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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 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
<i>Excise duty</i>			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
<i>Valued added tax</i>			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
<i>Fees and licences</i>			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 US\$1,560,000 per annum are exempt from PAYE. Those earning between US\$1,560,001 and 2,820,000 per annum pay 10 per cent of the amount exceeding 1,560,000. People earning between US\$2,820,001 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 US\$4,920,000, 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 (US\$)	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 US\$22 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 US\$2 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 US\$80 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 US\$450 and US\$720 per litre to US\$ 530 and US\$ 850 per litre, respectively.

Gender impact: *While this measure is expected to generate US\$76 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 US\$8 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.