

CSOs call for increased revenue mobilization in FY 2016/17



CSO members meeting with Parliament Finance committee to present alternative taxation proposals at the Parliament Conference room on 30th March 2016.

Civil Society Organizations (CSOs) under their umbrella body the Civil Society Budget Advocacy (CSBAG) have backed a proposal by the government to increase tax on the importation of second hand clothes (Mivumba) in the country, to promote local textile industries.

Appearing before the Parliamentary Committee on Finance, Planning and Economic Development today 30th March 2016, the CSOs suggested that the levy be revised from the proposed 20% by the Government to 40% levy. " Given the health risks , the tax can be increased to 40% to discourage the consumption of used risky items, and also be phased out

by 2019 to comply with the East African Community proposal," said Julius Mukunda, the Coordinator CSBAG.

Meeting in Nairobi Kenya early this month for the EAC summit, the Heads of States, agreed to ban the importation of used vehicles, clothes and shoes to promote vehicle assembly and the textile and leather industries in the region.

It is against this background that the CSOs under CSBAG which include SEATINI-Uganda, Uganda Debt network, ActionAid-Uganda, Citizens watch – IT, Women And Girl Child Development Association, Institute for Social transformation, African Center for Trade and Development, Food Rights Alliance, and Uganda Women Entrepreneurs Association Limited, want the tax levy on used items increased, to promote local industries.

"The proposed 40% on second hand clothes by CSOs is an indication that we are supporting the local industries that are producing clothes locally. A textile bed sheet might be cheap compared to an old one," Patrick Katabazi, the Budget Analyst CSBAG told the MPs.

However some members of the committee opposed the proposed increased tax and ban on the importation of used clothes, saying it would render most of the Ugandans jobless. "We should be mindful of the vulnerable poor, don't you think this proposed 40% tax will affect the poor, who mainly buy these clothes," asked Amos Lugolobi, the Ntenjeru North MP.

However CSOs argued this out mentioning that local textile companies would provide more sustainable income generation and would minimize health risks associated with secondhand dresses and shoes among others.

To increase the revenue base, CSBAG also advised the government to consider introducing the road toll tax on special projects like the Northern by pass and the Entebbe express high way to enable the Uganda National Roads Authority get funds for road maintenance. "This Road toll tax is not for general roads but those under special projects like the Northern bypass, but not those used for trade," explained Katabazi.

The CSOs also proposed that the Government reinstates the graduated tax, by charging Sh 1000 per every Uganda above 18 years. The MPs however opposed the proposal saying it would cost Government a lot of money on collecting tax of Sh 1000 from Ugandans.

"If you introduce graduated tax of Sh 1000, how are you going to enforce it without putting people on ropes, and how much money will government spend on collecting Sh 1000 revenue from people," asked Henry Musaasizi the MP Rubanda County.

The CSOs also advised government to consider taxing idle land in urban centers, in order to widen the tax base and also boost development in urban centers. In their tax revenue measures, the CSOs also called for tax on foreign exchange traders making high profit margins arising out of the recent volatile, market. "This tax can help redistribute income from developed world to the developing world and can further help to reduce speculation. We propose a 1% on all currency trades," said Makunda.

The Committee chaired by Kyaddondo North MP Robert Ssebunya, commended the Civil Society Budget Advocacy Group for the proposals.

" I would want to thank you for your proposals, ideally one would expect CSOs to oppose things like increased tax on things like old clothes which are used by the poor, but because we need tax to develop our country, you support the idea," said MP Ssebunya.

Meanwhile also meeting the committee today was the Uganda Breweries limited (UBL) who also rejected a proposal by the government to increase levy on imported spirits like Smirnoff, Vodka, Johnnie walker , Gilbeys among other spirits saying it would encourage counterfeit .

In its 2016/2017 budget proposals, the government plans to increase tax on spirits from 70 to 80%, as a way of increasing revenue collection. "We have already invested a lot of money in fighting counterfeit, but increasing tax on spirits would only worsen the counterfeit problem and making us increase the prices for our products," said Alvin Mbugua, the chief finance officer UBL

The committee is currently conducting public hearings on the proposed new tax revenue measures, under the VAT, Excise and Income tax Bills, 2016. Later in the day CSOs held a discussion over these taxation proposals with the Director Economic Affairs at the Ministry of Finance Planning and Economic Development as part of influencing final decisions on the tax bill for FY 2016/17.