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CSOS PUSH FOR REGULATIONS TO IMPLEMENT BENEFICIAL OWNERSHIP IN UGANDA

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Civil Society Organizations (CSOs) have implored the Government to issue regulations for the implementation of the Beneficial Ownership (BO) laws in Uganda.

BO refers to a person who ultimately has the right to some share of a legal entity's income/assets and the ability to control its activities.

Beneficial Ownership Transparency, is an important policy tool for combating corruption, stemming illicit financial flows and fighting tax evasion.

Statistics show that Uganda is estimated to be losing UGX.2 trillion annually, to illicit financial flows, which figure experts say, can be avoided with engagement of relevant stakeholders.

Speaking during stakeholders' Tax Chat on Beneficial Ownership, organized by the Southern and Eastern Africa Trade Information and Negotiations Institute (SEATINI) Uganda in collaboration with the Civil Society Coalition on Oil and Gas (CSCO), the CSOs stressed that for proper enforcement of the BO laws such as the Company's Act, there is need for regulations by the Government.

Citing gaps in some existing laws, the CSOs said there is need to clearly define beneficial ownership.

According to SEATINI, the term BO as used in tax treaties has the same meaning as under domestic law thus subject to the legislative changes previously enacted and those under consideration.

"Uganda has made a number of strides in BO including defining a beneficial owner in the Income Tax Act in 2019. Notwithstanding the policy justifications for the changes to the definition of a BO, the income tax law raises some issues of concern regarding its relationship with Uganda's nine double tax agreements" Regina Navuga, the Programme Coordinator, Financing for Development, SEATINI Uganda, said.

Delivering CSCO's position on BO, Onesmus Mugyenyi implored the Government to enforce beneficial ownership disclosure in the country.

He said, the BO legal provisions should be re enforced with BO regulations that can support implementation of the law.

"Regulations should provide for information that should be provided when registering the company, how to access

▶ *This photo shows Regina Navuga, Program Coordinator, SEATINI Uganda speaking during a session as part of the Tax Chat on Beneficial Ownership*

This photo shows Mr. Samuel Bekoe, an expert on Beneficial Ownership giving a presentation during the Tax Chat on BO the information by the Public verification etc.," he said

Mugyenyi noted that BO transparency is important saying it reduces the use of shell companies to hide illicit proceeds to evade taxes.

The CSOs, also want the empowerment of different stakeholders with information on illicit financial flows, to be able to report such cases.

Beneficial Ownership Transparency (BOT) is increasingly gaining momentum especially based on the fact that allowing ''Beneficial Owners'' to remain anonymous has enabled the concealment of considerable questionable financial activity.

This, as many governments are demanding greater transparency about beneficial ownership. Beneficial ownership transparency has also emerged as an essential means for combating corruption, stemming illicit financial flows, and fighting tax evasion.

Presenting a paper on Placing Uganda's Beneficial Ownership Legislative Framework in the Global Context, Samuel Bekoe an expert on BO, explained how companies conceal ownership.

Bekoe revealed that some rich people, especially those in Government, hide under foreign companies who run such companies on their behalf.

According to Bekoe, such companies evade tax, by not declaring revenue and using anonymous accounts.

"They pool investors' money from different countries, protect trade secrets and store illicit wealth from prying eyes," Bekoe explained.

Using illustrations, Bekoe showed how bigshots in Government, especially from countries in Africa such as Nigeria, hide under ordinary people to register companies in their names, to amass wealth by avoiding tax and stealing public resources.

For Uganda's case, Bekoe implored the Government to consider closing gaps in the Company's Act, by establishing regulations to help in the implementation of the law.

Political will

Responding to Bekoe's presentation, stakeholders called for Political will on the side of the Government and not to look at CSOs as enemies.

"The Government must make some sacrifices if we are to achieve beneficial ownership Transparency," Robert Ssuuna, an economist, said.

The CSOs also called for enabling laws to be able to fight lack of transparency when it comes to beneficial ownership.

Moses Talibita a TJAU member said; "We need an enabling infrastructure for us to investigate and report. For anybody to whistle blow you need to have knowledge that should be taken to the market, they are the ones who interact with these people but they are left behind on information, we need to reach out to

This photo shows Mr. Onesmus Mugyenyi, Deputy Director, ACODE making a presentation during the Tax Chat on Beneficial Ownership in Uganda

This photo shows some of the participants during the Tax Chat on Beneficial Ownership in Uganda

different stakeholders, outside of the boardrooms or conference rooms, the guys on the street".

Extractive Industries

Representing the Extractive Industries Transparency Initiative (EITI) secretariat, a global standard for the good government of oil, gas and mineral resources, Edwin Kanakulya, said the participation of CSOs is central to the EITI processes, saying they provide essential support through advocacy, training, monitoring and research efforts.

He said CSOs could play a role in EITI by participating in the Governance of the EITI both locally through national multi stakeholder groups and globally through the EITI board.

“This is important, to ensure that major issues of public interest central to the EITI process are brought to the fore so that members of the public can also engage in its debate,” Kanakulya said.

In the extractive sector, EITI requires its member countries to publish the identities of the beneficial owners of companies that apply for or hold oil, gas or mining licenses, and countries have made commendable progress in meeting this standard.

Research shows that billions of dollars have been transferred in corrupt assets, complex money trails, strings of shell companies, and other legal structures behind which the so-called beneficial owners can hide.

As evidence of such activities has become known, many governments have sought to prevent the misuse of companies for money laundering or other illegal activities.

To increase transparency in business transactions, governments have begun to require the public disclosure of beneficial ownership information, that is, to reveal the identity of individuals who ultimately enjoy the benefits of property rights, even if they are not legal owners.

During the meeting, CSOs also discussed alternative tax measures for the next FY 2023/24. This engagement was supported by Diakonia, Oxfam and USAID-DRM4D.

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