



CSBAG BUDGET NEWS BRIEF



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Advocating for a People Centered Budget that Dignifies Humanity



500 Billion Tax Waiver to affect service delivery

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The 10th Parliament of Uganda in session recently. Parliament adopted a proposal to write off Shs500 billion worth of tax waivers for at least 34 private companies and Government agencies.

Recently, Parliament adopted a proposal to write off Shs500b worth of tax waivers for at least 34 private companies and Government agencies. The proposal, which was contained in the Tax Procedures Code (Amendment) Bill 2019 authorized Government to write off Shs500b.

State Minister for Planning, Hon. David Bahati said that writing off the Shs500b tax waivers was necessary since Parliament was pressing Government to take the tax arrears off Parliament's record. In its report to Parliament, the Parliamentary committee on Finance, backed Government's move, on the ground that the government incurred the arrears in the course of boosting the economy.

Rising Tax Arrears

The Parliamentary Committee on Finance chairperson, Hon. Henry Musasizi explained that the arrears arose out of Government's commitment to pay taxes on behalf of entities deemed to be of strategic importance to the country and on behalf of NGOs, which had contractual obligations with Government.

The Shs500b tax waiver is projected to cost the country in terms of funds available to provide social services. The tax waiver will limit funds available to invest in public sectors like agriculture, health, trade and tourism.

This may also result in greater macroeconomic challenges like increase in interest rates when the government decides to borrow from the domestic market.

Uganda is said to be losing about Shs2trillion each year due to tax incentives and exemptions. To curb the current significant revenue leakages that are attributed to tax incentives and exemptions, government should make sustainable efforts.

Abolishing Tax Exemptions

The Acting Director Economic Affairs at the Finance Ministry, Mr. Moses Kaggwa says that there is need to abolish all tax incentives and exemptions and replace them with low tax rates.

“Tax incentives tend to distort the tax system because there are people who may think that some are being favored more than the rest,” said Kaggwa. The mechanism of determining who benefits from tax waivers, how much tax is waived and the benefits contractors add into the economy

remains opaque thus dodging public scrutiny. There are challenges of regulations and adherence to set rules and standards.

Parliament should take centre stage in the management of tax exemptions in the country and come up with a clear policy on how such exemptions are awarded and how they are managed. “This will help curtail the challenge of parallel power centres where investors are awarded exemptions in contracts most often than not outside the law and without the knowledge of Ministry of finance.” She added.

Mr. Kaggwa explained that incentives and exemptions are no longer enterprise based but are sector based. He sighted the agro-processing sector, where there is a tax exemption on its income, on all inputs for agriculture, on seedlings, on pesticides and on fertilizers. However, other sectors have taxes on their inputs, on their profits and so on which creates the perceived unfairness.

OUR WORK IN PICTURES



A group photo of participants of a training on Corporate Governance for the Ankole and Kigezi Regional Budget Coalition (RBC) in Kampala on 9th May. The two day training brought together 29 Executive Directors and Board Members from 10 organizations and 9 districts | @CSBAG2019



CSBAG ED Julius Mukunda (L) and the Town Clerk Mbarara Mr. Richard Mugisha (R) discussing FY 2019/20 National Budget and Citizens' Expectations during a talk show on TV West in Mbarara district on 9th May | @CSBAG2019



CSBAG staff addressing a press conference at CSBAG offices on 12th May. The press conference was called to give the CSO position on increment of allowances for MPs in FY 2019/20 | @CSBAG2019