

PETITION OF THE UGANDA CO-OPERATIVE SAVINGS AND CREDIT UNION LIMITED CHALLENGING THE IMPOSITION OF TAX ON SAVINGS AND CREDIT COOPERATIVES AS PROPOSED UNDER THE INCOME TAX (AMENDMENT) BILL, 2018

PETITION

THE PARLIAMENT OF THE REPUBLIC OF UGANDA

(Moved under Rule 30 of the Rules of Procedure of the Parliament of Uganda)

THE HUMBLE PETITION by Uganda Cooperative Savings and Credit Union challenging the imposition of tax on Savings and Credit Cooperatives (SACCOs) as proposed under the Income Tax (Amendment) Bill, 2018 presented by **HON. HELLEN ASAMO representing PWDS Eastern Region**

STATES AND SHOWETH THAT:

1. Your Petitioner is the National Association of Savings and Credit Organizations, established in 1972 and registered as a cooperative under the Cooperatives Act of 1991; it has one thousand two hundred and sixty five (1265) members comprised of community, institutional and enterprise based SACCOS across the Country;
2. Your Petitioner has a core mandate of fostering the organization and development of SACCOs in Uganda and specifically objective (d) of its registered bye-laws obliges it to promote and advocate for legislation required for the preservation and improvement of SACCOS in the Country;
3. Your Petitioners state that in 2017, Parliament passed an amendment to the Income Tax Act, Chapter 340 of the Laws of Uganda where in under Section 21 (1) (ad) SACCOs were exempted from payment of tax for a period of ten years effective 1st July 2017 up to 30th June 2027 with the rationale of promoting savings among Ugandans, especially rural areas;

4. Your Petitioners further state that since the exemption was granted in 2017, SACCOs have indeed mobilized more members, savings, share capital and equity, there by increasing the volume of loans extended to members; SACCOs have also made a significant contribution to employment and wealth creation, inclusive growth and increased taxable income;
5. Your Petitioners aver that to their detriment, before the lapse of the ten years of exemption, government is proposing through the Income Tax (Amendment) Bill, 2018 to impose a tax on SACCOs thereby reversing Section 21 (1) (ad) of the Income Tax Act, which was amended only last year in 2017;
6. Your Petitioners further aver that the proposed reversal of the exemption is retrogressive and will disrupt the SACCO sector and the financial system since SACCOs play a leading role in mobilizing savings from their members most of whom cannot access financial services in the formal sector and further that SACCOs have already made long term commitments such as borrowing for on lending to members with the assumption that the larger cash flows from tax exemption will enable the members fulfill their obligations and that not only is it difficult to cancel such a commitment, but will destabilize SACCOs and undermine their reputation;
7. Your Petitioners are cognizant of the fact that they contribute to the Government's tax revenue in a sense that SACCOs deduct and remit income tax (Pay as you Earn) from employees and Board members, SACCOs deduct and remit to District local governments' local service tax from employees and that members pay withholding tax on interest earned on their savings, dividends earned on their shares and stamp duty on each loan agreement;
8. That your Petitioners have reservations on the proposed reversal of the exemption because the tax exemption motivates

members to buy more shares, increases savings and develops SACCOs capacity to mobilize domestic Capital; the exemption allows SACCOs to keep more capital hence reduce the necessity to borrow externally from government thereby saving it from external borrowing in order to lend to SACCOs;

9. That the exemption allows SACCOs to grow, create employment and wealth, and hence contribute to increased taxable income;

THEREFORE, your humble petitioners pray that:

Parliament urges Government to reconsider its proposal in the Income Tax (Amendment) Bill, 2018 not to tax SACCOs and maintains the status quo in the Income Tax Act.

AND your petitioners as in duty bound will ever pray;

AND hereto your humble petitioner's representatives have appended their signatures.