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Gender Impacts of Revenue Collection in Uganda

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COMMONWEALTH SECRETARIAT

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Foreword

Gender-responsive budget analysis is increasingly becoming a tool for managing critical governance issues and for assessing the impact of economic policies on women.
Commonwealth Plan of Action for Gender Equality 2005–2015

The Commonwealth Secretariat has played a pioneering role in conceptualising gender-responsive budgeting (GRB) and initiated the development of relevant tools and methodologies. The promotion and implementation of GRB has been a key focus of the work of the Secretariat's gender programme for a number of years. Since 2005, Commonwealth Finance Ministers have committed to promoting and implementing GRB, and their meetings have reviewed progress every two years. GRB has also been endorsed by Commonwealth Heads of Government Meetings, including in the 2007 Kampala Communiqué.

This is because GRB is a key instrument in tracking how governments are investing in advancing gender equality and equity. The rationale for its use derives not only from the need to reduce gender inequality as a social justice issue but also from economic arguments based on efficiency and growth. Its importance was reflected in the themes of the Commonwealth Eighth Women's Affairs Ministers Meeting (8WAMM) in 2007 and the 52nd Session of the United Nations Commission on the Status of Women (CSW) in 2008, both of which focused on financing for gender equality and the empowerment of women.

GRB initiatives have become increasingly important in the context of globalisation and trade liberalisation, the changing nature of the aid architecture and increasing fiscal devolution to provincial or state governments and local government authorities. It is estimated that gender budget work in some form or another has been initiated in approximately 60 countries, of which at least half are members of the Commonwealth. Much of this work has focused on the expenditure side of the budget. However, and especially for those countries that have already implemented GRB initiatives, there is a need to look also at the revenue side. This means analysing the gendered impact of the revenue and tax system (not only taxes on personal and corporate income, but also indirect taxes, changes in tariffs and trade taxes and the introduction of user fees) and accounting for the care economy, focusing on the invisible contributions of women.

An earlier economic paper, *Gender Impacts of Revenue Collection: The Case of Taxation*, reviewed the literature on the gender dimensions of taxation and their implications for tax policy. It provided a starting point and framework for analysis of the nature of the differential impacts of tax systems on men and women, and emphasised the need for the design of gender-sensitive revenue measures. This paper, on the impact of tax reform in Uganda, is one of two case studies that examine these issues in the context of a specific country.* It looks at tax collection structures, the gender impacts of direct tax-

* The other is *Gender Impacts of Revenue Collection in India* by Nirmala Banerjee.

ation and the current burdens of taxation, and the impacts of user fees and value added tax (VAT). It also includes a gender analysis of the 2007/08 Budget Speech. The research involved a desk study and national-level consultations, as well as field work in two districts. Both focus group discussions and in-depth interviews contributed to the findings.

We would like to express our gratitude to Nite Tanzarn for writing this paper. We would also like to thank Debbie Budlender, who guided the process and provided detailed comments on the paper; Sarojini Ganju Thakur, Head of the Secretariat's Gender Section, who conceived and co-ordinated the project; Tina Johnson, who edited the text; and Guy Bentham, who facilitated the publication process.

We hope that this addition to the literature on the revenue aspect of GRBs will prove useful to those who are already undertaking or are considering work in this area.

Ransford Smith
Deputy Secretary General
Commonwealth Secretariat

Acronyms and abbreviations

CSO	civil society organisation
CSW	Commission on the Status of Women
FOWODE	Forum for Women in Democracy
GDP	gross domestic product
GoU	Government of Uganda
GRB	gender-responsive budgeting
G-tax	graduated tax
LGDP	Local Government Development Programme
LGFC	Local Government Finance Commission
MoFPED	Ministry of Finance, Planning and Economic Development
MoGLSD	Ministry of Gender, Labour and Social Development
MoLG	Ministry of Local Government
NAADS	National Agricultural Advisory Services
NGO	non-governmental organisation
PAYE	pay as you earn
PEAP	Poverty Eradication Action Plan
PRSP	poverty reduction strategy paper
UGLA	Uganda Local Governments Association
USh	Uganda Shilling
URA	Uganda Revenue Authority
VAT	value added tax

1

Introduction

Background

One of the most important areas of government macroeconomic policy is the national budget. The budget is a powerful policy instrument that shapes development and is thus a strategic entry point for influencing national gender responsiveness. Gender budget analyses examine public expenditure or revenue raising and link national policies and their outcomes to the gendered distribution, use and generation of public resources. The theoretical underpinning of gender budgeting is the understanding that policies, plans, programmes and budgets have different impacts on women and men (and girls and boys). By identifying the implications on women relative to men, gender budget analysis can highlight gaps between policy goals and the resources committed for their implementation. It can also elucidate unseen hindrances to reaching the stated development objectives, which can lead to reprioritisation of expenditure and revenue-raising measures.

Revenue analysis is significant because it calls attention to:

- the gendered structure of the economy;
- the gender asymmetries in the generation and distribution of resources;
- how gender structures work, including labour force participation;
- the implications of revenue policy on women and men; and
- the efficiency losses in revenue generation due to gender inequalities.

Gender-responsive budgeting (GRB) initiatives were pioneered in 1984 in Australia. Since then numerous countries around the world have carried out various kinds of GRB exercises. In Uganda, GRB was initially largely undertaken at an activist, non-governmental level. The key player was the Forum for Women in Democracy (FOWODE), which since 1999 has been combining research and activism to influence policy and advocating for gender-balanced budgets that address the needs of poor women and men, boys and girls (as well as those of other disadvantaged groups such as people with disabilities). As a result of FOWODE's activities, there is now widespread awareness and acceptance of the need for GRB.

The Government began to take an active interest in GRB in 2004. The Ministry of Finance, Planning and Economic Development (MoFPED) has prepared guidelines to assist in the preparation of Budget Framework Papers that address gender and equity issues (MoFPED, 2005), and one of the national priority poverty actions for gender mainstreaming is gender and equity budgeting analyses (GoU/MoFPED, 2004). These initiatives have provided the necessary underpinning to the Government's gender equality/equity commitments. Uganda is now categorised by the Commonwealth Secretariat as one of those countries that have progressed from analysis to action and where the process of GRB is owned by a government ministry. Other Commonwealth countries at the same stage include Australia, India, South Africa and United Republic of Tanzania.

Gender is not the only factor to be looked at in assessing budgets as this interfaces with class, ethnicity, ability/disability, religion, education level, age group and other socio-economic characteristics; the impact of revenue generation measures are not uniform on all women and all men. In order not to complicate the analysis, however, this paper focuses on gender and only occasionally highlights other diversity issues. It assesses the impact of revenue generation measures on women and men and on gender relations in general.

To date the focus of most GRB initiatives has been on the expenditure side of the budget. More recently, the Commonwealth Secretariat initiated some conceptual work on the gender impacts of revenue-raising measures (Barnett and Grown, 2004). The work highlighted three critical issues pertaining to taxation in developing countries:

1 The majority of the population in developing countries – and the vast majority of women – are poor, so adequate financing of public services is a pressing issue with special gender relevance.

2 Since taxes are governments' principal own-source of revenues, tax policy is at the heart of the public debate on what services government should provide and who should pay for them.

3 Taxes in developing countries constitute 10–40 per cent of a country's gross domestic product (GDP), which means that for every shilling earned, a significant share goes to the government. This has wide-ranging implications for all aspects of social and economic life and – matched with expenditures – determines the path and distribution of development.

In order to have a complete picture of the impact of government fiscal policy, it is important to analyse both sides of the budget. The goal of gendered revenue analysis is to identify and monitor the flow of sufficient financial resources so that gender equity is achieved in revenue generation and women and men, girls and boys benefit equitably from programmes and services (Barnett and Grown, 2004).

The paper acknowledges the politics of revenue generation: that budgets are political and, to a large extent, reflect the priorities of those in power.

Objectives, approach and structure of the study

Objectives

The major thrust of this paper is to assess the impact of national and local revenue generation measures on women and men, boys and girls. The key questions underlying the research were:

- How does gender structure revenue generation? What are the implications of unequal gender relations?
- How does revenue generation affect women's and men's consumption and production patterns and access to services?
- Does taxation exacerbate gender inequalities? Does it reduce gender inequalities?
- How can we strengthen revenue generation in an efficient and gender equitable manner?

Approach

The study employed a mix of qualitative methods of data collection that included focus group discussions and in-depth interviews. It involved a desk study and national-level consultations as well as field work in two districts. The study adapted some of the gender budget analysis tools developed for gender expenditure analysis (Budlender, Sharp and Allen, 1998), specifically gender-aware policy appraisal and gender-disaggregated beneficiary assessment.

The desk study involved a review of government documents that included revenue generation instruments. The purpose was to analyse the likely gender implications of the operational, legal and institutional framework for revenue generation. A gender-disaggregated quantitative analysis of one of the study district's government payrolls was undertaken to assess the direct tax burden on women and men.

In-depth interviews were held with 45 key informants, 14 of whom were women. These were drawn from national and local government level and included representatives of MoFPED, the Ministry of Gender, Labour and Social Development (MoGLSD), Ministry of Local Government (MoLG), Uganda Revenue Authority (URA), Uganda Local Governments Association (ULGA) and Local Government Finance Commission (LGFC) as well as district and sub-county officials and representatives of civil society organisations (CSOs) with a gender and/or economic-related mandate.

Fieldwork was conducted in Wakiso and Iganga Districts, to represent urban and rural areas respectively. While the emphasis was on the poorer segments of the population, relatively well-off members of the community were also included in order to provide comparisons. Focus group discussions were conducted with separate groups of women and men in two sub-counties per district. As far as possible, the groups included representation from the different socio-economic groupings in the community: young and old, disabled and abled, married and single. The discussions focused on women's and men's perceptions of government revenue generation in general and on the differential gender impacts of tax and non-tax revenue in particular.

The information from the in-depth interviews and the focus group discussions was coded by emerging themes. These formed the basis of the analysis and the interpretation of the findings. Whereas some basic quantitative analysis of the data has been undertaken, the study makes no claims of providing statistical evidence of the gender impact of revenue generation.

A list of the people interviewed and the community discussions held can be found at the end of the paper.

Structure

The first part of the study examines the policy and institutional framework for revenue generation from a gender perspective. This is followed by a situation analysis of women and men in relation to the work they do, the resources they have to undertake that work and how this structures the impact of different types of revenue generation. The next section turns to the gender impact of revenue generation, including a gender analysis of the Budget Speech 2007/08. The study then reports on the perceptions of women and men, policy makers and government officials as to the micro level impacts of revenue generation. The final section offers some conclusions and recommendations.

Limitations to the study

- **Lack of sex-disaggregated data:** The sex of the filer is not captured on the tax forms. For corporate returns, the business name rather than the identity of the owner is registered in the database, making it difficult to establish who exactly owns commercial enterprises.
- **Aggregation of information:** Most revenue information is presented in aggregate terms and sometimes in a generalised manner, making it difficult to assess the specific impact of various policies.
- **Complication of getting data:** There is generally an unwillingness on the part of both government officials and taxpayers to provide information. In particular, URA staff are not allowed, by law, to disclose information on a particular taxpayer without his/her knowledge and consent. They could not, therefore, release individual-level records without removing identification data.
- **Limited literature on the subject:** Most of the work done on the budget in general, and gender budgeting in particular, has focused on expenditure. All the government documents reviewed, including the fiscal instruments, have minimal information on revenue.
- **Technical bias:** There is a perception that revenue generation, especially taxation, is 'a lot of law and arithmetic' and that it is not as exciting an area as allocation of resources. As such, there are few subject matter specialists to consult.
- **External factors:** The study was commissioned at a time when the country was at the height of the presidential and parliamentary campaigns followed shortly by the budgeting process. Many key people were not available for interviews. This affected the timing of the work.

2

Revenue Generation Policy and Institutional Framework

Historical background

The roots of taxation in Uganda lie in the hut tax, which was introduced in 1900 by the then British colonial administration. The hut tax was levied on any building that was used as a dwelling-place and was payable in money or labour, enforced on a per household basis. The household in this case referred to a collection of not more than four huts in a separate and single enclosure and inhabited by a man and his wife or wives. The head of household, assumed to be the man, was responsible for paying the tax. This colonial policy greatly contributed to the delineation of the market economy from the unpaid care economy, with the latter being defined as female space. This ideology has been consolidated, heightened and reinforced by post-colonial fiscal policies, including revenue-generation regimes.

After independence in 1963, the Government instituted a series of taxation laws to guide tax administration at the central and local government level. Prior to 1991, administration of government taxes was a direct function of the Ministry of Finance. More than 60 per cent of the total tax revenue was import-dependent, and the tax revenue to GDP ratio was only 4 per cent. The Uganda Revenue Authority (URA) was established in 1991 as a semi-autonomous, central tax administration body for the assessment and collection of specified tax revenue, to administer and enforce the laws relating to such revenue and to account for all the revenue to which those laws apply. The URA also advises the Government on matters of policy relating to all revenue. The URA is charged with the responsibility of revenue mobilisation to finance current and capital development activities, to increase the standard of living of all Ugandans and reduce poverty and to increase the ratio of revenue to GDP to a level at which Government can fund its own essential expenditure.

In addition to establishing the URA, the Government also instituted policy reforms intended to make the tax system more comprehensive, efficient, effective and equitable. Gender was, however, not considered part of equity for this purpose. The specific objectives were: to broaden the tax base by bringing the hitherto difficult-to-tax areas of the economy under the tax net; to maximise tax revenue by harmonising the tax laws and rationalising tax rates; to minimise the cost of tax administration; to increase the level of tax compliance by reducing the tax burden; and to promote investment for local and foreign markets.

The above objectives are sometimes in conflict. For instance, eliminating minor taxes and consolidating others so as to reduce the number and complexity of taxes is easier to manage than having many different taxes, but it is not necessarily equitable. Simplicity does, however, enable citizens to understand what their rights and duties are and to participate in discussion around tax laws.

Macro context

The economic reforms that Uganda has been undertaking over the past 20 years have involved a shift to less government intervention and more market-oriented strategies. The overall objective of the fiscal reforms has been to reduce government expenditures as a major instrument for the control of inflation. Decentralisation, intended to improve the efficiency of service delivery, has been another element of public expenditure management. Other reforms include privatisation involving contract management and change of ownership from government to the private sector. Privatisation of service delivery, however, disproportionately affects women because most of the actual cuts in public spending are in sectors that are related to their work in the care economy, e.g., water supply, health and education services.

Domestic revenue (Box 2.1) makes up more than 70 per cent of the resource envelope in Uganda (MoFPED, 2008), with the rest coming from external donor grants and loans. Taxes are the principal own-source of revenue and contribute 13 per cent of GDP. Government's long-term policy objective is to increase domestic revenue mobilisation and reduce over-dependency on donor financing for the budget. To achieve this, it intends to increase domestic revenues by 5 per cent of GDP per annum over the medium term.

Box 2.1. Revenue generators

Government revenue includes direct and indirect domestic taxes, taxes on international trade and non-tax revenue. Direct domestic taxes include pay as you earn (PAYE), corporate tax, withholding tax, rental income tax, tax on bank interest and casino tax. Other tax heads include company income tax and a presumptive tax on small businesses introduced in 1997. Instead of paying regular income tax, a small business with an annual turnover below 50 million Ugandan shillings (USh) is subject to a presumptive tax of up to 1 per cent of its gross turnover, unless it opts to file a regular tax return. This is because many such businesses do not have complete records and cannot afford to prepare books of accounts.

Indirect domestic taxes on local goods and services include excise duty and VAT. Excise duty is an indirect, highly selective tax normally targeting a few goods such as beer, spirits and cigarettes, mainly on the grounds that their consumption has negative effects on society. Other taxes include petroleum duty, import duty, withholding taxes, temporary road licences and commission on imports. Non-tax revenue includes fees and licences: first registration of new vehicles and renewal of licence, drivers' permits, and stamp duty and embossing fees. It also includes revenue collected by Government from the sale of books, passports, work permits and the like.

Uganda has a very narrow revenue base, especially for direct personal income tax. This is attributed to the large size of the informal sector, lack of reliable data on taxpayers and uneven income distribution. The economy is characterised by a substantial share of agriculture in total output and employment (the country is 95 per cent dependent on subsistence agriculture); by large-scale informal sector activities and occupations; by many small establishments; by a low share of recorded wages in total national income, with many workers paid in cash 'off the books'; and by a small share of total consumer spending in large establishments that keep accurate records of sales and inventories.

The absence of reliable data limits the effectiveness of tax administration. A significant proportion of the population does not pay direct taxes. Many (38 per cent) live below the poverty line, while others find the high rates (because of the narrow tax base) an incentive for tax evasion. Income distribution is highly uneven with a rising Gini coefficient, which implies that for revenue collections to generate high amounts, the top deciles have to be taxed significantly more proportionally than the lower deciles.[1]

Uganda has been pursuing an aggressive policy of reducing taxes to increase competitiveness, improve incentives for export activity, facilitate tax administration and promote taxpayer compliance. Many observers believe that the primary focus of these measures has been to maximise revenue generation. Issues such as redistribution, equity and influencing production and consumption patterns are deemed to be secondary considerations.

The Poverty Eradication Action Plan (PEAP)

The Poverty Eradication Action Plan (PEAP), the equivalent of the Poverty Reduction Strategy Paper (PRSP) in other countries, is the overarching national planning framework that is supposed to guide public action to eradicate poverty. Since its inception in 1997, it has provided an indication of the national focus of revenue generation. The third PEAP, issued in 2005, acknowledges that Uganda has one of the lowest revenue to GDP ratios in sub-Saharan Africa (12.1 per cent), but also appreciates the fact that major tax reforms have already been implemented.

The PEAP recognises that improvements in tax administration will enhance the efficiency of revenue collections as well as the operating environment for the private sector. However, this alone is unlikely to achieve the necessary revenue growth to maintain government expenditure. The PEAP thus suggests that tax increases will be needed in order to finance the priority public expenditures required to reduce poverty. This, though, is likely to make the tax system progressively more regressive and damaging to poor women and men.

The PEAP acknowledges the significance of addressing gender inequalities and calls, inter alia, for the review and reform of discriminatory legislation in general. In particular, it highlights women's time poverty arising out of their major domestic burden, gender differences in utilisation of services, women's insecurity of access to land, and domestic violence. Actions to enhance gender equality are prioritised among those needed to boost growth. It thus provides the necessary overall policy guidance for engendering revenue generation.

Budget policy

On an annual basis, the Government states a number of measures that need to be undertaken in order to increase revenue without undermining macroeconomic stability and poverty eradication. For the most part, these measures include changes (increases) in the tax rates. The Government identifies one of the most significant challenges for budget policy as ensuring that tax policy contributes to poverty reduction not only through generating more revenue for public expenditure but also through improving fairness in income distribution. Its primary objective is supposed to be avoiding making the poor worse off through taxation. There is also a principle that taxes should not create an excess burden by diminishing the motivation for earning income and/or inhibiting consumption, nor should they encourage substitution of higher cost domestic production by lower-cost imports. This implies that tax policy will not aim at higher tax rates simply to raise more revenue to GDP. At the same time, raising this ratio is absolutely important for budget policy for fiscal consolidation (GoU, 2006).

The practice seems to differ from the intended policy objective, however. The budget strategy hinges on efficiency at the expense of equity. Whereas improved production and privatisation are essential for growth, these in themselves will not result in gender-responsive development.

Revenue generation structure

Uganda's revenue generation structure is basically centralised. The Government is responsible for the management of most of the major taxes, including all the indirect taxes. The revenue thus collected is put into a Consolidated Fund from which budgetary allocations are made. Disbursements to local governments are made in the form of unconditional, conditional and equalisation grants. Unconditional grants are given for decentralised services. Conditional grants are supposed to finance priority programmes such as primary health care and rural roads. Equalisation grants are given to those local governments that are disadvantaged relative to others due to geographical, historical, security or other reasons to put them at par with the rest of the country. The advantage of a centralised structure of revenue collection is that it allows for redistribution of resources from the richer to the poorer regions, many of which have a higher proportion of women.

Parliament is the supreme authority in revenue generation. No tax is supposed to be imposed except under the authority of an Act of Parliament. The parliamentary budget office advises Parliament on all aspects of revenue generation. At the national level, the MoFPED is charged with financial policy formulation, which involves making proposals for new or amended tax bills. The Ministry also sets targets for revenue collection based on assumptions about the economy, the need to raise revenue and the need to obey some conditionalities of the International Monetary Fund and World Bank (e.g. in relation to deficit reduction), as well as World Trade Organization rules in respect of what can be done in terms of trade taxes. The assumptions include exchange rates, GDP growth, inflation and volume of growth for imports. Gender is not given any specific consideration in the assumptions.

Central government level

The URA is responsible for the administration of all Government revenue. In terms of gendered representation, the Authority is headed by a woman and two of its five commissioners are female. As at June 2005, women accounted for 36.2 per cent of URA staff. Discussions with the staff suggest that gender is not explicitly taken into consideration during tax administration. For instance, tax returns are not sex disaggregated, making it difficult to assess the impact of revenue generation on women separately from men across the different tax categories. Further, being a woman does not necessarily translate into gender sensitivity – otherwise, as one key informant suggested, all the revenue generation instruments would be responsive to gender, seeing that there is a woman at the helm of the URA.

Since the URA was established, average daily collections of revenue have steadily risen from USh0.73 billion in 1991/92 to 7.79 billion in 2004/05.[2] Local government informants attribute this growth to a stable tax system, with minimal interference from the state. In contrast, local revenue collection continues to perform poorly. The same informants attributed this to political interference from the Government, a limited tax base, corruption and poor tendering processes.

Local government level

There is an almost identical but parallel structure for local government revenue generation, defined by the Local Governments Revenue Regulations. Revenue rates are set by the MoLG, while recommendations on revenue and fiscal mechanisms are made by the Local Government Finance Commission (LGFC). The specific roles of the LGFC are: (i) to advise the President on all matters concerning the distribution of revenue between the Government and local governments and the allocation to each local government of money out of the Consolidated Fund; (ii) in consultation with the National Planning Authority, to consider and recommend to the President the amount to be allocated as equalisation and conditional grants to each local government; (iii) to consider and recommend to the President potential sources of revenue for local governments; and (iv) to advise local governments on appropriate tax levels to be levied. In 2006, the LGFC initiated a process of engendering its work but it is constrained by lack of (gender) technical capacity.

Under decentralised governance, local government plays a central role in the operationalisation of national and sectoral policies, strategies and programmes. Uganda is currently divided into 78 districts that constitute the local government system, each with five levels: the district (local council), the county, the sub-county/town council, the parish and the village. Each level has an executive committee. The district and the sub counties are local governments with legislative and executive powers while the rest are administrative units.

Local governments have the power to levy, charge and collect fees and taxes, including rates, rents, royalties, stamp duties, personal G-tax (see below) and registration and licensing fees. A local government may also collect fees or taxes on behalf of the Government, for instance, ground rate on national properties, a portion of which it can retain as may be agreed upon. A village council may, with the approval of the sub-county council, impose a service fee on households in the course of execution of its functions such as providing security to the community. Local governments are required to draw up a comprehensive list of all their internal revenue sources and maintain data on potential collectable revenues. None of the data sources observed in the two study districts were gender disaggregated.

Local governments have privatised collection of revenue such as street parking fees, market dues and garbage collection dues. While privatisation has resulted in more efficiency of revenue collection and more reliable revenue flows for local governments, the direct beneficiaries are the private firms themselves. Bidders are required to have registered firms and pay a non-refundable fee. Before the suspension of the G-tax, some local governments would require that bidders possess a G-tax certificate. All these requirements are likely to exclude women.

The G-tax

Until 2006 every district or urban local council was supposed to levy an annual graduated tax (G-tax) on every male person of or above the apparent age of 18 years and on female persons of or above the apparent age of 18 years who were engaged in any gainful employment or business. The G-tax reinforced many of the erroneous assumptions underlying the gender distribution of labour (Box 2.2). While, in theory, men were the majority of those paying G-tax, anecdotal evidence suggests that many women shouldered the responsibility of meeting this tax obligation for 'their' men, husbands and companions alike. Almost all key informants recounted cases of women bailing their G-tax defaulting men out of prison.

Box 2.2. Gender bias in the G-tax

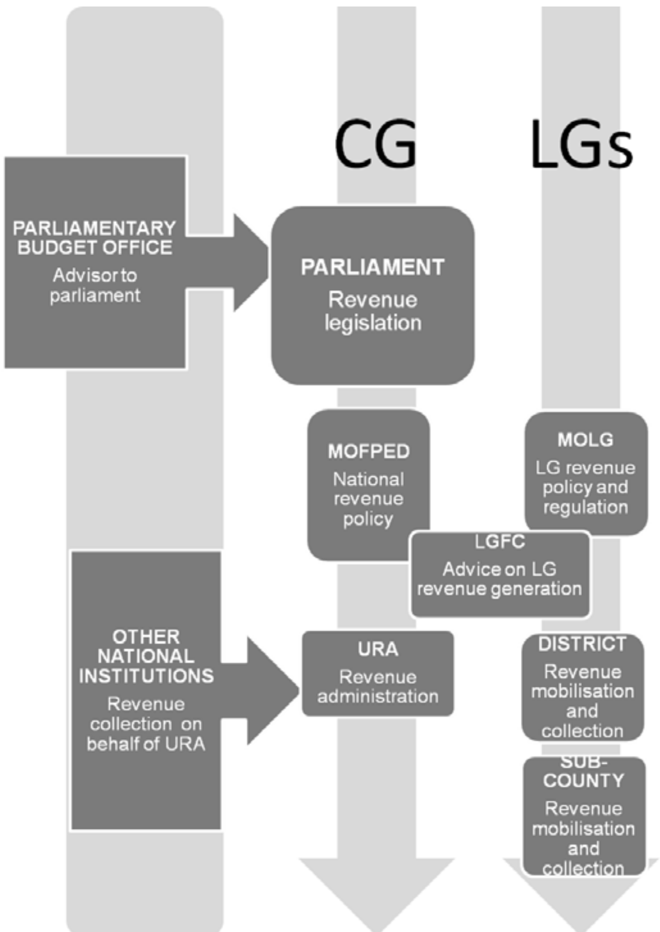
As far as eligibility is concerned, the G-tax assumes that all adult males are gainfully employed, which is not necessarily the case. Persons potentially exempt from payment of G-tax included those unable to pay due to poverty arising out of old age, infirmity or other good cause.

Whereas the tax is sensitive to women, acknowledging that not all of them are paid for their work, it nonetheless reinforces the gender division of labour and perpetuates the stereotype that women are not engaged in economic activities.

The G-tax was a crude personal income tax, a successor of the hut tax, calculated on the basis of estimated earnings from agriculture or livestock as assessed by a committee appointed by the district council. Whereas, it was supposed to be a graduated tax, it never effectively became a progressive tax. A large part of the population effectively fell within the same income brackets so that the real graduation was relatively small (Livingstone and Charlton, 1998). In addition, the tax ceiling was low so that people above a certain income all paid the same. The maximum rate of the tax was USh100,000 annually so, for example, a teacher earning USh100,000 a month would pay the maximum rate and so would a Member of Parliament earning close to USh5 million a month. Furthermore, the single flat rate, rather than the scale, was often applied in practice so that the tax burden fell disproportionately on the poor.

Figure 2.1 offers a schematic overview of the different interests at play in revenue generation.

Figure 2.1. Institutional structure for revenue generation



Key: MOFPED Ministry of Finance, Planning and Economic Development; MOLG Ministry of Local Government; LGFC Local Government Finance Commission; URA Uganda Revenue Authority; CG Central government; LG Local governments.

Revenue generation laws and policies

Uganda does not have a comprehensive policy for revenue generation. The main instruments are the taxation laws, which at the national level include the Income Tax Act 1997; Value Added Tax Act 1996; Excise Tariff Act; Finance Act 1989; Stamps Act; Traffic and Road Safety Act, 1998; Customs Tariff Act; East African Customs and Transfer Tax Management Act; and East African Excise Management Act. An analysis of the regulatory tax system suggests that its purpose is to generate revenue, promote investments and encourage savings. No regulation contains explicit gender bias or discrimination. For the most part, the laws do not take cognisance of the potential different impacts of tax provisions on women and men.

A major tax policy reform has been fiscal decentralisation. Its overall objectives are to increase local governments' autonomy, widen local participation in decision-making and streamline fiscal transfer modalities in order to increase their efficiency and effectiveness. The focus is on providing direct financial incentives for local governments to increase local revenue, and on ensuring that local revenue contributes meaningfully to local development. To that end, there is a statutory obligation of co-funding of some initiatives such as Local Government Development Programme (LGDP) II and the National Agricultural Advisory Services (NAADS) Non Sectoral Conditional Grant for the Plan for the Modernisation of Agriculture, which call for a contribution of 10–20 per cent of the project costs by the local government.

All these programmes require that gender is explicitly addressed and their design, particularly that of the LGDP, provides scope for addressing gender inequalities in the operations of local governments. Under the LGDP, gender sensitivity is one of the nine performance criteria that district and sub-county local governments have to fulfil in order to access funds. Compliance with gender mainstreaming, among other performance measures, is ensured through a system of reward and penalty. A recent audit of NAADS and the LGDP has demonstrated that fiscal processes that are explicitly gender sensitive result in positive outcomes for women and men (Tanzarn, 2007).

A more recent (July 2005) reform has been the suspension of the G-tax discussed above for a period of 10 years to allow for studies to determine whether to abolish or retain it. According to the Acting Commissioner, Local Authorities Inspection, the tax was suspended because the Government 'believed that it was promoting disharmony and killing decentralisation – people were being brutalized, tortured and killed. People lost property because of the excessive force used in its collection. The method of assessment was also not transparent and most of the money collected was mismanaged.' On the other hand, however, suspension of the G-tax has affected fiscal decentralisation – it has resulted in a reduction and destabilisation of local government revenues and is perceived to be inhibiting local development. The net collection from the G-tax used to be an average of USh60 billion per year, but in 2005/2006 the Government was only able to compensate local governments with half the amount. Besides, compensation means trading off some development priorities such as energy, universal secondary education and rural development, some of which have clear gender gains. A key informant at the central level argued that this is 'a disaster' that is resulting in a 'vertical fall of services' mainly affecting the poor, the majority of whom are women.

To replace the G-tax and broaden local governments' revenue base, Government announced a new Local Service Tax in its 2007/2008 budget speech. This tax is supposed to be levied on wealth and incomes of people in gainful employment, self-employed and practising professionals, self-employed artisans, businessmen and women and commercial farmers. A number of persons are exempted, including members of the Defence Force, the Police Force, the Prisons Force and local defence forces, as well as unemployed persons, peasants and people who are unable to earn a minimum income to access the basic necessities of life.

The proposed tax appears to be equitable in the sense that it will be levied on the segments of the society who can afford to pay it. It is also more gender sensitive in that, unlike the G-tax, women are explicitly mentioned among the taxpayers. Considering that men constitute the majority of the paid labour force, they are likely to contribute more to this tax than women, but they are also likely to constitute the majority exempted from payment.

Despite such reforms, some of the laws pertaining to local governments, such as the Markets Act 1942, are very old and do not match current trends including decentralisation and the development focus on poverty eradication. This has greatly affected the revenue generation of local governments and had a negative impact on taxpayers, especially women.

3

Mapping the Gendered Terrain

Women and men occupy different and unequal economic and social positions and roles; they undertake different activities, face different constraints and accordingly make different choices (Sharp, 1999). In order to understand what the implications of different types of revenue generation are on women and men, it is important to analyse the dynamics of unequal gender relations in the economic sphere.

Gender and work

The economy is a gendered structure with two distinct yet inter-related sectors: the market and the (unpaid) care economy. The unpaid care economy involves work such as: cooking; cleaning; taking care of the young, the sick and the old; fetching water; and collecting fuel wood. Work in the care economy underpins the market economy. Women carry out the reproductive and nurturing functions that maintain and sustain the labour force. Most of the work in the care economy is done by women, and government revenue generation measures such as user fees in government health facilities and privatisation of service delivery have greater implications for them than for men.

An analysis of the market economy reveals gender differences. Women face various inequities in the labour market including occupational segregation in low-paying jobs and contingent work and the 'glass ceiling' in professional employment. In 2003, 51 per cent of employed women earned USh40,000 per month or less, compared to 44 per cent of employed men. As regards underemployment (working on economic activities for less than 40 hours a week), 75 per cent of the women compared to 55 per cent of the men fell into this category. The 2006 Demographic and Health Survey reports that 'Men are more likely to be paid in cash (34 per cent) for their work than women (19 per cent). Women are more likely to work but not receive payment (30 per cent) compared with men (13 per cent)' (Uganda Bureau of Statistics, 2006).

Eighty-one per cent of women and 94 per cent of men are employed. Among women who are currently employed, 75 per cent are engaged in agriculture. The percentage for men is 69 per cent. More men (5 per cent) than women (3 per cent) are likely to be employed in the professional, technical and managerial occupations that require more skills and have higher income-earning potential (see Table 3.1).

Most work in the subsistence and care economy is undertaken using unskilled labour and without the benefit of energy- or labour-saving technology, suggesting that the returns on women's labour are minimal. Most Ugandans do not earn a living wage, and thus production for own consumption and work in the care economy is critical in subsidising household income.

Table 3.1. Gendered distribution of work by occupation

Occupation	F	M
Professional/technical/management	3.3	4.8
Clerical	0.4	0.3
Sales and services	13.2	10.0
Skilled manual	5.1	11.1
Unskilled manual	0.7	4.3
Domestic service	1.6	0.1
Agriculture	75.4	68.6
Not available	0.3	0.6

Source: Uganda Bureau of Statistics, 2006

More women than men face trade-offs because of time poverty. Due to their work in the care economy, women cannot easily transfer their labour and reallocate their time between different activities. The gender-based assignment of household roles restricts the substitution of male and female labour time (Bakker, 1994). This imposes a 'reproductive labour tax', which is a kind of tithe levied against women's unpaid work in the care economy that distorts their ability to engage in income-generating activities (Palmer, 1991).

The lower relative earning power of women and their predominance in informal employment mean that they are unlikely to bear the brunt of the direct tax burden. However, because their purchasing power is limited, they are likely to experience a heavier burden of indirect taxes.

Gendered distribution of resources

Uganda is an agro-based economy and land is the key resource on which the majority of rural women and men draw to secure their livelihood. In urban areas, access to employment and credit are key for survival. The ability to work is also important, as noted by a men's focus group in Wakiso District: 'The key resource we have in this community is labour. If you do not work, you cannot survive.'

A 2003 gender analysis of the Ugandan national household surveys (1992–2003) showed gender inequality in access to and control over a range of productive, human and social resources (Lawson, 2003). It showed that female-headed households have particularly low asset levels and that there are significant gender differences relating to land owned and cultivated. Although women are largely responsible for agricultural production, their land ownership is mainly limited to usufruct rights. Available statistics indicate that women own only 7 per cent of the registered land and that only 16 per cent of women, mostly in urban areas, own registered land. In rural areas, ownership of land is still embedded in culture, as emerged in a focus group with men in Iganga: 'Yes, a few women have bought land. But such a woman ceases to be a woman, she becomes a man!'

Men tend to have control over money and income from sales of agricultural production, even though it is the women who grow the crops (MoFPED, 2002).

Whereas gender gaps in education are being closed, disparities still persist as reflected in the female adult literacy rates of 69 per cent compared to the male rate of 79 per cent found in the 2002/2003 Uganda National Household Survey (Uganda Bureau of Statistics, 2003). This implies that women continue to have limited opportunities to diversify their economic base into sectors with higher returns than agriculture. There is also significant gender inequality in gaining access to credit (Klasen, 2004). More men than women are successful in credit applications and women normally receive smaller amounts. Women generally benefit more from community cooperatives and loans. The implication of this is that it constrains a shift by women from small to medium and large-scale enterprises.

Decision-making, production and consumption patterns

Men dominate decision-making, whether with respect to the household, agricultural production, labour allocation, consumption or participation in the labour force. Women's limited decision-making power is associated with their insecurity of access to productive resources, especially land. For instance, although as noted earlier women perform most of the agricultural work, they do not make decisions about what enterprises to get involved in and how the benefits accruing from them are distributed. According to the Uganda Demographic and Health Survey (Uganda Bureau of Statistics, 2001), 40 per cent of women employed for cash participate in household decision-making. This is in comparison with 22 per cent of women not employed for cash and 14 per cent of unemployed women. Women's inadequate participation in household decision-making constrains their economic opportunities and choices.

Women and men's consumption patterns are different. The 2003 gender analysis of national household surveys showed that male-headed households spend disproportionately large amounts of household expenditure on alcohol, while female-headed households spend high proportions on school fees (Lawson, 2003). This implies that taxation on alcohol affects disproportionately more men than women. Cost sharing in education, on the other hand, is likely to reduce women's more than men's disposable income.

Box 3.1 presents some community perspectives on consumption and decision-making patterns.

Box 3.1. Community perspectives on consumption and decision-making

Women's focus group, Wakiso

Men are considered to be the household heads. The presumption is that they take care of the family needs, but the reality is different. Men are no longer responsible. Nowadays, women shoulder the financial burden. It is no longer just a work burden. A woman in the village has to work very hard in order to get money for paying (secondary) school fees to support her children.

Men's focus group, Wakiso

We spend our money on things that are expensive to maintain. Phones consume a lot of money and yet almost everybody here owns one.

Women's focus group, Iganga

It is our chairman and the businesspeople who have personal phones. We use the village public phone to make emergency calls. We call if we have lost somebody, sometimes when we are looking for markets for our produce or trying to compare the price of commodities with colleagues and friends in other places. Also, when we have a sick child, we can easily communicate with our husbands. Men, on the other hand, use the phone for business and also to get in touch with their lovers.

Men's focus group, Iganga

The man is in charge of the 'steering' [wheel]. He makes all household decisions. In some homes, though, the men consult the women.

4

How Revenue Generation Affects Women and Men

Women's and men's revenue burden

Since, as discussed above, women and men have different and unequal economic and social positions and roles, they are affected differently by revenue generation measures. Men bear the burden of most direct taxes because they are likely to be formally employed, be corporate persons and be service providers (hotels, telecommunication) and commercial property owners (see Table 4.1). Indirect taxes on goods such as beer, spirits and cigarettes also primarily fall on men as the main consumers. However, as the prices of these goods increase, household consumption patterns may be affected as money that would be otherwise be spent on meeting family basic needs is spent instead on alcohol or cigarettes. The tax burden on essential household necessities such as salt, sugar and soap is, however, likely to be borne directly by women, who are responsible for taking care of their families. Also, if one factors in women's unpaid work in the care economy, which averages more than 10 hours a day, their contribution to revenue becomes enormous.

A 2004 study on rural taxation in Uganda showed that the local taxation system has an anti-poor bias in practice (Fjeldstad et al., 2004). It revealed that market dues are steeply regressive in character. Poor people – the majority of whom are likely to be women – have small quantities of goods such as tins and small stock to sell and pay relatively much higher dues than less poor people with larger quantities. For instance, the effective tax rate on a chicken is more than 10 times the rate on one head of cattle. Small stock and other small animals kept near the home are usually the responsibility of women, while men generally herd and manage larger stock.

The study, which investigated the tax burden of 138 small enterprises in six districts, also showed that for all types of enterprises the burden on the smaller businesses was substantially greater than on larger entities. The smallest enterprises were found to pay 47 per cent of their gross margin in tax while the largest paid only 5 per cent (Fjeldstad et al., 2004). Whereas the study does not disaggregate ownership by sex, the smallest enterprises are likely to be owned by women. Previous research has found that Ugandan women make up the majority of the country's business people in small to medium-sized firms (Snyder, 2003).

In addition, the study established that the share of household income paid in taxes by poor households was four times more than in the richer households (Fjeldstad et al., 2004). By inference then, female-headed households headed by women pay disproportionately higher taxes.

Table 4.1. Overview of women's and men's revenue burden by tax head

Selected tax head	Target of tax	Bearer of tax burden	Tax-to-GDP ratio (2004/05) %
Direct domestic taxes			**3.39**
PAYE	Formally employed	Largely men	1.62
Corporate tax	Corporate persons	Big corporations, largely owned by men	1.06
Presumptive tax	Small businesses	Likely to be largely women, who are more likely to own small rather than big enterprises	0.02
Withholding tax	Service provider	Largely men	0.56
Rental income tax	Commercial property owners	Largely men	0.04
Indirect domestic taxes			**2.87**
Excise duty			0.90
Cigarettes	Smokers	Largely men	0.19
Beer	Beer drinkers	Largely men	0.40
Spirits/waragi	Spirits drinkers	Largely men	0.04
Soft drinks	Soft drink consumers	High income earners, largely men	0.10
Phone talk time	User		0.16
Valued added tax			1.97
Cigarettes	Smokers	Largely men	0.04
Beer	Beer drinkers	Largely men	0.11
Spirits/ waragi	Spirits drinkers	Largely men	0.04
Soft drinks	Soft drink consumers	High income earners, largely men	0.08
Other goods: salt, soap		Likely to be largely women because mostly responsible for household maintenance	0.71
Services such as hotels, restaurants	Professionals	Largely men	0.99
Taxes on international trade			**6.33**
Fees and licences			0.42
Fees and Licences (Traffic Act)	Vehicle owners	Private vehicle owners – largely male Public service vehicles – public	0.35
Drivers permits	Driving public	Largely men	0.03

Source: Adapted from URA, *Annual Revenue Bulletin Fiscal Year 2004/2005*

Direct tax: the case of income tax

Income considered for tax purposes includes that gained from employment, profits from business or profession, profits from the use of property, dividends and interest, pensions, management or professional fees and royalties, trusts, and income of non-residents deemed to be derived in Uganda.

Corporate tax is currently a flat rate of 30 per cent and personal income tax is assessed using graduated scale rates. All individuals earning less than USh1,560,000 per annum are exempt from PAYE. Those earning between USh1,560,001 and 2,820,000 per annum pay 10 per cent of the amount exceeding 1,560,000. People earning between USh2,820,001 and 4,920,000 per annum pay 126,000 plus 20 per cent by which chargeable income exceeds 2,820,000. For annual incomes exceeding USh4,920,000, the amount of tax payable is 546,000 plus 30 per cent by which chargeable income exceeds 4,920,000.

The income tax system is equitable and progressive in the sense that it provides for individuals of differing economic ability to pay different amounts of taxes and those of the same income to pay the same amount of taxes per annum. Men predominate in the higher income brackets and are the majority of the owners of corporations and thus bear the greater burden of personal income tax and corporate tax. However, whereas rental tax is levied on the owners of commercial property, most of whom are rich men, the burden is passed on to the tenants in the form of high rents.

An analysis of the Iganga District payroll for May 2006 shows differences in women's and men's tax burdens: the ratio of the tax payment to disposable income. The analysis confirms that the majority of male staff are in the highest income bracket and the majority of female staff are in the lowest one, but that the higher one's income, the bigger the tax burden. This suggests that PAYE is a fair tax (Table 4.2).

Table 4.2. Tax burden by sex, Iganga District local government staff

Annual income bracket (USh)	Tax burden	Female		Male	
	%	No.	%	No.	%
1,560,001–2,820,000	10	110	43	77	20
2,820,001–4,920,000	20	106	42	142	37
>4,920,000	30	39	15	166	43

Source: Uganda Government Pay Roll Income Tax (Pay As You Earn – PAYE) Recovery, Iganga District, May 2006

Indirect tax: the case of value added tax

Value added tax (VAT), a broad-based consumption tax, is added to goods and services. It is charged on every taxable supply in Uganda made by a taxable person, which can include a legal person (i.e. a company) – to be paid by the taxable person; every import of goods other than an exempt import – to be paid by the importer; and the supply of any imported services by any person – to be paid by the recipient of the services. There are three regimes of VAT: standard rate (18 per cent); zero rate (0 per cent); and exempt regimes.

The supply of unprocessed foods (including agricultural livestock), unimproved land and education and social welfare services are exempt from VAT. These measures are meant to benefit the poor. The only exemption that considers gender differences is related to the supply of sanitary towels and tampons, which acknowledges the biological role of women. However, this is likely to be of benefit mostly to middle class women as poorer women do not buy these products.

The implicit gender bias in VAT arises from the differential consumption of women and men, with women tending to be responsible for daily household purchases. VAT is regressive because it is paid by the final consumer and thus places a relatively higher burden on poor women and men who pay a greater proportion of income on these taxes compared to wealthier households (Budlender, Sharp and Allen, 1998).

Indirect non-tax revenue: the case of Wakiso local government

With the suspension of G-tax, all local governments' sources of revenue are non-tax based. They include licences and permits, market dues, fees and interest, and miscellaneous, which is principally made up of tender application fees. The biggest contribution to revenue is expected to come from fees and interest (45.1 per cent) followed closely by market dues (36.5 per cent). Licences and permits are expected to generate 18.1 per cent (Table 4.3).

Table 4.3. Projected contributions of different revenue sources, Wakiso District

Revenue source	2005/2006 Amount ('000 USh)	2006/2007 Amount ('000 USh)	2007/2008 Amount ('000 USh)	3-year total ('000 USh)	Contribution %
Licences and permits	105,000	110,250	115,763	331,013	18.1
Market dues	212,000	222,600	233,730	668,330	36.5
Fees and interest	262,000	275,100	288,855	825,955	45.1
Miscellaneous income	2,000	2,100	2,205	6,305	0.3
Total local revenue	**581,000**	**610,050**	**640,553**	**1,831,603**	

Source: Wakiso District Council. Revenue Enhancement Plan for 2005/2006–2007/2008

It is difficult to identify who, by sex, owns which commercial enterprise and thus contributes what revenue because local government records register the business name rather than that of the owner. A similar situation applies to the market records.

In rural communities, annual trade licences for commercial enterprises are only USh10,000. In contrast, a market vendor who has a capital of as little as USh5,000 is required to pay daily market dues ranging from USh300–500 (annual revenue is USh109,500–182,500). This implies that an individual female market vendor pays more revenue to the district local government than a relatively better off shop owner.

Field observations and anecdotal evidence suggest that women predominate as market vendors and men in other businesses. According to a Wakiso local government official, 'Going by the number of people I see coming to pay or register complaints, I can say that 85 per cent of the commercial enterprises are owned by men and almost 90 per cent of the market vendors are women. Most of the men in the market are casual labourers.'

If indeed women contribute 90 per cent of the market dues collected by local government in Wakiso District and men 85 per cent of all other revenue, then women's contribution to the revenue base will be 42.4 per cent (Table 4.4). However, the tax burden on women will be much higher because their incomes are lower.

Table 4.4. Potential business women's and men's contribution to revenue generation, Wakiso District 2005/2006–2007/2008

Source of revenue	Total expected revenue ('000 USh)	Estimated contribution	
		F ('000 USh)	M ('000 USh)
Licences and permits	331,013	49,651.95	281,361.1
Market dues	668,330	601,497	66,833
Fees and interest	825,955	123,893.3	702,061.8
Miscellaneous income	6,305	945.75	5,359.25
Total revenue	1,831,603	775,988	1,055,615

Source: Wakiso District Council, Revenue Enhancement Plan for 2005/2006–2007/2008

Cost sharing/user fees

For some time, the Ministry of Health charged user fees as a way of sharing costs with the patients. These were abolished in 2001 when it was realised that the fees raised little revenue and resulted in a reduction in the utilisation of services among the poor. Since the abolition of user fees, poor women have increased their demand for health services more than poor men (Lawson, 2003).

Abolishing primary school fees has also brought about positive impacts for girls and low-income earners. The 1997 Universal Primary Education policy of free access to basic education has resulted in an increase in the enrolment rates of girls relative to boys in primary schools and a significant narrowing of the gender gap in education. The newly instituted Universal Secondary Education policy is likely to consolidate the gains made at primary school level and guarantee girls' secondary education.

Evidence from other countries points to a disproportionately negative effect of user fees on women, particularly in their roles as care givers (Box 4.1).

Box 4.1. Gender impact of user fees

Health user fees

During periods when user fees were introduced in Ghana, Nigeria and Zimbabwe, the proportion of women health service users fell, which significantly affected women's health status indicators such as maternal deaths. User fees were introduced for hospital and health centre services in Kenya in 1989. One year later, when the outpatient registration fee was removed, households reported higher use of these services.

Education user fees

A survey showed that four out of the five main constraints to female secondary education enrolment in Bangladesh were related to costs. Households with the lowest income in Vietnam have to spend 22 per cent of their non-food income to send a child to school, almost twice the percentage of those households with the highest incomes.

Source: Esim, 2000

Gender analysis of the Budget Speech 2007/08

As noted above, the budget is a political expression of how a government prioritises the allocation of resources, needs and interests. This section looks at the Uganda budget speech 2007/08 from a gender perspective to assess how it addresses the different needs of women and men, girls and boys. The analysis shows that the language used is gender neutral. The word gender is not mentioned at all. Although counting the number of times gender appears may be seen as reductionist, it is an indicator of the extent to which the speech addresses the topic. Gender sensitivity requires that gender is explicitly mentioned.

The speech states that the theme of tax policy in the medium to long term continues to be simplicity, fairness and growth. It adds that whereas the Government has undertaken major reforms to the tax system over the years, no major review has taken place to assess whether it is still meeting its objectives. Accordingly the Government intends to review the tax system to make it more appropriate in meeting national objectives. The proposed review provides an opportunity for strengthening the consideration of gender in the tax system.

Revenue generation measures for 2007/08

The revenue generation measures in the budget are indicated below with an assessment of each one's gender impact.

Investment incentives

In order to enhance investments, employment, competitiveness and growth, the Government is to enhance tax incentives for investors, limited to persons engaged in the export of finished consumer and capital goods. The incentives, which are in line with the practice in the other partner States in the East African Community, will include the following:

- A ten-year tax holiday to companies engaged in value-added exports;
- Withholding tax exemption on interest, raw materials and plant and machinery;
- Stamp duty exemption on increase in share capital and mortgages; and
- Duty and tax exemption on raw materials and plant and machinery.

Gender impact: *These tax incentives are likely to benefit multinational firms largely owned by men. In order to compensate for the expected revenue loss of USh22 billion, the Government is likely to come up with measures that will negatively affect poor female and male taxpayers.*

Value added tax (VAT) on residential properties

In order to encourage development of large-scale, well-planned residential areas, it is proposed that VAT on sale of residential properties be reduced from 18 per cent to 5 per cent. The revenue loss out of this measure is estimated at about USh2 billion.

Gender impact: *Most property owners are male and this reduction in the tax rate will thus benefit them more.*

Abolition of road licenses under the Traffic Act

The estimated annual loss from this measure is USh80 billion this financial year.

Gender impact: *The major beneficiaries are men, who are the majority of vehicle owners.*

Excise duty on fuel

The excise duty on diesel and petrol was increased from USh450 and USh720 per litre to USh 530 and USh 850 per litre, respectively.

Gender impact: *While this measure is expected to generate USh76 billion that will help compensate for the loss from the road licenses, the increased costs will be passed on to the final users of transport, many of whom are poor women and men.*

VAT on hotels inputs

As an incentive to support hoteliers to upgrade their facilities and to increase room availability in preparation for the Commonwealth Heads of Government Meeting (CHOGM), held in Kampala in November 2007, the Government intervened with effect from financial year 2005/06 by paying import duties and taxes on construction materials for hotels.

Gender impact: *While this policy was terminated with effect from 1 July 2007, it caused a revenue loss of USh8 billion while it was being implemented. The direct beneficiaries are the owners of the newly constructed hotels, all of whom are men.*

Agricultural loans

In order to further encourage banks and to reduce the costs of lending to the agricultural sector, expenditures, losses and bad debts incurred in lending to this sector will be deductible for tax purposes.

Gender impact: *The direct beneficiaries of this measure are banks, largely owned by men.*

Environmental levy on used motor vehicle spare parts

In line with government policy to deter the importation and use of environmentally hazardous used goods, a 10 per cent levy will be charged on used spares for motor vehicles.

Gender impact: *Men are the majority of motor vehicle owners and they are thus likely to be disproportionately affected by this levy.*

Polythene bags and plastic containers

Plastic bags of less than 30 microns are banned and an excise duty of 120 per cent is imposed on the rest.

Gender impact: *Men are the majority of manufacturers, wholesalers and hawkers of plastic bags, so the ban is likely to affect their livelihoods. Women, who are responsible for shopping, are likely to incur an extra cost as the price of plastic bags goes up.*

Buses for the transport of more than 25 persons

In recognition of the need to provide quality transport services for the CHOGM guests, buses for the transport of more than 25 persons can be imported at a reduced Common External Rate of 10 per cent instead of 25 per cent.

Gender impact: *This measure is likely to benefit importers of buses, the majority of whom are men.*

5

Perspectives of Women and Men on Revenue Generation Policies

Equity in revenue generation is achieved if the burden of maintaining public expenditure is borne by the taxable corporate and individual entities in proportion to their ability to pay. A system is considered to be horizontally equitable when individuals of the same economic capacity pay the same amount of taxes per year or over a lifetime. Vertical equity is achieved when individuals of differing economic ability pay different amounts of taxes. The efficiency of the system is assessed at two levels. A system is considered efficient if it yields maximum revenue. At the same time, it should not disturb, or should disturb only minimally, production and consumption patterns.

All the above commonly understood meanings of equity and efficiency ignore the fact that individuals do not exist in isolation. They also play multiple roles as members of households, families and communities. As regards gender relations, women occupy a disadvantaged position relative to men in society. These social relations result in differential impacts of revenue generation on women and men across all socio-economic groups. The following sections present women's and men's perspectives on the value for money, efficiency and fairness of revenue generation measures as they relate to individuals, businesses and economic growth.

Value for money

All those interviewed, women and men alike, appreciate the importance of paying taxes and believe that this should be a quid-pro-quo where the types and amounts of taxes paid are commensurate to the services delivered by the Government. The general feeling is that the Government has failed to deliver on its part of the fiscal contract.

The market women interviewed feel that by paying daily market dues, they trade off taking a sick child to hospital, buying scholastic materials for their school-going children and generally taking care of their homes. Many women have no alternative when they are forced to choose between going to the market to work (and pay taxes) and paying for their children's health care, for instance.

Women get less value for the taxes they pay compared to men. This is because the focus of government spending is on the market rather than the care economy.

Some people feel that the lack of reciprocal linkages between revenue collected and services delivered legitimises tax evasion. However, women argue that they are too 'cowardly' to evade taxes. Further, many of them are engaged in sub-sectors such as the market, where it is difficult to avoid taxes.

Box 5.1. Key informants' perceptions of value for taxes paid

'If I pay taxes but do not see a change in the things that can make my life as a woman better, why should I continue paying? Most of women's labour is in the private realm; it is invisible, not monetised and therefore unlikely to benefit from the budget. For instance, why should women pay market dues when their goods are not sheltered from the rain?' *Female women's activist*

'It isn't that I don't want to pay taxes but I don't see the benefits of doing so. There is a big pothole right outside my home and the road to our office is impassable. It's therefore difficult for me to think positively about revenue generation because I know that government is very corrupt. Instead of thinking of how government can raise revenue, I would rather advocate for it to drop taxes on some goods and services.' *Male CSO officer*

'Taxpayers in Wakiso District were very willing to pay the USh2,000 we levied as a development tax. They felt a return for their money when they were informed that we had used their money to buy a grader and to construct this administrative unit.' *Male local government officer*

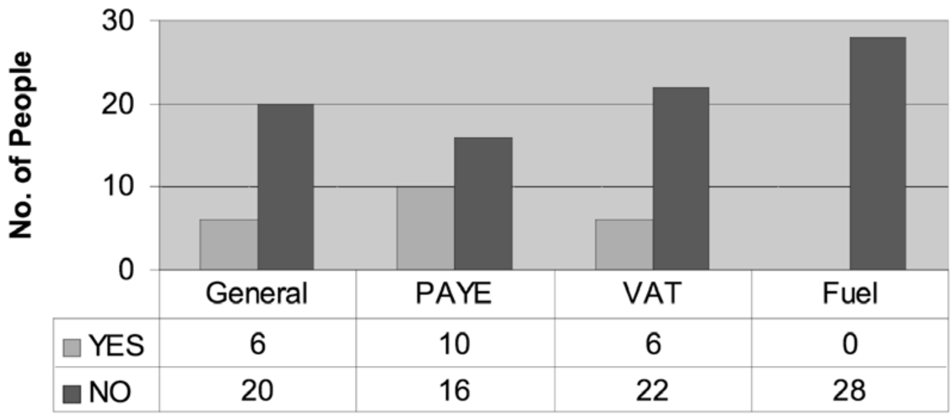
'I don't see any tangible services and benefits. Our roads are almost impassable, there are no drugs in the hospitals and the quality of all "free" services is poor. This makes me think that my 30 per cent (income tax) is being stolen. Why pay taxes when there are no matching services?' *Male informant, national level*

Efficiency of the revenue system

The general view among citizens is that taxes, especially fuel tax, affect the pattern of production and consumption negatively thus causing inefficiencies in the economy and a reduction in growth. Iganga women farmers argue that: 'Whenever the budget is read, the prices of things go up. But the prices of our produce never go up on any meaningful basis'. Market men in Wakiso District said: 'We do not understand the budget so well because they use technical language. But it is the way government determines the prices of goods and services. Government always increases the cost of things'.

The business community is also seen as taking advantage of high fuel prices to 'cheat' people. Farmers are underpaid by buyers for their produce, which serves as a disincentive for increased production. Whereas the Government offers incentives to stimulate production, these benefit only a few large taxpayers, many of whom are male. The high rates of business failure are attributed to the relatively high operational costs, many of which are related to taxes, especially fuel tax (see Figure 5.1).

Figure 5.1. Key informants' perceptions of the efficiency of the revenue system



Box 5.2. Perceptions on the efficiency of the revenue system

Men's focus group, Wakiso

Increased fuel prices have led to increases in prices of goods and services. Everybody argues that fuel costs are high and they use that as the basis of overpricing everything. The lower class suffers the most because they are poor. In our community, the poor make a profit of USh3,000 or less so how does one meet the costs of all the household needs?

Women's focus group, Wakiso

The poor have been affected a lot by the high taxes. Their income-generating capacities are very limited, they live from hand to mouth and have low or no savings. Food prices have gone up and people can no longer afford two meals a day.

Men's focus group, Iganga

Taxes are so high that we are almost moving around naked. Whenever taxes go up, the cost of second-hand shirts more than doubles.

Male CSO officer

When the cost of fuel goes up, consumption costs go up too. Some 98 per cent of the population uses paraffin for lighting. Many can no longer afford it. The impact? People now live in darkness and the implications of this are many – the fertility rate may go up and education is affected. With no lighting, schoolchildren cannot do their homework or study at night, thus affecting their performance.

As regards personal income tax, this is known not to be as high as in other countries, where people pay up to 50 per cent of their earnings. The issue here is that because people are paid very little to start off with, their disposable income is insufficient to cater for their basic needs. The majority are left with no savings and therefore no opportunities for investment. However, some informants believed that payment of taxes has the potential to alert people to their citizenship and to sharpen their sensitivity to civic rights and responsibility, and that indirect taxes in particular 'force' citizens to make pragmatic choices resulting in efficiency as they give up what they cannot afford. The actual burden of the tax depends on the extent to which one good or service cannot substitute for another good or service that has the same utility but has less tax. This option is, however, not available to the poor in general, and women in particular, because they have no choice to start off with.

Female and male local government informants as well as other citizens argued that whereas privatisation resulted in higher revenue collection, a large proportion of this was being shared between the mostly male politicians and the tenderers.

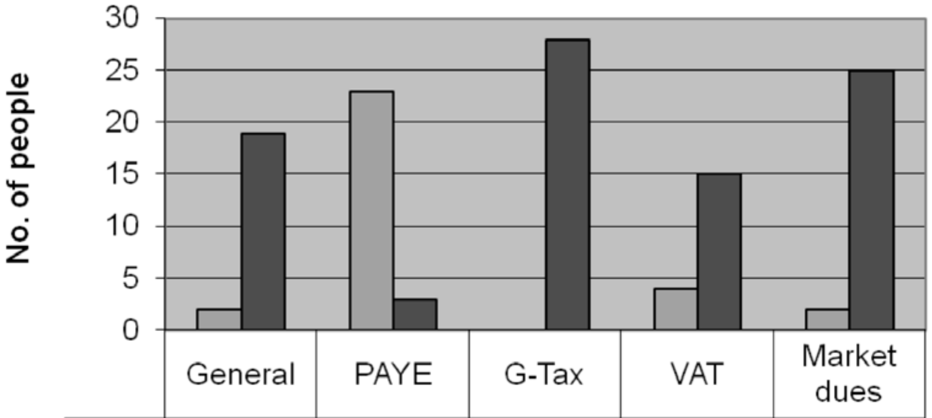
Fairness of the revenue system

'Government revenue generation is unfair.' This is the view held by local government informants as well as ordinary female and male citizens (Figure 5.2). They believe that the poor pay a higher proportion of their income in tax than the better off. All the key informants stated that before being suspended, G-tax was the most regressive followed by market dues, VAT and PAYE. On PAYE, it was argued that the formally employed bear a heavier burden and yet they are not necessarily the most highly paid. Further, that many people, especially in the private sector, earn very high incomes but due to political and other connections pay minimal taxes. It is reported that some firms manipulate their records, especially the payrolls, in order to remit low taxes to the URA.

Informants also argue that mobile vendors, especially those dealing in perishable products such as sweet bananas and roasted/cooked maize (the majority of whom are women) bear the brunt of revenue enforcers. Many of these vendors are unregulated and occasionally the officials, on the pretext of clearing them off the streets, demand unaffordable sums of money. Those who do not comply end up losing their goods and/or being imprisoned.

Key informants also argued that indirect taxes such as VAT affect the poor more than the rich. 'They are easy to pass over' to users of goods and services and there is evidence of a higher incidence of passing on the tax burden to the unintended person. By taxing things commonly used by the poor such as soap, sugar, paraffin, second-hand clothes, etc., VAT does not follow the principles of equity (see Box 5.3).

Figure 5.2. Key informants' perceptions of the fairness of revenue generation



	General	PAYE	G-Tax	VAT	Market dues
YES	2	23	0	4	2
NO	19	3	28	15	25

Box 5.3. Perceptions of the fairness of revenue generation

'Direct taxes fall on the actual target – they are fair and equitable – the burden falls on the income earner. PAYE is an equitable tax because the more you earn, the more you pay.' *Male key informant, central government*

'There is unequal tax categorisation. PAYE, for instance, presumes that all women and men are equal – i.e. that they receive the same amount of money – but the reality is that men and women have different revenue bases due to the differences in access to other sources of income such as land and business. So a woman and a man may be earning the same salary but have very different incomes. These two should be treated differently.' *Male key informant, central government*

'There are so many individuals and companies operating informally. A high proportion of the operations of many of the big companies are not in the books and some of these have "godfathers" who protect them.' *Male key informant, central government*

'Tax waivers are good because they encourage investment, but who is benefiting? Not the poor, not the women.' *Male key informant, central government*

'Income tax, PAYE and corporation tax, property/rental tax would be the best types of tax because they are charged on something you have in the first place, but the problem is that some people can avoid them. For example, in terms of property tax, most properties are owned by MPs, ministers and people in influential positions, but MPs have resisted the law ferociously.' *Male key informant, local government*

As noted above, women's contribution to the tax base in the form of their work in the care economy is enormous. This, however, remains largely invisible to and unrecognised by the policy makers, whereas the social tax imposed on women's labour should be reflected in resource generation strategies.

Suspension of the G-tax

All the people interviewed agreed that whereas the G-tax did not espouse the principles of equity and that its administration was unfair, its suspension has resulted in undesirable outcomes particularly at the local government level. The common view is that local governments have been disempowered, compromising service delivery, undermining decentralisation and reversing gender equity gains. There is also a fear that citizens are losing their agency and the motivation to participate in governance (see Box 5.4).

Box 5.4. Perceived impact of suspension of the G-tax

'Gender budgeting is meeting a fundamental challenge. We cannot talk of gender budgeting to local governments right now because they do not have locally raised revenue.' *Male CSO staff*

'We can't come up with the requisite forum to make decisions. We cannot afford sitting allowances for the councillors. The technical staff are getting demoralised because they don't get allowances and this is affecting service delivery.' *Male local government councillor*

'All G-tax payers used to pay USh2,000 and 1,000 extra as development and education taxes, respectively. We supplemented the Universal Primary Education programme through providing scholarships for the needy. We had also embarked on building a database of our sources of revenue. All these initiatives have been abandoned…it is no longer cost effective to continue with them.' *Female councillor, Wakiso District*

'Decentralisation means economic independence…where is the independence? If all the money is coming from the centre, where is the sense of ownership of anything, … of programmes and projects? Where is the autonomy?' *Female councillor, Iganga District*

'Now women think they are equal to men…since we all don't pay tax.' *Man in focus group, Iganga District*

At the personal level, the interviews also revealed that whereas the majority of the women were not liable to pay G-tax, many, especially in the rural areas, bore the burden: 'Many of us women used to pay directly or indirectly for our husbands because it is very shameful if your husband is arrested'.

While men felt that they used to be held in temporary captivity because they would sometimes not leave home for fear of falling into the 'net' of the collectors, they also believed that G-tax was a 'push' factor that forced them to be gainfully employed. Citizens also argue that the suspension of G-tax has resulted in increasing indirect taxes/consumption taxes that are disproportionately shouldered by women, the poor and the elderly who were not otherwise liable to pay the tax.

6

Conclusions and Recommendations

Conclusions

Government's revenue generation measures affect a wide range of social and economic decisions due to the fact that they alter both disposable income and relative prices of goods and services. Decisions about work, savings, consumption and investment are influenced by taxes. The main tax policy objective is to raise revenue through ad hoc increases in tax rates to achieve targets with little regard to the impact on women and men.

Gender positions women and men in uneven and differentiated spaces. As a result revenue generation policies, laws and strategies have different impacts on them. At another level, ignoring gender inequalities in work, bargaining power, access to and control over resources and income may negatively affect the purposes of policy and may ultimately undermine them, resulting in inefficiencies in revenue generation. The rationale for considering gender is therefore not only based on issues related to social justice but also because of its link to economic growth and development.

Gender analysis of the taxation laws shows that whereas there is no overt discrimination based on gender, no specific consideration is given to the differences between women and men that may influence how they are affected by the laws. According to a senior officer in the taxation department at MOFPED, the only explicit gender-specific exemption from tax is sanitary towels – and if there is any other gender sensitivity in the laws and policies, this is by default not design.

Despite their apparent gender-neutrality, however, indirect taxes have gender implications. For instance, VAT was introduced to provide a broad-based consumption tax with relatively simple administration. This moved the burden from the producer to the consumer, a burden that is disproportionately felt by non-income earners and low-income consumers, the majority of whom are women.

The non-market/care economy is often left out in the discussion of revenue generation and yet it underpins the market economy. None of the taxation laws acknowledge the unpaid work carried out in the care economy. Many of the laws are, however, poverty sensitive. Attempts have been made to protect the poor and low-income earners through exempting or zero rating goods under VAT and by raising the threshold of personal income. The presumptive tax system for small-scale enterprises is less onerous than other corporate tax. Due to lack of gender-disaggregated data, we cannot say for sure to what extent women relative to men benefit from these tax measures. However, the information available suggests that men benefit more than women since they are the majority of income earners and entrepreneurs.

Recommendations

1 Revenue generation measures play an important role of redistribution and should be designed to address the inequities in resource allocation between women and men. Improved security of access to resources would improve women's productivity and thus contribute to broadening the tax base.

2 In addition to revenue generation, taxes have a steering function to encourage or discourage certain types of behaviours and should also be used to promote gender equity.

3 The MoFPED should integrate gender aspects in the evaluation of taxes in order to ensure that women and men have the same tax burden in the same situation and a different tax burden in different situations.

4 The Government plans a major review of the tax system in order to make it more appropriate in meeting national objectives. Since the National Gender Policy states that gender is integral to these national objectives, the review should, among other things, explicitly assess the gender impact of the system.

5 The LGFC should give explicit consideration to gender in any future identification of potential sources of revenue for local governments and incorporate gender in the grants allocation formula.

6 While it is difficult to assess the economic value of women's work in the care economy, this should be recognised and planned for as a form of tax – an invisible tax imposed on women by society. Resources need to be allocated to support work in the care economy, e.g. through childcare provision, as a measure to maximise returns from this (social) revenue base. On that basis, the social tax imposed on women's labour should be reflected in resource generation strategies.

7 The URA, local governments and the LGFC should institutionalise the collection, analysis and utilisation of sex-disaggregated data. The URA should collect information on filers by sex, local governments should disaggregate revenue sources, and LGFC should include gender in the allocation formula and in all revenue generation guidelines to the local governments.

8 The key players need to be aware of the significance of gender budgeting to their respective mandates and have the necessary capacities. Some tailor-made gender capacity building should be organised to strengthen sensitivity and the necessary skills.

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Interviews and Focus Groups

Interviews

Name	Position	Organisation	M/F
Kenneth Mugambe	Commissioner, Budget Policy and Evaluation	Ministry of Finance, Planning and and Economic Developmet (MoFPED)	M
Moses Kaggwa	Commissioner, Taxation	MoFPED	M
Moses Ogwapus	Principal Finance Officer	MoFPED	M
Margaret Kakande	Head of the Poverty Monitoring and Analysis Unit	MoFPED	F
Samuel Wanyaka	Director	Parliamentary Budget Office	M
Samuel Amule	Ag. Commissioner, Local Authorities Inspection	Ministry of Local Government	M
Maggie Mabweijano	Asst. Commissioner, Gender and Community Development	Ministry of Gender, Labour and Social Development	F
Ronal Nyenje Makumbi	Manager, Research and Statistics	Uganda Revenue Authority (URA)	M
Lydia Mulondo	Ag. Manager, Human Resource Development	URA	F
Godfrey Walakira	Research and Statistics	URA	M
Johnson Bitarabeho	Chairman	Local Government Finance Commission (LGFC)	M
Ziria Ndifuna	Deputy Chairperson	LGFC	F
Lawrence Banyonya	Secretary to the Commission	LGFC	M
James Ogwang	Ag. Senior Economist	LGFC	M
Johnson Gumisiriza	Economist	LGFC	M
Liz Nkongi	Communications Officer	Uganda Local Governments Association (ULGA)	F

Name	Position	Organisation	M/F
Julius Mukunda	Programme Director, Gender Budgeting	Forum for Women in Democracy (FOWODE)	M
Solome Nakaweesi	Coordinator	Uganda Women's Network (UWONET)	F

Local Government

Wakiso District		
Edward W Tumusiime	Vice Chairperson/ Former Secretary Finance	M
Issa Mbooge	Principal Assistant Secretary	M
Rashid Kamoga	Principal Personnel Officer	M
Simon Busulwa	Senior Accountant	M
Safina Nakalembe	Senior Finance Officer	F
Kira Town Council		
Godfrey Muwanga	Senior Town Treasurer	M
Richard Kiyengo	Secretary, Finance, Investment and Planning	M
Irene Namazzi	Community Development Officer	F
Sarah Najjemba	Women's Councillor Sub-county Women's Council	F
Igaga District		
Jotham Wamala	Senior Assistant Chief Administrative Officer	M
Moses Kaziba	District Planner	M
Tantala M	Assistant Chief Finance Officer	M
Susan Lubogo	Youth Councillor, Female/Chairperson Community Development: Gender, Labour, Elderly, Children and Disabled	F
Bulamagi Sub-county		
Bazalaki S Nantatya	Sub-county Chief	M
Abdalla Zirabamuzaale	Chairperson, Sub-county Council	M
Adi Kakerewe	Cashier	M
Michael Kiyemba	Health Inspector	M
Zabina Naikoba	Councillor – Secretary Finance	F
Mirabu Kayanga	Councillor	F
Muhamad Kisambira	Councillor – Secretary Production	M
Waibuga Sub-county		
Thomas Matende	Chairperson, Sub-county Council	M
Mathias Isabirye	Sub-county Chief	M
Patrick Mukose	Councillor – Chairperson Finance Committee	M
George Kakooza	Councillor – Secretary Education	M

Name	Position	Organisation	M/F
Eva K Namakiika	Councillor – Secretary Production		F
Pross Mpoyenda	Councillor – Secretary Gender		F
Jimmy Ngobi	Chairperson, Village Council		M

Focus group discussions

	F	M
Kira Town Council	9	8
Nansana Town Council	8	5
Bulamagi Sub-county	15	17
Waibuga Sub-county	20	16

Notes

1 The Gini coefficient measures inequality of income or wealth distribution on a scale between 0 (everyone has the same amount) and 1 (one person has all the wealth). A low coefficient thus means more equal distribution.

2 There were just under 3,000 Uganda Shillings to 1 United Kingdom Pound at the time of publication.

About the author

Until recently, Nite Tanzarn was an Associate, Department of Women and Gender Studies, and University Lecturer, Department of Agricultural Economics and Agribusiness, Makerere University. She is currently working on her PhD thesis, 'Gendered Time Poverty in Development Management: Maximising Economic Benefits of Investment in Roads' and as an independent consultant.

Nite has over 15 years of varied experience in development theory and practice. She has undertaken more than 60 assignments for a variety of development agencies, governments, civil society organisations and the private sector in more than ten countries. Her technical skills include gender analysis, participatory appraisal, strategic planning and gender budgeting; programme identification, implementation, monitoring and evaluation; agricultural and socio-economic research; report writing and editorial work; curriculum development; and designing and delivering training courses in development management, gender and HIV/AIDS, development economics and rural development.

Nite has specialist experience in the socio-economic aspects of the transport sector and rural development. She has conducted numerous research studies and has written a number of published research papers related to her consultancy and scholarly work.

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2002

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