

# Legal Compliance Notes



## **ESTABLISHMENT OF THE NATIONAL SOCIAL SECURITY FUND**

The National Social Security Fund (NSSF) is a National Saving Scheme mandated by Government through the National Social Security Act, cap 222 (Laws of Uganda) to provide social security services to employees in Uganda. It is a scheme instituted for the protection of employees against the uncertainties of social and economic life.

### **FUNDING:**

NSSF is a fully funded contributory scheme financed entirely by employees who pay %5 of their total monthly wages and their respective employers who top it up with 10% of employees' total cash remuneration. Every member therefore saves %15 of their total monthly remuneration with NSSF.

### **INVESTMENT**

We collect member's contributions, invest them judiciously and pay commensurate benefits to qualifying members. The money collected monthly is maintained on individual member accounts, invested and it in turn earns a variable annual interest depending on the return on our investments. Our challenge is to secure and add as much value as possible to member savings while guaranteeing the member a minimum level of interest that will guard against erosion of value through inflation.

## **GUIDE FOR EMPLOYERS**

### **What is the employer required to do under the Act?**

1. To register the organization with National Social Security Fund when the employer has five or more employees.
- ii. The employer ensures that all the employees between the age of 16 and 55 years are registered with NSSF.
- iii. Remit contributions at the end of every month for which wages/salaries are paid.

### **Who is an employee?**

Employee" means any person who—

- (i) is employed in Uganda under a contract of service;
- (ii) is ordinarily resident in Uganda and is employed outside Uganda (or partly in and partly outside Uganda) under a contract of service entered into with the employer who

resides in a place of business in Uganda; or

(iii) is ordinarily resident in Uganda and is employed under a contract of service as master or member of the crew of any ship, or as pilot, commander, navigator or member of the crew of any aircraft, where the owner of the ship or aircraft (or managing owner if there is more than one owner) or the **manager resides in or has a place of business in Uganda;**

### **Who is an Eligible employee?**

Any employee of or above the age of sixteen and below the age of fifty-five years.

### **Exceptions to being an eligible employee;**

- (a) An employee employed in excepted employment;
- (b) A nonresident employee;
- (c) An employee not employed in Uganda, who is declared by the Minister to be such employee

**Who is an employee in excepted employment?**

- (i.) A worker who is entitled to exemption to contribution to social security schemes under international conventions to which Uganda is a member
- (ii.) Employment to a college or university to which the worker is entitled to benefits under any superannuation scheme. This has to be approved by the Minister in charge of social security.
- (iii.) A worker of the police forces.
- (iv.) A worker of the prisons service
- (v.) A worker of the national defense forces
- (vi.) A worker who is entitled to pensions under the pension Act, statutory or non-statutory scheme approved by the Minister in charge of social security
- (vii.) A worker on probation under 111-V11 above
- (viii.) A worker during vacation as they are undergoing full time education in university or government school/college
- (ix.) A worker who is under the age of 18 and an apprentice or is undergoing full time education university or college.

**Who is a Non Resident employee?**

- (i.) Employee not ordinarily resident in Uganda who is to be employed in Uganda for a continuous period of not more than three years or such longer period as is allowed in any particular case by the Managing Director.
- (ii.) Employers of Non resident employees in this case pay special contributions
- (iii.) These are 10% of the total gross remuneration of the non-resident employees.

**What is a wage?**

Emoluments which would be payable in cash to an employee under a contract of service.

**Mandatory Registration of employers**

- i. A qualifying employer registers by filling in an employer registration form
- ii. This form is submitted to a nearest NSSF office for electronic registration
- iii. Employer registration number is generated from the system and then a certificate of registration is issued to the employer.

**What is a standard contribution?**

A contribution of 15% to the Fund being the summation of 5% that is deducted off the worker's total wages and 10% that is added by the employer.

**Who is eligible for standard contribution?**

- (i.) Employee of or above the age of sixteen and below the age of fifty five.
- (ii.) Non-resident whose employer had paid special contributions for the three years preceding.

**What is special contributions?**

A contribution of 10% by the employer of their non residents' gross wages.

**Who is eligible for special contributions?**

- (i.) A non-resident employee who is not an eligible employee;
- (ii.) An employee of or above the age of fifty-five years in respect of whom the Minister has specifically applied this section by statutory order;
- (iii.) An eligible employee

**Mandatory Payment of Contributions by employers**

Under the section 11 of the National Social Security Fund Act, a registered employer is required to remit contributions to the National Social Security Fund for his employees every month during which he pays wages.

- The National Social Security Fund contributions must be paid by the 15th day of the following month during which wages are paid.
- The employer **must deduct 5%** from the employee's monthly wage. The term "wage" includes all allowances payable in cash to an employee under his/he contract of employment and must be based on the total, not the basic wages.
- The employer **must add for each employee 10%** of the total monthly wage making a standard contribution for an employee of 15% of the employee's gross monthly wage.

### Penalties for late payment

- (i.) Section 14 provides for fines and penalties on employers who delay making their monthly contributions.
- (ii.) 10% of the unpaid contributions is applied for every month of non-payment.

### Exemption from NSSF Contributions

#### Who is entitled to exemption of NSSF contributions?

Schedule 1 of the NSSF Act exempts certain employment services from NSSF Contributions

#### Exemptions under schedule 1

Workers employed in the following services are exempted from NSSF Contributions:

- (i.) Person exempted by virtue of international conventions to which Uganda is a member
- (ii.) Person entitled to benefits under superannuation scheme that is approved by the Minister in charge of social security
- (iii.) Member of the Uganda Police Force
- (iv.) Member of the Uganda Prisons Service
- (v.) Member of the Uganda People's Defense Forces
- (vi.) Person entitled to pensions benefits under the Pensions Act
- (vii.) Person in public service, local authority, body or corporations of public service who is entitled to pensions under any statutory or non-statutory

scheme approved by the Minister in charge of social security.

- (viii.) Person under iii to Viii who is under probation
- (ix.) Person under full time education in university or government school
- (x.) An apprentice under contract or on full time education in university or college

### Cancellation of Registration

Section 9 of the NSSF Act provided for employers to cancel their registration with the Fund

#### Who Qualifies for Cancellation of Registration?

- (i.) An employer who ceases to employ an eligible employee;
- (ii.) Throughout the two years immediately preceding his or her application under this section has employed less than the minimum number of employees required under this Act for compulsory registration,

#### What is the Procedure of cancellation of registration?

The employer applies to the NSSF Managing Director for cancellation of registration

### **NSF Clearance Certificate**

Guided by section 7 subsection 5 of the NSSF Act.

#### **Who does it apply to?**

- (i.) It applies to every employer who is applying for a business licence.
- (ii.) Every employer is required to produce a NSSF clearance certificate of up-to-date payments of due contributions issued by the Managing Director whenever applying

#### **How does it work?**

NSSF Clearance certificate is only issued to an employer who meets the following criteria:

- (i.) Is up to date on their social security contributions.
- (ii.) Has submitted a record of their workers and wages expenses for a prescribed period of time.
- (iii.) Has settled their historical outstanding issues with respect to their workers' social security contributions.

#### **Voluntary Registration of employers**

- I. Section 10 of the NSSF Act provides for employers and members to voluntarily register with NSSF.
- II. This enables you to voluntarily save with NSSF
- III. It also provides employers with less than 5 employees the opportunity to register and contribute for its employees.

### **Self Assessment of NSSF contributions**

This is the voluntary disclosure of unpaid NSSF contributions by an employer

#### **What does this involve?**

- (i.) The Fund encourages employers to assess themselves with respect to their workers' NSSF contributions.
- (ii.) The employer submits their disclosure to the Fund
- (iii.) The Fund reviews the employer's submissions and advises accordingly.
- (iv.) The employer proceeds to make payments

#### **What is in it for the employer?**

- (i.) It enables the employer to check themselves with respect to their NSSF account
- (ii.) It enables the employer to check their workers' NSSF accounts
- (iii.) The Managing Director in accordance with section 14 provides amnesty on the subsequent penalties arising out of late payments at his/her discretion.