



## #HaveYourSay

Twitter Chat Report  
29th May 2020

### Analysing the NSSF (Amendment) Bill, 2019

#### Background

The policy behind the NSSF (Amendment) Bill is to expand social security coverage by making contributions to the fund compulsory for all workers in the formal sector and also to allow informal sectors to make voluntary contributions. Also, the Bill seeks to widen the benefits available to workers and improve the management of the fund. However, there are specific clauses in the Bill that have caused controversial views from the public. On this background, CEPIL held a tweet chat to discuss some of the provisions of the NSSF (Amendment) Bill, 2019, on Friday 29th May 2020

# SUMMARY

The discussion was intended to expound on the provisions of the Bill and the subsequent impacts. For a more fruitful conversation, CEPIL sought out for experts endowed with knowledge on social security to lead the deliberations. The Identified expert included:

Ms. Grace Mukwya, The Executive Director Platform for Labour Action



Ms Waswa Rita Nansasi  
Director Legal Services Uganda  
Retirement Benefits Regulatory  
Authority

Mr. Bernard Oundo Partner  
Oundo & Co. Advocates



Mr. Zziwa Herbert; Journalist; NTV  
Uganda

## Parameters of Discussion

The tweet chat was guided by the following questions posed to the different panellists alternately

- In light of the policy, what is the importance of having a representative of the workers on the Board, and how has failure to have a representative been a disadvantage to the workers?
- What is the rationale behind taxing members benefits at the point of receiving it, and how is this move against the principle of double taxation?
- It is the policy that all employers with five or more employees must make contributions, what is the rationale behind this, and how can we make contributions compulsory for employers that do not meet the criteria?
- Does the limitation as to who can contribute pose a violation on the right to social security?

- What parameters are being put in place in place to include all employers under the formal sector to contribute to social security?
- In your opinion, what other issues have been addressed by the Act that needs to be addressed, and what is your recommendation to the policy and la makers in regards to this?

## The Highlights

- The role of any board for social security is to oversee the finances of the scheme
- Having a representative of workers is ideal for promoting and preserving members' interest on the NSSF Board. The URBRA Act 2011 requires a third of the Board to be comprised of member representatives and a third, employer sponsor representatives. The Board could also have independent trustees.
- Workers' representatives should also be able to monitor and report back to fellow workers.
- She noted that if one retires at 60 years, then they do not meet the tax burden at all. However, this proposal is indirectly changing and forcing members to access their savings at 60years instead of 55years.
- Taxing the members at the point of receiving the benefits contravenes the current section 21(1)(0) of the Income Tax Act, which exempts lump sum payments made to a resident retirement fund or dependent of the member of the fund.
- From the workers' perspective, there is no rationale for taxing the benefits at the point of receiving them; however, according to the proposed tax structure, which is Exempt Tax Exempt (EER), there would be no double taxation.

## The Highlights continued

- The clause on invalidity benefits should be made more flexible to enable those with long term illnesses and are incapable of working anymore to access their savings.
- Midterm access should be extended even to those that are below 45 years. The parliament's committees have only considered those who are above 45 and have saved for more than ten years.
- The movers of the Bill argue that benefits are an income, but this does not seem right since the money is already taxed in the form of PAYE when the saver is still in active practice.
- Taxing the benefits also defeats the sole purpose of NSSF, which is Social Security after employment.
- The NSSF Act 1985 does not make express provision for the representatives of workers, employees, and other stakeholders on the Board.
- The NSSF (Amendment) Bill, 2019, makes express provision for the representation of workers, employers, and other stakeholders.
- This is very important to ensure that every decision reached at by the Board takes into consideration workers' concerns.
- Today, we follow a Tax Tax Exempt (TTE) model. Tax income of workers, free benefits. Exempt Tax (EET) has been proposed as a more attractive option. Exempt worker's income, exempt investment income, tax final benefits.
- The critical point for me is that we require adequate incentives to encourage people to save more for the long term if we believe that saving is a critical component of economic growth. The idea is to wean the economy from external loans and maintain investment funds.
- We need to look at this from the perspective of our pension history that can be traced back to the colonial era. The public pension was first designed for officers serving in the military to address possible permanent injury and retirement.
- This pension was later extended to teachers and eventually scaled the entire civil service. The private sector was never covered partly because it was small at the time. Nevertheless, the gap was noticed, and the NSSF Act was intended to cover this emerging sector.
- The Universal Declaration of Human Rights 1948 provides for everyone's right to social security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in the circumstances beyond one's control.
- Countries in the East African Community have different taxation models for retirement benefits. However, there is an ongoing study in the community aimed at harmonizing taxation of retirement benefits to enable accumulation and preservation of retirement funds.
- Ugandans should save, whether they are formally employed or not. Old age poverty applies to all. There are 68 licensed retirement benefits schemes that Ugandans can save with. Lacking a monthly income should not be an excuse for not saving.
- URBRA raised several issues that should be included in the Bill, including streamlining the governance aspects of the fund, including term limits on the tenure of the Managing Director and the Deputy Managing Director, treatment of reserves maintained by the fund.



## Comments from the Public

- NSSF would not be suffering from compliance challenges if the scheme was adequately managed and ran right from the start. Otherwise, with all stakeholders brought on Board and the funds managed adequately to the satisfaction of the savers, the sail will be smooth.
- A window has been introduced to enable members to make additional contributions voluntarily. This will significantly enhance their social security. Additionally, the Government is undertaking broader sector reforms that are aimed at expanding coverage of retirement savings.
- The right to social security should be available to all. Social Security is an aspect that would deal with the most financial and future struggle of workers in all fields.
- It would be very unbecoming of NSSF to keep a blind eye and allow the clause that pushes for the taxation of the workers' savings to stand.
- The ongoing debate exposes the challenges workers face-saving with the fund; that alone will make them more hesitant to save voluntarily. Even the bill is silent on how midterm access will be one for such savers.



Join us every Friday, 10:00 am to 11:00 am @cepil\_uganda with #HaveYourSayUg for insightful discussions on relevant issues affecting the public today

For more information go to our website on [www.cepiluganda.org](http://www.cepiluganda.org)