act, in this Act referred to as the principal Act is amended in section 21(1), by inserting immediately after paragraph (q) the following-

(qa) the employment income of a person employed as a Member of Parliament, except salary”

The returned Bill was referred to the Committee on Finance, Planning and Economic Development in accordance with Rule 132 (2) of the Rules of Procedure for reconsideration.

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2.0 Reasons for the return of the Bill by H.E the President

The President returned the Income Tax (Amendment) Bill, 2016 for reconsideration of clause 21 (1) (q) (a) because he did not support the decision of Parliament for the following reasons:

- (i) Member's decision to exempt themselves from paying taxes was prompted by the court ruling in the matter of **Francis Byamugisha vs Attorney General, Parliamentary Commission and Uganda Revenue Authority HCCS No. 745 of 2013** in which it was ruled that all emoluments paid to the Members of Parliament are subject to tax under the provisions of the Income Tax Act, Cap. 340
- (ii) The decision taken by Parliament does not promote good practice because it risks undermining the integrity of both the courts and Parliament.
- (iii) The decision taken by Parliament provoked public outrage and projected Government in bad light as not being sensitive to the priorities of the country and the general economic condition of the citizenry. As a principle, salaries for all employees were consolidated to minimize abuse which was hitherto rampant through disguise of salaries in form of allowances. This was part of the effort to change the tax paying culture in the country and improve the tax effort.
- (iv) The tax to GDP ratio is only 13% which is considerably low compared to countries with similar economic conditions. Enhancement of

revenue collection is critical if Uganda is to meet the ambition of transforming into a middle income country by 2020 as well as meeting the short term demands for infrastructure development and social services.

- (v) The decision by Parliament to grant itself a tax exemption status is not only injurious to the revenue effort but is also not politically and morally correct as small income earners like teachers, nurses and other public employees cannot be expected to pay income tax on their consolidated meagre salaries and yet Members of Parliament who earn considerably well are exempted.

3.0 Methodology

The Committee held meetings with the Ministry of Finance, Planning and Economic Development and the Parliamentary Commission.

4.0 Observation and recommendation

The Committee observed that:

- (i) There is a misconception in the public that Members of Parliament do not pay taxes. Members noted that they pay tax on their salaries. Each member pays UGX. 3,374,000 per month translating into UGX 40,488,000/= a year in the form of taxes on salary. In total, members of Parliament pay UGX. 18,179,112,000/= in tax on salary every year.

(ii) Each Member of Parliament is paid gratuity at the end of every twelve months' period or at such period as the Member of Parliament concerned desires and this gratuity is taxed. Each member pays tax of UGX. 16,099,200 every year. The total paid by Members is UGX. 7,228,540,800 annually.

(iii) Members of Parliament are paid a sitting allowance of UGX. 50,000/= per sitting in the Committee and 40% is levied on this amount as tax.

(iv) Chairpersons and Vice Chairpersons pay 40% of the honoraria they receive as a tax.

(v) The payments for mileage, town running, constituency facilitation and purchase of motor vehicle contributions were not being taxed until the court ruling in January 2016. These funds are meant to facilitate Members of Parliament to perform their legislative duties and are duty facilitation, which is protected under section 19(2) (d) of the Income Tax Act.

(vi) While computing pension and gratuity, the duty facilitation allowances are not included. Pension and gratuity are only computed on income earned. Therefore, the duty facilitation allowances are not income and cannot be taxed under the Income Tax Act.

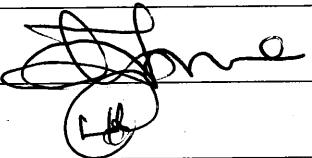
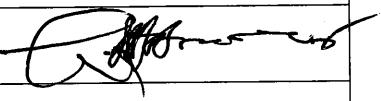
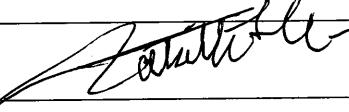
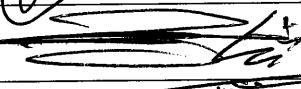
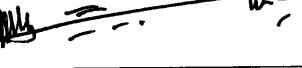
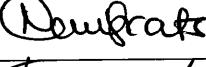
(vii) The Parliamentary Commission has appealed to the Court of Appeal the ruling of the High Court in ***Byamugisha vs Attorney General, Parliamentary Commission and Uganda Revenue Authority HCCS No. 745 of 2013.***

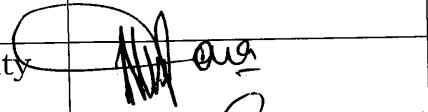
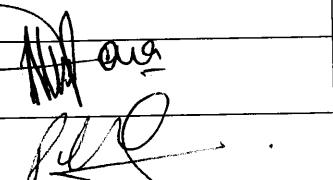
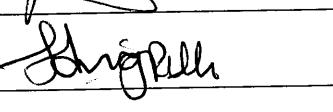
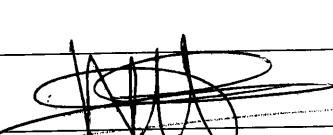
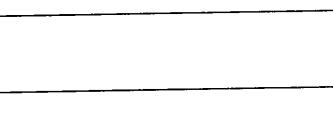
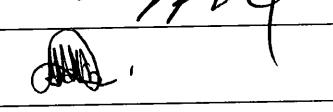
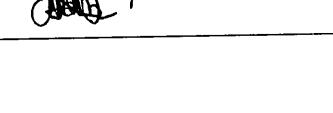
5.0 Recommendation

The Committee recommends that the Income Tax (Amendment) Bill, 2016 be passed by the House in its current form and be returned to H.E the President for assent.



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DEVELOPMENT ON THE RECONSIDERATION OF THE INCOME TAX
(AMENDMENT) BILL, 2016**

NO	NAME	CONSTITUENCY	SIGNATURE
1	Hon. Musasizi Henry, CP	Rubanda East	
2	Hon. Katali Loy, V/CP	DWR Jinja	
3	Hon. Acidri James	Maracha East	
4	Hon. Lugoloobi Amos	Ntenjeru North	
5	Hon. Asiku Elly Elias	Koboko North	
6	Hon. Bategeka Lawrence N	Hoima Municipality	
7	Hon. Kalule-Sengo Emmanuel	Gomba East	
8	Hon. Kamateeka Jovah	DWR Mitooma	
9	Hon. Katoto Hatwib	Katerera County	
10	Hon. Lokii John Baptist	Matheniko County	
11	Hon. Nagwomu Moses M.	Bunyole East	
12	Hon. Niringiyimana James .K.	Kinkizi West	
13	Hon. Opolot Isiagi Patrick	Kachumbala County	
14	Hon. Tumuramye Genensio	Kashongi County	
15	Hon. Naigaga Mariam	DWR Namutumba	
16	Hon. Ilukor Charles	Kumi county	
17	Hon. Okello Anthony	Kioga County	
18	Hon. Ayepa Michael	Labwor County	

19	Hon. Walyomu Muwanika Moses	Kagoma County	
20	Hon. Mulindwa Isaac Ssozi	Lugazi Municipality	
21	Hon. Kutesa Pecos (Maj,Gen)	UPDF	
22	Hon. Adong Lilly	Nwoya District	
23	Hon. Anita Among	Bukedea District	
24	Hon. Mukula Francis	Agule Pallisa	
25	Hon. Kakooza James	Kabule County	
26	Hon. Bagoole John Ngobi	Luuka County	
27	Hon. Nathan Nandala-Mafabi	Budadiri West	
28	Hon. Akol Anthony	Kilak North	
29	Hon. Odonga Otto	Aruu County	
30	Hon. Semakula Lutamaguzi	Nakaseke South	
31	Hon. Akello Judith Franca	Agago District	

(LUTAMAGUZI SEMAKULA (Signature)