



CSBAG BUDGET NEWS BRIEF



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Advocating for a People Centered Budget that Dignifies Humanity



QUICK FACTS ABOUT THE AMENDMENT OF SEC 21 (1) OF INCOME TAX ACT!

FACT 1: Introduction

The Income Tax Amendment Bill 2016 was passed by Parliament and sent to President for his assent. In May 2016, the President sent it back to Parliament asking them to reconsider the controversial proposal regarding **“exempting employment income of Members of Parliament EXCEPT Salary”**

FACT 2: Understanding ‘Employment Income’

Sec 19 of the Income Tax Cap.340 Defines ‘Employment Income’ as *“any income derived by an employee from any employment and includes the following amounts, whether of a revenue or capital nature –*. This includes wages, salary, leave pay, gratuity, bonus, the amount of any travelling, entertainment, cost of living, housing, medical or other allowances, the value of any benefit granted.

FACT 3: Government Expenditure on MPs in FY 2016/17

According to the approved budget estimates FY 2016/17, the projected total expenditure on Members of Parliament is UGX 239,590,669,000. UGX 178,133,905,000 will be spent on MPs’ Allowances and UGX 61,456,764,000 will be spent on MPs’ salaries.

What an MP earns on a monthly basis?

- Basic salary – UGX 2,600,000
- Constituency Allowance – UGX 4,054,000
- Subsistence Allowance – UGX 8,580,000
- Town Running Allowance – UGX 1,062,500
- Mileage Allowance – UGX 11,672,000**
- Gratuity (30% of total earnings) – UGX 4,888,950*

Source: *The Parliament of Uganda’s Summary Report dated 30th August 2014*

* 30% is charged on total earnings excluding only sitting and Mileage allowance | **Mileage Allowance for an MP from Adjumani

Fact 4: What the Proposers of the Amendment are saying

Members of Parliament while pushing for this amendment have emphasized the following points;

- That indeed they have always paid Pay As You Earn (PAYE) on their salary;
- That they have so many responsibilities back in their constituencies;

FACT 5: What the Public Should be asking

1. Do other employees in Uganda (other than MPs) earn certain allowances other than salary?
2. If indeed other employees in Uganda earn other allowances, are their allowances being taxed?
3. If the MPs have realized that taxing “other allowances” is detrimental to their NET TAKE HOME PAY, isn’t the treatment also detrimental to other employees in Uganda?
4. Shouldn’t the MPs consider revisiting the entire “TAXATION of EMPLOYMENT INCOME” provisions in the current law?
5. Is it only MPs who have huge responsibilities back home?

FACT 6: Conclusion

1. If taxing MPs’ allowances is affecting their take home pay, this situation applies to every Ugandan who is earning allowances on top of their salaries. The issue should therefore be looked at wholesomely **by looking at Section 19 and Fifth schedule carefully before amending for only a certain category of employees**. MPs are acting selfishly by only looking at themselves yet the current bad law (if bad anyway) is affecting everyone.
2. The current provision already exempts certain incomes/allowances from taxation. For example, the case of a reimbursement or discharge of expenditure incurred by an employee on travel, accommodation, meals while undertaking travel in the course of performing their duties.
3. Some of these current provisions are also applicable to MPs as employees. As such, they should look at the current provisions and see where some of their allowances can fall.
4. In July 2012, Parliament passed an amendment where an employee who earns more than 10million Ushs in a month pays 40% as PAYE. This is probably one of the highest PAYE rates in the world. **How can the same Parliament that passed a PAYE rate of 40% turn around and exempt their own income/allowances from tax considering that under the new proposal only an MPs’ salary currently at Ushs 2,600,000 would be taxed and the rest of the allowances would go untaxed.**