

# OPEN LETTER TO H.E THE PRESIDENT OF UGANDA NOT TO ASSENT TO THE INCOME TAX (AMENDMENT) BILL, 2016

## Members of Parliament MUST pay their fair share of Taxes

Your Excellency the President of Uganda, we the undersigned write to you in dismay about the move by the Members of Parliament to amend the Income Tax (Amendment) Bill, 2016 to exempt them from paying tax on their allowances.

Your Excellency, on 15<sup>th</sup> November 2016, Parliament returned the Income Tax (Amendment) Bill, 2016 to you with a proposal to exempt MPs allowances from Taxes. The new Insertion under the Income Tax bill by MPs under Sec.21 **“(qa) the employment income of person employed as a Member of Parliament, except salary”** intends to create a tax exemption on MPs’ emoluments and allowances, adding them to the list of special groups including Police men, soldiers and prisons officers, that are exempt from paying tax on their allowances.

This move Your Excellency comes at a time when the country is grappling with paying domestic arrears, paying pension arrears as well as buying cars<sup>1</sup> for the entire 427 MPs in the 10th Parliament. We would like to note that whereas the average basic pay of an MP, for tax purposes is UGX 11.18m and that their average contribution to tax is 3,374m, an MP in Uganda earns anywhere between 20 – 27 million (including other allowances). In the spirit of the Ugandan Income tax law, which is progressive, the more you earn, the more you should pay. We believe that this should appeal more to the MPs who represent the poor communities from which we all come.

The Tax Justice Alliance finds Parliament move unconstitutional: Whereas the Constitution Article 85(1) allows MPs to determine their emoluments, Article 93(a) (i)<sup>2</sup> restricts Parliament from proceeding upon a bill and or a motion on financial matters especially on taxation, unless the motion or bill is moved on behalf of government.

Your Excellency, as you are aware, the current tax effort of Uganda is the lowest in the EAC at 12.9% as of 2016, an indication that more needs to be done. MPs must pay taxes on their allowances for the following five reasons:

1. Taxation is the price we pay for service delivery and development in any civilized country. As a country, we are proud that we are increasingly able to finance our national budget from domestic taxes. In the Financial Year 2016/17 up to 68% of our national budget will be raised locally from domestic taxes. The proposal by MPs not to pay **taxes on their allowances is detrimental to our taxation efforts.**
2. **The move is discriminatory.** All other citizens pay taxes on their allowances including the medical workers, the teachers and private citizens including; lunch allowances for medical workers, Sitting Allowances for District Councilors.
3. **We will lose UGX 49.464bn annually if this proposal is signed into law;** Looking at the total number of MPs in the 10th Parliament, the country stands to lose over UGX 49.464bn annually. This money can close the following funding gaps; UGX 4.4bn for hiring 250 science and 100 arts teachers, UGX 3.35bn to start the NHIS, UGX 36bn to hire 3,542 Health workers, UGX 2bn to revitalize cooperative.
4. **It sets a wrong precedent:** Other Civil Servants whose allowances are taxed will get a wrong precedent to take legal action to exempt themselves from Paying tax. The Councilors at the LGs level might also make the same demands as decision makers at that level. The private sector and other Ugandans will try all means possible not to pay taxes
5. **It’s illegal:** Whereas the Constitution Article 85(1) allows MPs to determine their

emoluments, Article 93(a) (i) restricts Parliament from proceeding upon a bill and or a motion on financial matters especially on taxation, unless the motion or bill is moved on behalf of government. We therefore find the move by MPs to exempt their emoluments from income tax UNCONSTITUTIONAL.

### What would we rather have seen our legislators push for?

- With the existing social service challenges, Legislators should have prioritized pushing for a more equitable tax justice system that seeks to increase revenue for the country to address these challenges.
- MPS should focus on amending the Income Tax Law to remove some tax exemptions that are detrimental to domestic revenue mobilisation. We note that sec 21 (1) (i) of the income tax Act exempts interest payable on treasury bills or Bank of Uganda bills from paying tax.
- Establish the salary review commission to harmonise salaries and emoluments of all Public servants in Uganda.

### What next!

Your Excellency in May this year (2016), 4 citizens from all over Uganda petitioned you to exercise not to assent to the proposed amendment to the Income Tax Bill that would exempt taxes on allowances for Members of Parliament. This time round we call the President’s to reject this clause in the bill that seeks to exempt MPs from paying tax on their allowance. We urge the President to stand by his original position that exempting Members of Parliament from paying taxes on their allowance is unfair, and it is against all the principles of an equitable tax regime.

**“The decision by Parliament to grant themselves a tax exemption status is not only injurious to our revenue effort but also not politically and morally correct”. We cannot agree more with the words of His Excellency the President.**

We are calling on the Attorney General to reign against this unconstitutional move that will set a wrong precedence among the citizens in terms of tax compliance.

### Conclusion

We the citizens of Uganda reiterate our appeal to you Mr. President to reject this amendment. It is our hope Your Excellence that you will once again side with the majority.

### FOR GOD AND OUR COUNTRY

<sup>1</sup>UGX 224.7bn in the FY 2014/15

<sup>2</sup>Parliament shall not, unless the bill or the motion is introduced on behalf of the Government—

(a) proceed upon a bill, including an amendment bill, that makes provision for any of the following—

(i) the imposition of taxation or the alteration of taxation otherwise than by reduction;

<sup>3</sup><http://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS>

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