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PRIVATE SECTOR POSITION PAPER ON

PAY AS YOU EARN (PAYE) IMPLEMENTATION ON SPECIALIST MEDICAL

CONSULTANTS IN PRIVATE HEALTH FACILITIES

SUBMITTED TO

COMMISSIONER GENERAL

UGANDA REVENUE AUTHORITY

BY

PRIVATE SECTOR FOUNDATION UGANDA (PSFU)

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CC: Commissioner Domestic Tax
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1. Introduction

The private sector extends its appreciation to the government for its steadfast support in fostering private sector growth in Uganda. Recognizing the importance of collaboration, the corporate sector commends the Uganda Revenue Authority (URA) for fostering productive partnerships with stakeholders and adopting a customer-centric approach to tax compliance. Since its establishment in 1995, the Private Sector Foundation Uganda (PSFU), comprising over 331 business associations, corporate entities, and major public sector agencies, has been pivotal in advocating for private sector interests. PSFU has actively promoted capacity building and engaged in advocacy, facilitating meaningful dialogues with the government to bolster Uganda's private sector as a pivotal driver of economic development and revenue collection.

2. Background:

Private healthcare providers play a pivotal role in Uganda's healthcare landscape, serving as the primary healthcare access point for 60% of the population and contributing approximately 45% of patient beds¹. These institutions are crucial for enhancing healthcare quality by providing prompt access to specialist health professionals. This accessibility translates into improved patient survival rates and superior clinical outcomes, particularly in critical care settings such as intensive care units (ICUs). Notably, private hospitals like International Hospital Kampala (IHK) report significantly higher survival rates of 50-70% for ICU admissions compared to public facilities, attributable to their advanced medical equipment and highly skilled personnel.

Specialist consultants play a vital role in both private healthcare provision and Uganda's healthcare system overall, offering specialized medical expertise crucial for delivering high-quality patient care. These consultants generally function as independent contractors instead of being fulltime employees of private health facilities given the limited numbers of medical specialists in the country. They have the autonomy to manage their own schedules, work across various institutions, and earn income based

¹ Turyamureba, M., Yawe, B. L., & Oryema, J. B. (2023). Health Care Delivery System in Uganda: A review. *Tanzania Journal of Health Research*, 24(2). <https://dx.doi.org/10.4314.thrb.v24i2.5>

on patient consultations and procedures they perform². This has also contributed to adoption and use of medical insurance in private health centres.

Recently, the PSFU members in the private health sector have expressed significant concerns regarding a new policy mandated by the Uganda Revenue Authority (URA). This policy requires private health facilities to implement Pay As You Earn (PAYE) on specialist consultants providing services through their institutions. Despite their professional autonomy, specialist consultants already bear other tax obligations under existing regulations. For example, hospitals and medical facilities are mandated to withhold 6% on payments to resident consultants and 15% on payments to non-resident consultants as withholding tax. These taxes are deducted at the source by healthcare providers before remitting payments to consultants (TheTaxMan, 2022).

The Uganda Private Sector Foundation (PSFU) has outlined critical concerns regarding the implementation of PAYE on specialist consultants within private health facilities. These concerns are summarized in a matrix table below to elucidate the significant implications of the policy.

²Lubogoyi, B., Bumaali, & Mpaata, K. (2018). Availability of specialists in hospitals and the healthcare delivery system in Uganda: The quest for intellectual capital management.

THE IMPACT OF PAYE IMPLEMENTATION ON SPECIALIST CONSULTANTS IN PRIVATE HEALTH FACILITIES

ISSUE	IMPLICATION	POLICY RECOMMENDATION	JUSTIFICATION
Increased Cost of health Care services	Implementation of PAYE on specialist consultants will lead to an estimated 30-40% increase in consultation and procedure fees. For example, according to the Guidelines for Medical and Dental Practitioners in Uganda (2017) ³ , a specialist performing a postmortem charge an average fee of Shs 800,000. With the PAYE policy, this cost would increase by 40% to Shs 1,120,000. Similarly, the fee for a specialist providing medical and dental legal reports, currently at Shs 170,000, would rise to Shs 238,000. Additionally, the cost for a specialized theatre attendant, presently at Shs 200,000, could escalate to Shs 280,000 with the new policy. The escalation of healthcare costs within private facilities exacerbates overcrowding in public health facilities and stifle access to health care as one of the key social services.	Exempt specialist consultants from PAYE regulations or implement a more flexible tax arrangement.	Specialist consultants work as independent contractors due to the nature of their work and fluctuating income. Exempting them will prevent cost increases for patients. Moreover, the country currently has a shortage of medical specialists which justifies the modus operand of private health facilities.
Reduced Accessibility	Specialist consultants are already scarce in Uganda, and their limited availability is a significant challenge for the healthcare system. The implementation of PAYE regulations would further restrict their flexibility to work	Advocate for flexible employment arrangements allowing specialist consultants	Flexibility is crucial to address the shortage of specialists and ensure they can serve multiple

³ Cardno Emerging Markets USA, Ltd. (2017). Fee guidelines for medical and dental practitioners in Uganda: Final report. USAID/Uganda Private Health Support Program. Submitted to USAID/Uganda. (Contract No. AID-617-C-13-00005, Sub-contract No. 4717-001-FFP-003). Lead Consultant: Prof. Robert Basaza. R&G Investments.

	across multiple facilities. This would exacerbate the existing shortage and hinder efforts to maintain adequate specialist care. The policy will lead to increased operational costs for healthcare providers, making it harder for them to afford and retain specialist consultants.	to work independently across multiple facilities, ensuring they can meet diverse patient needs without rigid regulations.	facilities, thus enhancing patient access to specialized care.
Quality of Health Care	Uganda's healthcare system comprises a mix of public and private providers, totalling approximately 6,940 health facilities. Among these, 45% are government-owned, 15% are private not-for-profit, and 40% are private for-profit institutions. Private healthcare providers play a critical role in enhancing healthcare quality by offering swift access to specialist services, which has been associated with higher patient survival rates and improved clinical outcomes, especially in critical care scenarios. However, the implementation of PAYE on specialist consultants is anticipated to increase operational costs for healthcare providers, potentially straining resources allocated to maintaining these elevated standards of care ⁴ .	Provide tax incentives for healthcare providers employing specialist consultants. To this regard, we propose that we maintain the current withholding tax rates on medical consultants. We also propose Public Private Partnerships especially in use of Highly specialised medical equipment available in public health facilities.	Incentives will help facilities manage the financial burden, ensuring resources are available for maintaining high-quality care and advanced medical equipment.

⁴ Turyamureba, M., Yawe, B. L., & Oryema, J. B. (2023). Health Care Delivery System in Uganda: A review. *Tanzania Journal of Health Research*, 24(2). <https://dx.doi.org/10.4314.thrb.v24i2.5>

<p>Financial Impact on Households expenditure on HC services vis-a-vis their disposable income (Shs. 5000).</p>	<p>The Ugandan government allocates only 17% of total healthcare expenditure (CHE), leading to service access and quality gaps in the public healthcare system. As a result, private health facilities have expanded, and private spending, driven by high out-of-pocket payments, makes up approximately 41% of total healthcare expenditure (CHE)⁵. This situation poses significant financial risks, especially when seeking specialized services from consultants. If this policy is implemented, the subsequent fee increases would probably be passed on to consumers, potentially preventing many Ugandans, especially those with limited financial resources, from accessing necessary services during critical healthcare situations.</p>	<p>Implement a reduced withholding tax rate and streamlined process for consultants.</p>	<p>A reduced tax burden will lessen the financial burden on households, making healthcare services more affordable and accessible for low-income populations.</p>
<p>Brain Drain and Specialist Shortage</p>	<p>The PAYE policy in Uganda's private healthcare sector could worsen the shortage of specialists, increasing their tax burden and making overseas opportunities more attractive. This could limit access to specialized care, compromise patient outcomes, and reduce healthcare revenues. The policy's enforcement could inadvertently worsen healthcare disparities and service deficiencies.</p>	<p>Establish a forum for ongoing dialogue between URA, Ministry of Health, and healthcare stakeholders.</p>	<p>Collaborative dialogue will help develop policies that address tax compliance without driving specialists away, ensuring a stable and adequate healthcare workforce in Uganda.</p>

⁵ ThinkWell Strategic Purchasing for Primary Health Care. 2021. "Uganda Health Purchasing Factsheet – May 2021" Washington, DC: ThinkWell

Conclusion

In conclusion, the implementation of PAYE on Specialist Consultants within Uganda's private healthcare sector presents multifaceted challenges that could significantly impact healthcare accessibility, quality, and affordability. This is because Uganda currently has a shortage of specialists which forces those available to work extra hours in different health facilities.

The policy risks exacerbating the existing shortage of specialists by increasing their tax burden and potentially driving them to seek opportunities abroad, thereby compromising patient care and healthcare outcomes. The anticipated rise in consultation and procedure fees under PAYE could restrict patient access to specialized services, particularly for vulnerable populations reliant on private healthcare providers.

To mitigate these challenges, it is crucial for policymakers to consider exempting specialist consultants from PAYE regulations or implementing more flexible tax arrangements. Furthermore, incentivizing healthcare providers to maintain high standards of care through tax incentives and fostering collaborative dialogue between regulatory authorities, the Ministry of Health, and stakeholders will be essential in ensuring sustainable healthcare delivery and equitable access to quality services for all Ugandans.

Based on the above, we seek an audience with you to discuss this matter further. For correspondences, please contact Dr. Julius Byaruhanga – Director Policy Advocacy on Tel: +256 774904297 Email: jbyaruhanga@psfu.org.ug.

Sincerely,

Stephen Asiimwe

CHIEF EXECUTIVE OFFICER