



CSBAG BUDGET NEWS BRIEF



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Advocating for a People Centered Budget that Dignifies Humanity



FY 2016/17 CSO BUDGET ADVOCACY ROADMAP

Period Activity

December 2015	Strategic CSO retreat to review the National Budget Framework Paper FY 2016/17
December 2015	Parliament Engagement to present CSO position on the National Budget Framework Paper FY 2016/17
February 2016	Q&A session with Ministry of Finance, Planning and Economic Development.
February 2016	Joint strategic meeting with Parliament Budget Office and Clerks
March 2016	Strategic CSO retreat to review the Ministerial Policy Statements FY 2016/17
March 2016	Validation meeting on the CSO Position to the Ministerial Policy Statements FY 2016/17
March 2016	Parliament Engagement to present CSO position on the Ministerial Policy Statements FY 2016/17
March 2016	CSO Pre budget dialogue
April 2016	Strategic retreat to review the Tax bills FY 2016/17
April 2016	Parliament Engagement to present CSO position on the Tax bills FY 2016/17
May - June 2016	Budget Countdown Media Campaign
June 2016	Budget listening in conferences at National and Local levels

Ministry on the spot over funding gap for VAT on Medical Equipment

Public bodies that engage in business activities including Government Ministries, departments, and parastatals, town councils and District councils and District Administrations among others are liable to pay Value Added Tax. Previously Ministries, Department and Agencies (MDAs) would not budget for VAT and consequently tax arrears accumulated.



"Normally, when organizations and individuals in foreign countries donate equipment, medicine or vaccine to Uganda, it is the Ministry of Health's responsibility to pay VAT for these donations" Minister for Health Hon. Elioda Tumwesigye

9.88bn is for Counterpart funding on civil works during construction of Maternal and Neonatal health care unit at Mulago. According to budget estimates for the current financial year (FY 2015/16), URA is expected to raise Ush9.5 trillion as government seeks to reduce the percentage of donor component in the national budget. However enforcing the collection of VAT on medical equipment in order to achieve the target Gross Domestic product (GDP) is detrimental to the Ministry of Health as donors are unwilling to cater for VAT and the Ministry claims that it cannot finance VAT.

According to the CSBAG analysis of the National Budget Framework Paper FY 2016/17, The Ministry has a funding gap of **Ushs 69.65bn** for counterpart funding (Ushs 47.77bn) and VAT (Ushs 21.88bn).

The onus thus falls on Government to increase financing to the sector to cater for counterpart funding in accordance with MOU agreements signed with development partners which the ministry is unable to come up with. It is also critical that Government clearly delineate reasons for failure to obtain funds to contribute towards VAT and counterpart funding, despite it being a Government directive and consequently seek to remedy these constraints.

CSOs further recommend that Government should impose a VAT exemption in on hospital rehabilitation and equipment maintenance in the new Government policy on payment of VAT on Government projects. Civil society organizations believe whereas the combination of health care and taxation is a good revenue generator for the government, it imposes a heavy burden on the health of Ugandan citizens. Failure to cater for VAT results in failure to provide adequate service delivery to marginalized persons due to seizing of medical equipment that defeats the purpose of imposing the tax. The fundamental purpose of government should be to improve the quality of life of all their countries' people and the health of the poorest of them requires special consideration.

Furthermore, the Parliament Budget Committee in its report on the National Budget Framework Paper FY 2016/17 recommends that an additional 69.65bn be provided to cater for VAT and counterpart funding of the items in the National Budget Framework Paper FY 2016/17. We await to scrutinize the Ministry of Health Ministerial Policy Statement to check if the committee recommendation has been adopted by the Ministry.

In order to minimize the tax arrears, in her 2014/15 budget speech, the then Finance Minister Hon. Maria Kiwanuka proposed that all goods and services procured by government and donors will be taxed beginning the financial year 2014/15. However sectors such as health still grapple with VAT arrears particularly on medical equipment. While defending the Ministry of Health proposals as indicated in the national budget framework paper for the financial year 2016/17, the Minister for Health Hon. Elioda Tumwesigye in December 2015, condemned the Uganda Revenue Authority's (URA) uncompromising policy on payment of Value Added Tax (VAT), stating the measure is terribly hurting the health sector's chances to receive donations from development partners.

"Normally, when organizations and individuals in foreign countries donate equipment, medicine or vaccine to Uganda, it is the Ministry of Health's responsibility to pay VAT on these donations and the challenges is often time the Ministry doesn't have this money and forcing URA to either impound or threaten to impound the donated equipment". Stated the Minister.

According to the CSBAG analysis of the National Budget Framework Paper FY 2016/17, The Ministry has a funding gap of Ushs 69.65bn for counterpart funding (Ushs 47.77bn) and VAT (Ushs 21.88bn). In addition, the change in VAT Policy requires MDAs to budget for items tax inclusive has affected a number of projects in the sector creating additional funding pressures without provision of funds.

Specifically, Ministry of Health has a funding gap of UGX 2.6bn for VAT incurred on rehabilitation of hospitals and supply of medical equipment in the Western region of Uganda. Another 15.9bn will be required. This is arising out of the change in VAT policy and Ushs 4.8 bn counterpart funding obligations towards the rehabilitation at Mulago (Kawempe, Kirudu) which is scheduled to end in December 2016. The other required funding is Ushs