

Legal Alert



THE NEW SKILLS DEVELOPMENT LEVY TO BE PAID BY EMPLOYERS UNDER THE TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING ACT, 2025

The Parliament of Uganda enacted the Technical and Vocational Education and Training Act, 2025 (Act No. 3 of 2025), which came into force on 15th March 2025. This legislation consolidates and replaces previous laws governing technical and vocational education and training (TVET) providers, including the repeal of the Business, Technical, Vocational Education and Training Act.

The TVET Act establishes a comprehensive legal and institutional framework to promote, regulate, and deliver technical and vocational training in Uganda. It marks a significant shift in formalizing a sector that has traditionally operated informally. Among its key provisions is the mandatory licensing and registration of all vocational and technical practitioners, including artisans such as hairdressers, mechanics, and tailors, with clear guidelines for licence renewal and penalties for non-compliance.

The Skills Development Fund

A notable feature of the TVET Act is the creation of the Skills Development Fund (the "Fund"), which has attracted considerable attention within Uganda's employment sector. The Fund is to be administered by the Technical and Vocational Education and Training Council (the "Council"). The Fund will be financed through various sources, including parliamentary appropriations and a newly introduced Skills Development Levy (the "SD Levy") under Section 111 of the TVET Act.

The SD Levy applies to employers with five or more employees and is payable monthly. It is calculated as 1% of the total gross monthly emoluments paid by the employer to employees. The term “emoluments” is broadly defined to include wages, salaries, leave pay, sick pay, payment in lieu of notice, commissions, bonuses, gratuities, and any other allowances under a contract of service.

The Minister responsible for TVET, in consultation with the Minister of Finance, is mandated to issue regulations prescribing the procedures for collecting and remitting the levy. However, as of now, these regulations have not yet been issued, which could be the reason why the collection of the levy from employers has not yet commenced.

Definition of “Employer” and Its Implications

The definition of “employer” under the TVET Act has sparked debate. Section 2 of the Act defines an employer as a person who is actively engaged in practice or production within sectors employing artisans, craftsmen, technicians, technologists, nurses, midwives, or allied health professionals. In contrast, Section 111(5) refers to the broader definition under the Employment Act, Cap 226, which includes any person employing another person under a contract of service.

This dual definition creates ambiguity. While employers in sectors like banking, IT, and NGOs may argue they fall outside the scope of Section 2, Section 111(5) potentially brings them back into the fold for levy purposes. Of course, the implementers of the law would argue that, for purposes of imposing the levy, the specific definition within Section 111 that imposes the levy should apply. This inconsistency may lead to disputes regarding levy liability and compliance and would benefit from legislative clarification.

Compliance Challenges and Practical Considerations

Although the Fund and SD Levy represent a commendable policy initiative aimed at strengthening vocational training, the statutory obligation to pay the levy is financially burdensome for employers. It will increase employment costs and may lead to adjustments to remuneration structures.

The collection and enforcement of the levy across diverse sectors, especially the informal sector, will pose significant challenges. Many employers lack proper records of employee emoluments, and some could resist compliance. Notably, the TVET Act does not specify penalties for non-compliance, which are expected to be addressed in forthcoming regulations.

Importantly, funds remitted to the Skills Development Fund will not form part of the Consolidated Fund. Instead, they will be retained for their intended purpose. The Fund will operate a dedicated bank account at the Bank of Uganda, with the Executive Director

authorized to open additional accounts for collection and disbursement, subject to approval by the Accountant General.

Conclusion

The TVET Act represents a major reform in Uganda's technical and vocational education sector. While the SD Levy is a progressive step toward sustainable funding, its effectiveness may be hindered by enforcement difficulties and definitional ambiguities. Employers should begin preparing for compliance, pending the enactment of detailed regulations governing the levy's collection and remittance.



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