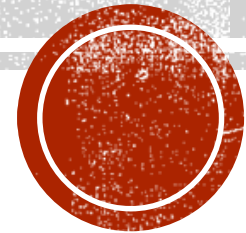


09 REASONS WHY MP'S SHOULD PAY TAXES ON THEIR ALLOWANCE

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BACKGROUND

- From 2004, the Parliamentary Commission had neglected its duty to deduct income tax on MPs emoluments thus prompting a whistleblower in 2013 to petition High Court in the case of Richard Byamugisha vs Attorney General, Parliamentary Commission and URA case number HCT-00-CC-CS-0745-2013.
- On 4th February 2016, the Commercial Court presided over by Justice Henry Peter Adonyo ordered the Parliamentary Commission to deduct tax from MPs' emoluments and further ordered that all taxes owing and due to the Government of Uganda be collected and remitted to URA from 2004.

BACKGROUND

MPs also sought to increase their gratuity contribution by lumping their earnings from Parliament (Basic pay + Allowances)

This had an implication of attracting income tax and as such, the MPs ought to have paid tax on their consolidated pay.

As the court process is under way to put a rest to the matter, the 9th Parliament Moved to amend the Income Tax Act to Exempt them selves from paying tax on their allowances.

WHAT IS AT STAKE

The biggest concern is that MPs would wish to have their allowances not taxed

Which allowances are we talking about

- Siting allowances
- Mileage Allowance
- Subsistence Allowance
- Town Running Allowance
- Constituency Allowance

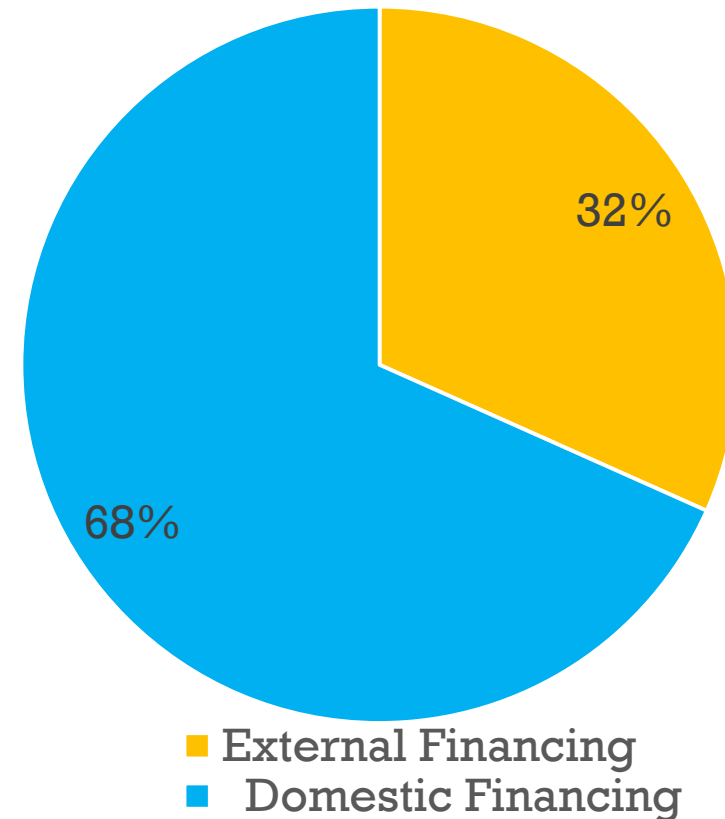
CURRENT MP's PACKAGE



MPs SHOULD PAY TAXES ON ALL THEIR ALLOWANCES.....WHY

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 increasing able to finance up to 68% of our national budget from locally raised revenue in the FY 2016/17.



2. CLOSING FUNDING GAPS WITH 49.464BN

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 teacher

UGX 3.35bn to start the NHIS

UGX 36bn to hire 3542 Health workers

UGX 2bn to revitalize cooperative

3. ADDRESSING SPENDING PRESSURES USING 49.464BN

Looking at
spending
pressures, this
revenue could
accomplish
the following

Fund Napak District for
4 FYs

Rehabilitate 1,648 KMs
of District Roads

Construct 2,040 latrine
(5 Stance)

Rehabilitate ALL LG
roads for 1 FY and 3 Qs

4. THE MOVE IS DISCRIMINATORY

All other employers (public & private) pay taxes on their allowances including the medical workers, the teachers and private citizens including

lunch allowances for medical workers

Siting allowances for district councilors

Allowances for Judicial officers

5. IT SETS A WRONG PRECEDENT

Other Civil Servants whose allowances are taxed will get a precedent to take legal action to exempt themselves from Paying tax.



The private sector and Ugandans will try all means possible not to pay taxes

6. THE MOVE IS UNFAIR

The new tax regime creates a tax exemption on MPs' emoluments and allowances, which are in millions, yet the same tax regime imposes taxation on emoluments and benefits of low earners.

7. THE DEBT BURDEN IS GOING TO INCREASE

Public debt is projected to increase to US\$ 8.3 billion by June 2016

In the FY 2016/17 interest payment have an allocation of UGX 2.02Trn

8. DEFEATS UGANDA'S GOAL OF BEING PART OF THE EACMU

According to the EACMU protocol, for the EAC to have a common currency, state parties must have a tax GDP ratio of **25%**. Currently we are stagnating at **12.9%**

9. IT IS ILLEGAL

Section 19 (1)(a) of the Income Tax Act provides that any Income derived by an Employee from any employment and includes the following;

- **Wages, Salaries, Gratuity, leave Pay, the amount on any traveling, entertainment, cost of living, housing, medical or other allowances...**

What is needed

SALARY REVIEW COMMISSION

The major issue at hand is the salary review commission that would work on harmonizing the salary structure of this country is still non-existent.

To find that one person earns more than the other and yet they all do the same work is an injustice.

REFORMING THE INCOME TAX LAW

There is need to review our tax laws including the Income tax laws

- Taxing lunch/overnight allowances for medical works is not only wrong but lack of appreciation of their work.

STRENGTHEN THE PARLIAMENTARY FUNCTION

Through civic education
for MPs and Citizens on
the roles of a Member of
Parliament

Work with the 10th
Parliament to close
existing gaps in the
revenue and expenditure
efforts of government

Thank you for
listening