



HRM/155/222/02

19<sup>th</sup> May, 2022

**URGENT**

All Accounting Officers (Central and Local Governments)

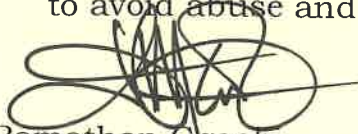
**CIRCULAR ON THE MANAGEMENT OF NON-STATUTORY DEDUCTIONS ON THE GOVERNMENT PAYROLL**

1. Please refer to my earlier letter of even reference dated 1<sup>st</sup> April, 2022 in which I instructed you to delete all non-statutory deduction codes from the Government Payroll with immediate effect due to reported inefficiencies such as; arbitrary deductions, non-remittances of deductions and the resultant wage overruns.
2. I have since received mixed reactions to this Circular. As such, I set up a committee which has submitted a report with recommendations to improve management of Non Statutory Deductions on payment to benefit both the lenders and the borrowers.
3. Based on the Committee report on the review of the process of managing non-statutory deductions, I wish to clarify that since there is a running Agreement between Government and Uganda Consumer Lenders' Association (UCLA)/Uganda Bankers' Association (UBA), the single deduction code shall remain on the payroll until January 2023.
4. Accordingly, all Accounting Officers are requested to comply with the following:
  - (i) Clear ALL outstanding remittances of non-statutory deductions for March 2022, April 2022 and May 2022, to the respective Financial Institutions immediately;
  - (ii) Ensure that both net salary and deductions are paid at the same time on the IPPS/HCM and the IFMS. Failure to adhere to this will lead to sanctions of individual Accounting Officers;
  - (iii) In line with the decentralization policy on payroll management, any new loan deductions must be initiated and approved only by the Accounting Officer on the IPPS/HCM.

Mission

"To formulate sound economic policies, maximize revenue mobilization, ensure efficient allocation and accountability for public resources so as to achieve the most rapid and sustainable economic growth and development"

5. On the part of Financial Institutions, these shall be required to do the following:
- (i) Provide comprehensive information (amortization schedules, monthly loan statements, loan completion certificate) relating to acquisition of loans in terms of requirements and implications to the Public Officers and responsible Officers; and
  - (ii) Adhere to the end dates of the loan repayment period for each Public Officer.
  - (iii) Make use of available data to ensure that Loans which are currently repaid through standing order should be included in the affordability computation on the PDMS, in order to eliminate multiple borrowing beyond the limit set for Public Officers of deductions not exceeding 50%.
  - (iv) All the entities engaged in providing Financial Services including, but not limited to; large Institutional SACCOS such as WALIMU SACCOS Union, Exodus SACCO, Police Savings Association, and Prisons SACCO should all acquire licensing from the relevant financial regulator in line with the Law.
6. Arising out of the review between now and January 2023, further guidance will be made to the Service on management of non-statutory deductions.
7. The purpose of this letter therefore is to inform you as above and emphasize the need for prudent management of the payroll deduction process in order to avoid abuse and corresponding sanctions.



Ramathan Ggoobi

**PERMANENT SECRETARY/SECRETARY TO THE TREASURY**

**Copy to:**

- The Rt. Hon Prime Minister
- The Attorney General
- Hon. Minister of Finance, Planning and Economic Development
- The Hon. Minister of Public Service
- The Head of Public Service and Secretary to Cabinet
- The Deputy Head of Public Service and Deputy Secretary to Cabinet
- The Solicitor General, Ministry of Justice and Constitutional Affairs
- The Permanent Secretary, Ministry of Public Service
- The Permanent Secretary, Ministry of Local Government
- The Executive Director, Micro-finance Regulatory Authority
- The Accountant General, Ministry of Finance, Planning and Economic Development
- The Executive Director, Uganda Consumer Lenders Association
- The Executive Director, Uganda Bankers' Association

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