

Forum for Women in Democracy

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Taxation: half the story of the budgeting process

A number of studies in gender budgeting have been done both inside and outside Uganda. However, most researchers have placed emphasis on the analysis of public expenditure and its impact on men and women and other vulnerable groups such as the children and people with disabilities. Not much research has been done in gender budget analysis of the taxation sector, including the revenue aspect. This FOWODE study provides a solid basis for investigating the gender dimension in tax policy formulation and Central Government tax administration carried out by Uganda Revenue Authority (URA).

The outcome document of the twenty-third special session of the General Assembly to follow-up implementation of the Platform for Action in June 2000 (A/S-23/10/Rev.1) states that:

“73 (b). Incorporate a gender perspective into the design, development, adoption and execution of all budgetary processes, as appropriate, in order to promote equitable, effective and appropriate resource allocation and establish adequate budgetary allocations to support gender equality and development programmes that enhance women’s empowerment and develop the necessary analytical and methodological tools and mechanisms for monitoring and evaluation;”

This and other human rights provisions of equality in the Constitution of Uganda give credence to the process of engendering taxation policies. The translation of human rights instruments including CEDAW into policy priorities with adequate resource allocations is an important step towards realizing rights and achieving gender equality. Budlender et al (2002), explains that gender-sensitive analysis of government revenues is more difficult, and often politically more sensitive, than the gender analysis of government expenditures. Nevertheless, it is still possible and desirable to undertake an analysis.

The Uganda Revenue Authority was set up in September 1991 by an Act of Parliament, i.e. the Uganda Revenue Authority Statute, to administer central government taxes with the aim of creating effective mechanisms of tax collection. The vision of the URA is to collect revenue that will fully finance the Uganda government recurrent and development expenditure by attaining a tax to GDP ratio of at least 24%. In an attempt to attain this vision the authority employs a number of staff with reasonable remuneration to motivate them. However, like other members in the public sector, the employees of URA are obliged to contribute to the national coffers in terms of taxes. The study therefore focuses on URA as a case study.

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Taxation comprises of direct (e.g. income tax), indirect taxes (e.g. VAT, customs and duty) and tax expenditures (e.g. incentives and rebates). Donor funds comprise loans and grants, whereas other revenues include user fees and licences, etc.

Taxes like the indirect VAT are more complicated to analyse since they are paid by households rather than by individuals. Apparently taxes on goods and services such as alcohol, and tobacco tend to affect men more than women to the extent that men are more likely than women to drink and smoke. However, these may have a negative effect on women if more taxes on these goods compel men to withhold greater amounts of money from the common households lists.

Who is who in the taxation process?

There are a number of stakeholders/players in tax policy and tax administration. The roles and interests of each of these stakeholders need to be understood in order to effectively rally support for gender concerns in tax policy formulation and administration. Relative legal roles of MFPED, URA and Parliament and interests of society in tax policy matters need to be well understood.

The Role of MFPED

The Ministry of Finance Planning and Economic Development (MFPED) makes proposals for expenditure and various methods of funding that expenditure. The ministry also sets targets for revenue against which URA operates and monitors the attainment of the targets actively in order to avoid shortfalls that may disrupt expenditure plans and programs.

The Role of Civil Society

Civil Society is sometimes concerned about the imposition or waiver of taxes. There are a number of civil society groups and individuals who have volunteered to hold the Government accountable for use of resources in certain sectors. These bodies lobby the Government for either an imposition or abolition of a particular tax.

The Role of Organized Trading Community

The Trading Community represents a large portion of the tax paying public. The business community definitely has a big stake in tax policy formulation. The actions of the business community on tax policy formulation are sometimes carried out individually and at other times collectively. Affluent individuals with large businesses and/or holding political positions can influence (tax policy) by lobbying and/or providing some intimidation to the Government. An example is the VAT strike in 1996. An example of collective bargaining is by institutions such as Uganda Manufacturers Association, Uganda Export Promotion Board (UEPB) and Uganda Investment Authority (UIA).

The Role of Parliament

According to Article 152 of the Constitution, no tax shall be imposed except under the authority of an Act of Parliament. Any person legally empowered to impose or waive a tax is required to periodically report to parliament as appropriate. This makes parliament the supreme authority in taxation policy.

MANAGEMENT AND ADMINISTRATION OF URA

While women have taken key leadership responsibilities in URA, this has occurred mainly by default and not by design. There is no evidence of deliberate efforts to deal with matters of gender balance in tax administration. URA Policy statements should deliberately set gender objectives and implement them. The Human Resource Manual is generally silent about concerns of gender balance.

Gender Analysis of URA Budget for 2001/02 and 2002/03

The Budget of the URA is derived from the consolidated fund, duly appropriated by Parliament through the Vote of the Ministry of Finance, Planning and Economic Development under the budget of the Tax Policy Department. The URA Board approves all the budgetary activities of the Authority based on the annual business plan.

The Budget for URA is apportioned to departments in accordance with departmental business plans and activities. There is no evidence of gender dimensions in budget allocations. Engendered URA business plans are the starting point of engendering the URA budgets.

While female staff are fewer in number than male staff, there is no evidence of discrimination of pay between the female and male workers in URA. The tax (PAYE) is also paid equitably by both female and male staff in accordance with their earnings, as provided for by the income tax laws. The narrow tax base and the characteristics of the distribution of income and employment mean that although women do not pay a large proportion of the tax gathered, increasingly the burden of indirect tax falls disproportionately on women.

The fact that PAYE is regressive is another matter of concern that can be subjected to a separate inquiry. The lower income earners are more severely affected as they pay a higher proportion of their income in tax than the higher income earners.

Summary of Activities that affect vulnerable groups

It is important to highlight the gender dimensions of the following activities, which directly benefit vulnerable members of staff.

Hardship allowance – Mainly to benefit staff who work under difficult conditions mainly in Customs and field stations.

Medical Allowance/ Insurance – To cater for medical expenses of Staff and their families. Children are major beneficiaries of this expenditure as they are more vulnerable members of society.

Death benefits – are very useful in supporting bereaved families of staff members.

Long Service awards – are benefits provided to staff members who have offered long service to the URA – Usually 25 years. These awards and Social security contributions are beneficial to ageing staff members.

Taxation policy; Impact on poor men & women

Tax policies are very sensitive aspects of public policy, so there is a lot of reluctance by responsible officials in supplying primary data on government tax plans. This reluctance has some merits, as it impacts on the behavior of the prospective taxpayers defeating objectives of the tax policies. Care needs to be taken in negotiating the access to public information in the absence of the information law. The Government should be encouraged to enact the 'Access to information Law' prescribed in Article 41 of the Constitution.

Tax policy in Uganda is riddled with a number of difficulties ranging from lack of data on informal sector incomes, poor tax administration due to poor motivation and facilitation of URA staff and pockets of economic and political powers that block tax reforms that would increase their tax burdens. All these obstacles need to be examined in order to facilitate a meaningful tax reform program.

There is no evidence that the present tax structure in Uganda is based on equity or efficiency considerations. There is also a reluctance or general fear by policy makers to make major changes in tax structure. This makes taxation policy to be only incremental. Any efforts to influence tax policy may only deal with marginal changes rather than major ones. There is need to develop efficient and equitable tax systems based on an assessment of the needs and priorities of both women, men and marginalized groups; and the gender implications of different tax systems.

Impact of different taxes on poor women and men

Poverty is a relative term and is applied differently in different societies and communities. For the purpose of this analysis the term is restricted to individuals and groups of people in the following categories: peasants farmers; rural landless; urban unemployed; school dropouts; lowly paid formal sector workers; and informal sector workers. The poor engage in activities that cater for home consumption with very little left over for sale. They are however,

confronted with financial needs ranging from school fees, and manufactured essential needs for livelihood such as clothing, shelter, and food. Often they have very little to set aside for leisure, which is an important ingredient for quality life. They also have very little access to modern inputs to aid their production as these are very expensive.

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The role of direct taxes on income, corporate taxes on poor men and women has no major significance as their income threshold is usually below the level to which tax is not levied. The matter of the optimality of the threshold is a subject of any further inquiry.

Poor men and women are mainly subjected to indirect taxes especially VAT on local and imported goods and locally made goods taxes, which increase the prices of their consumption goods/services and of their inputs. These are areas which require fiscal attention. The activities affected by these forms of tax have been identified but the exact impact of these taxes on the poor people ranges from individual to individual and from community to community.

Gender analysis on taxation of goods mainly used by women in Finance Act 2002

Women generally provide the reproductive and care services to the economy without payment/consideration and this is a form of tax. Some scholars call this a 'reproductive tax'. Women therefore need some fiscal considerations in terms of tax exemption from goods primarily used by them.

There are three main categories of goods mainly used by women; these include items of reproductive health and hygiene (e.g. sanitary ware), those items that support the care economy such as childcare (e.g. food and toiletries), those items that have impact on time use (e.g. power for cooking) and those that have impact on leisure (e.g. beauty and make-up products).

Summary of gender analysis of tax incentives and reforms

Trade taxes account for the largest portion of total taxes, indeed more than 50%. This is a deficient structure as the tax discourages exports and deterrent to regional integration. Any tax reform efforts should be geared towards reducing the role of trade taxes in tax revenue. The efforts should be geared to local productivity and regularizing/formalizing the informal sector so that it makes appropriate contributions to taxes. More non-tax revenue sources should be moved to URA for collection.

Liberalisation policies that aim to reduce trade taxes have increased the share of indirect/commodity taxes in total revenues. Despite their apparent gender neutrality, indirect taxes have important gender implications. Men and women consume different products and services with women tending to be responsible for daily household purchases. These value added taxes are regressive and damaging for poorer households as they pay a greater proportion of their income on these taxes compared to wealthier households.

From 2000 to date there have been a number of tax reforms. Some of them involved changes in tax rates, others are administrative changes and changes in tax incentive regimes. The central objective of all these reforms has been to improve revenue collection. There is no evidence that incentives allocated attempted to address gender concerns; they do not necessarily target the poor women and men and vulnerable groups. Where investment subsidies are provided to the

“poor” a lot of discretion is exercised with questionable impact. A separate inquiry is necessary to verify the impact of ‘Entandikwa’ and Youth Entrepreneur Schemes in Office of the Prime Minister.

Taxes are administered through tax laws and subsidiary legislation, which are not only voluminous but also difficult to comprehend. Besides the tax law documents are generally not available to the public. URA should intensify tax education campaigns and provide summary literature on key aspects of tax laws and their administration.

The tax incentives offered by tax laws are also aimed at the few rich and learned taxpayers. There is no evidence that the poor benefit directly from incentive regimes. Besides the incentives are not only complicated to understand but their administration is deficient. There is need to simplify the incentive laws and make their administration transparent and accountable.

Tax Laws are very extensive with multitudes of aspects, which are open to various interpretations. In order to do a thorough assessment of their gender impact it is necessary to deal with one tax policy or aspect at a time and carry out its gender impact assessment and make recommendations. Dealing with all these aspects at one time has the danger of obscuring the necessary detail required to make a case for gender tax reform.

There is need to rally support for gender taxation so that policy makers and politicians appreciate the need for gender tax policy impact assessment and evaluation. There is also need to establish gender concerns as a policy matter in principle so that any gender work on Budget and Taxation has a policy backing that is universally appreciated and accepted. Only then can we hope to move on to gender sensitive resource allocation.

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