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Gender and Taxation: Analysis of Personal Income Tax (PIT)

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April 2009



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Abstract

This paper examines the gender dimensions of personal income tax (PIT) in Uganda with an eye on the possible gender biases that may be embedded in the tax system. It further addresses the issue of Uganda's achievement of substantive gender equality rather than formal equality as regards the impact of taxes from a gender perspective. This is in line with the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW). The paper critically examines Uganda's tax laws that seem to have formal equality, treating all people as if they are the same and synonymous with equality of opportunity. Yet, substantive equality recognizes that people are not the same. Equal treatment may therefore not be equitable. Accordingly, the paper examines the extent to which Uganda's tax laws and practices are, through affirmative action, geared to the achievement of substantive equality or the attainment of equal outcomes. We find that PIT paid by different household earning types increases gender inequality. We also find that the income tax system only worsens gender gaps and hardly is a useful tool that could be used to close the gender gaps. This is mainly because the tax rates are applied equally to both genders without due consideration of gender inequality and household composition that is rooted in the country's social norms and history. Furthermore, we find that more women increasingly fall under taxable brackets in real terms because of the income tax brackets that are not indexed to inflation. The paper proposes how PIT could be reformed with a view to using taxation as a tool for the realization of substantive gender equality.

1. Introduction

This paper examines the gender¹ dimensions of personal income tax (PIT)² in Uganda by investigating possible gender biases that may be embedded in the income tax system. Uganda subscribes to the Convention of the Elimination of All Forms of Discrimination Against Women (CEDAW) principles. Therefore, we investigate the extent to which Uganda has achieved substantive equality beyond formal equality as regards the impact of taxes from a gender perspective. The paper critically examines Uganda's income tax laws that seem to have formal equality, treating all people as if they are the same and synonymous with equality of opportunity. Yet, substantive equality recognizes that people are not the same. Equal treatment may therefore not be equitable. Accordingly, the paper examines the extent to which Uganda's personal income tax laws and practices are, through affirmative action, geared to the achievement of substantive equality or the attainment of equal outcomes.

We focus mainly on two sources of PIT: the pay-as-you-earn (PAYE) and Local Service Tax (LST)—to provide insights into who bears these taxes from a gender perspective. The former is a Central Government tax whereas the latter is a Local Government tax. The LST is a 'new' local tax introduced in 2008, which many view as a replacement of the graduated tax that was abolished in 2005. In this paper, we endeavour to demonstrate the gender impact of this tax using the 2005/06 household survey data.

1.2 National level policy context on gender equality

Uganda's emphasis on strategies to make gender equality a priority in development action, were strengthened through the government's commitment to the Beijing Platform for Action (1995). These commitments include the requirement to plan for and implement actions that take into consideration gender differences in resource allocation, which is a key entry point to the gender analysis of taxation. Earlier on, efforts had been made in establishing institutions; especially the Ministry of Women in Development (later on called Gender Labour and Social Development), to guide policy formulation and programme planning for gender equality. The government has also made commitments to address gender based discrimination through subscribing to the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) principles. Formal reporting on CEDAW is done by the Ministry of Gender and Social development in collaboration with Ministry of Justice as well as Law Reform Commission. However, such reports have not yet been able to show the extent to which taxation can

¹ In this paper, gender is defined as the *socially constructed* roles, behaviors, activities, and attributes that a given society considers appropriate for men and women (WHO, 2009).

² Personal income tax is defined as tax paid on the financial income of an individual(s).

be a hindering factor to achieving gender equality or how measures to address gender concerns through taxation can be a major route to contribute to gender equality. This paper also considers such a need.

In Uganda, one of the strategies to address gender equality in access to resources has been through affirmative action. An example is the gender affirmative action in access to University education where girls are awarded an additional 1.5 points to gain entry to public universities; affirmative action in accessing political offices especially Parliament; and the introduction of Universal Primary Education (UPE), which among other things was intended to narrow gender gaps in terms of education achievement and therefore opportunities between men and women. While some improvements in gender parity have been recorded, women participation in most activities such as in manufacturing, transport and communication and others still fall below 30 per cent compared to their sex ratio in the population of about 51 per cent.

However, Uganda has hitherto not considered using taxation as an instrument for the realization of substantive gender equality. Rather, Government in 2003 discussed widely the need to address gender inequality through the expenditure side under what was dubbed “Gender and Equity Budgeting Initiative”. The initiative explored ways of beginning to address gender inequality through the budget.

1.3 Methodology and Source of data

The main source of data used throughout this paper is the Uganda National Household Survey of 2005/06 (UNHS III) conducted by the Uganda Bureau of Statistics (UBoS) from May 2005 to April 2006. The survey captured information relevant to this paper including demographic characteristics, employment status, employment earnings for only those in paid/formal employment, households consumption expenditures on food and non-food items to name a few. Other sources of data were administrative data from the Uganda Revenue Authority (URA) and the Ministry of Local Government (MoLG).

The rest of this paper is organized as follows: Section two briefly contextualizes Uganda’s personal income tax, tracing its roots to the era of colonialism and further describes the Ugandan economy’s gendered structure with particular reference to the employment and income profiles. Household structure and composition is also discussed. Section three critically discusses the PIT system in Uganda from a gender perspective. Section four presents and discusses the incidence of direct tax with specific focus on PAYE and LST for only those in paid employment. Hypothetical scenarios to illustrate the impacts of PIT on different household types by vertical and horizontal equity are discussed in section five. The paper concludes with some policy implications in section six.

2 Overview of the Gendered Picture of the Economy

2.1 *Personal Income Tax Acts and Gender in Historical Perspective*

The current Income Tax Act of Uganda came into force on July 1997 and replaced the Income Tax Decree of 1974. But both pieces of legislation have their roots in a common income tax regime, which was first introduced in Kenya by the British colonial rulers in 1937 and extended to Uganda and Tanzania in 1939. The common income tax regime was superseded by the East African Tax Management Act of 1952, which was operational in all the three member countries of the East Africa Community (EAC) - (Uganda, Kenya and Tanzania). Later, the 1952 Act was repealed and replaced by the East African Tax Management Act No. 10 of 1958. This Act was itself replaced by the more comprehensive East African Income Tax (Management) Act of 1970. While this Act established the general structure of the income tax, the tax rates, specific exemptions and other details were governed by national laws. In the case of Uganda, the relevant law was the Income Tax Act No. 41 of 1970.

With the breakup of the EAC in 1977, each EAC country passed its own income tax laws. In the case of Uganda, the Income Tax Decree No. 1 of 1974 was passed even before the EAC collapsed. This Decree remained the country's income tax law until 1997 when the Income Tax Act No. 11 of 1997 was passed. An amended version, which incorporated all amendments to 2000, was issued as Chapter 340 of the Statutes of Uganda in 2000. Later, URA (2005) produced a Handbook entitled Domestic Tax Laws consolidating the Act (and the Value Added Tax, Cap. 349) as amended to July 2005. The Act went through a further amendment in 2006. By the time of completing this research, the Act was on the verge of an additional amendment, through the Income Tax (Amendment) Bill of 2008.

The pre-colonial and post-colonial history of Uganda brings to light some key issues relating to payment of taxes and gender. First, power, money and property rested mainly in the hands of men as per the cultural norms at that time. However, some few women such as the Bamejja of Buganda kingdom (women of royal lineage) had power, money and property. The reason why such women gained power over men was due to the fact that historically these propertied Bamejja and other royal family members never paid tax. Second, the burden of taxes fell mainly on men who were tenants or squatters. Third, poor women were exempt from payment of personal income taxes.

Imposition of "head/poll tax" (graduated tax) on all adult males by the British colonial state in Uganda underscored the already existing gender inequalities. In line with the social construct of the time men looked for cash to pay taxes to the colonial government while women were typically confined at home to do unpaid domestic work. This reinforced the divide between the "private" and the "public" spheres of productive activity. The former was socially constructed as feminine; while the latter was predominantly defined as masculine. By implication, therefore, the introduction of the cash economy created or deepened gender

disparities in Uganda and other African cultures (Tamale 1999). Because men were involved in getting cash and women were not, men acquired more power and authority over the women. In the missionary schools, girls were typically taught home economics and housewifery (Tamale 1999) while boys were encouraged to do mathematics, natural sciences or even those disciplines (such as political science and law) that were associated with state power. These, in turn, led boys to join higher ranking positions in the job market and in politics in comparison with the girls who typically trained to be nurses, secretaries or good mothers. For reasons of path-dependency, several girls continue to be trained into less paying “feminine” professions to-date. This appears to explain why there are fewer women than men in the higher income taxable categories as will be discussed later. The tax system was therefore not designed to address gender disparities. Rather, the concentration of men in income generating activities only aggravated the already existing gender disparities.

The 1995 Constitution of the Republic of Uganda defines women rights as *human* rights, including gender equality. Article 33 (6) of the Constitution explicitly provides that the “Laws, cultures, customs, or traditions which are against the dignity, welfare or interest of women or which undermine their status are prohibited by this Constitution such as inheritance and Female Genital Mutilation (FGM).” In other words, the supreme legal institution legislates against gender discrimination. This suggests that other lesser institutions and practises should comply (or risk being declared “unconstitutional”). In line with these legal provisions Uganda has been moving towards the attainment of gender parity in several respects. Indeed, gender gaps have narrowed in almost all spheres including: i) enrolment at primary education; ii) enrolment in secondary education; enrolment in all university courses; iv) participation in politics, including elective political offices; and v) participation in paid employment.

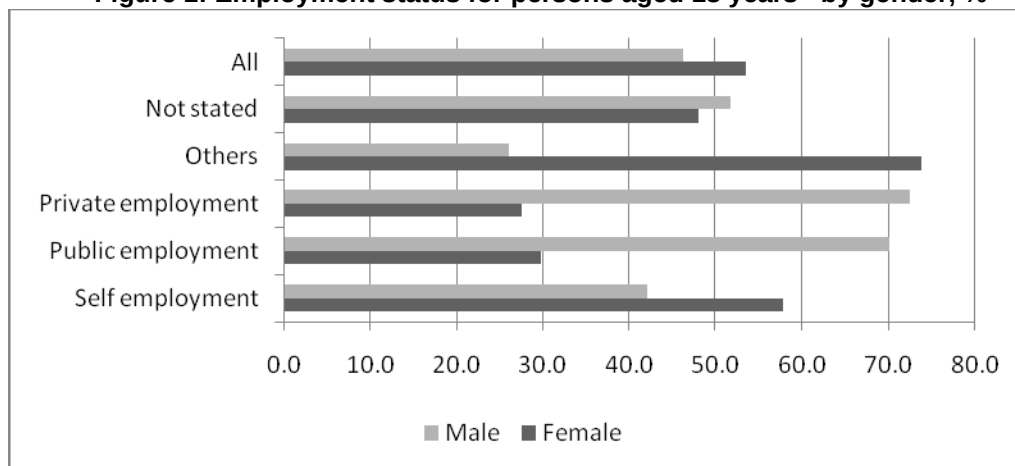
However, while gender gaps have narrowed in those respects, women largely lag behind men in terms of opportunities to income. This arguably lies in the gender-blind institutions such as tax laws, inheritance of property (property rights) and policies, compounded by gender biased patriarchal norms and values. For example, although the 1998 Land Act (which is arguably one of the most significant gendered laws), provided for a written consent of the spouse (female) before a husband could lease, mortgage or sell land of family, operationalisation of the provision has faced wide-spread debate. First, the Land Act omitted the co-ownership clause which would have probably protected women’s land rights. Second, even the highest office in the land has maintained that women have to prove themselves in marriage before they can acquire rights to property. Furthermore, there is gender disparity in the distribution of assets. It is important to note that unequal distribution of assets and opportunities is rooted in the country’s history. Notwithstanding recent efforts to address the gender concerns, women largely remain a disadvantaged group in many respects in Uganda. It is very important to bear in mind the gender inequalities described in this section as we examine the evolution of Uganda’s tax system and its implications for the achievement of substantive equality between women and men.

2.2 Employment and income profile

Employment profile: Over the years, female participation in the labour market has increased. More importantly, the share of females in high positions shows an increasing trend (Okurut *et al.* 2006). Of the total employed persons aged 18 years and above, nearly 53 per cent are female. Nearly 79 per cent of employed Ugandans are in self-employment, of which about 34 per cent are unpaid family workers (Figure 1). Like in most SSA countries, in Uganda females make up a greater share of unpaid family workers (82.9 percent). There is no recognition women provide in form of family care in national accounting system hence very difficult to quantify this significant activity. But it is important to note that Ugandan households derive incomes from diversified sources.

The formal sector overall employs only 16 per cent of the employed people in Uganda, of that number, the largest group is that working as paid employees in the private sector – eight in every ten paid employee is in the private sector. Paid employments account for 1.67 million employees. With respect to gender there are nearly thrice as many men holding formal sector jobs as women – approximately 1.21 million men against 0.47 million women. All this suggests that women are less likely than men to be employed in paid employment both in the public and private sectors. Some of the reasons for this trend can be attributed to the lack of high management skills and large capital outlays required to set up a business enterprise which women do not have. Sometimes the good jobs require moving away from home which is a great hindrance as most women are committed to their families.

Figure 1: Employment status for persons aged 18 years+ by gender, %



Source: Own calculations based on UNHS III

Disaggregated analysis by economic sector reveals that the majority of the Ugandan population is employed in agricultural activities and most noticeably in self-employment. This pattern of employment has negative implications for the ability of the government raise a substantial amount of tax revenues from personal income taxes. From a gender perspective, there is a greater concentration of females in agricultural sector relative to males. Whereas, within sectors we find that females are more in the hotel industry than males, this does

not necessarily mean better income as most females are either waitresses or cleaners whose salaries fall outside the income tax brackets.

Employment earnings: The 2005/06 household survey data does not have information on employment earnings from informal sector. With this caveat in mind, our analysis here focuses on those individuals aged 18 years and over in paid employment. Looking at indicators of low pay, we focus initially on the relative measure – the proportion of persons working for less than half the median earnings; and twice the median earnings (median for all workers). In 2005/06, Table 1 shows that 15.5 per cent of workers received less than half median income. The poorly paid were mainly females mainly because the nature of jobs they under take attract less pay. further reveals that nearly two thirds of the paid workers received less than twice the median income. Disaggregating the results by sector, we note that the proportion of paid workers in the private sector earn less than half the median income. This also reveals that earnings for workers in the public sector are well above those in the private sector. Individuals employed in the public sector earn more than twice those in the private sector, at median wage. Yet, employment in the public sector is predominantly for males especially in the higher levels of pay. The female-male wage gap is wider in the private sector compared to the public sector. The causes of this wage/salary gap in the private sector include the abundance unskilled labour and low levels of human capital. Furthermore, looking at the gender aspect, in the private sector, females are paid much lower wages compared to the males. It is important to note that, the male wage per month more than doubles that of females. Also, employment earnings are unequally distributed across the rural-urban settings of the paid employee, as persons working in urban areas earn thrice the earnings of those in rural areas.

Table 1: Median employment earnings per person per annual, 2005/06

Employees	% persons below:			UShs per annum	
	Half of median	Median	Twice of median	Mean	Median
All employees					
Female	24.4	63.2	79.3	702,597	240,000
Male	11.0	37.1	60.1	1,335,176	600,000
All	15.5	45.9	66.6	1,120,095	434,400
Public sector					
Female	2.7	5.5	12.0	2,487,105	1,716,000
Male	1.5	6.2	15.6	3,221,970	1,800,000
All	1.8	6.0	14.6	3,018,688	1,800,000
Private sector					
Female	26.7	69.3	86.4	514,016	217,200
Male	12.4	41.6	66.6	1,056,334	480,000
All	17.4	51.3	73.5	867,366	384,000

Source: Own calculations based on UNHS III.

2.3 Household structure and composition

Household typologies: To capture the gender dimensions of the Uganda PIT System, the analysis is based on gender based-typology of households according to earning status of adult members aged 18 years and over. These include (i) Single male earner without female earners (male breadwinner) and (ii) Single female earner without male earners (female breadwinner); iii) dual earners with female high - as households with more adult female earners than males, (iv) dual earners with male high - as households with more adult male earners than females; (v) Dual earners - as households with the same number of females and males earners who are adults. We further control these categories for presence of children.

Nearly 42 per cent of Ugandan households reported at least one salaried member (see Table 2), of these 55.2 per cent of the households had one male earner and 20.8 per cent had only one female earner. About 22.3 per cent of these households were female headed. In addition, 73.2 per cent of the female headed households had one female earner. Households with more children than adults included one male earner households; one female earner households; and equal earners households by gender. Dual earners with more males and females

households had more adults than children in their households. Over 50 per cent of the households had one male earner (Table 2).

Table 2: Household composition by adult earner type

	Share in total, %			% Household s	% Female headed
	All	Childre n	Adults		
One male earner	53.2	53.2	53.2	55.2	6.3
One female earner	18.5	20.5	16.1	20.8	73.2
Dual earners by gender	16.5	16.8	16.0	15.3	10.5
Dual earners with males high	8.0	5.9	10.5	5.9	16.8
Dual earners with females high	3.8	3.6	4.2	2.8	54.7
Estd. Population ('000)	11376.4	6206.6	5169.7	2240.7	511.8

Source: Uganda National Household Survey-UNHSIII, 2005/06

3. Summary of the Personal Income Tax System

In the period 2002/03 - 2006/07, net government revenue grew by 119.55 per cent (URA, 2008). During the same period under review, the contribution of domestic taxes to total revenue grew from 49.36 per cent in 2002/03 to 50.09 per cent in 2006/07 to total tax revenue. Growth in direct domestic taxes was by far the most impressive at 125.98 per cent in the same period. The contribution of tax to GDP has been steadily growing and by the end of 2006/07, it was at 12.47 per cent where by direct domestic taxes contributed 4.16 per cent to GDP second to taxes on international trade which contributed 7.06 per cent to GDP (Table 3). It is evident from the Table 3 that PAYE contribution to GDP has been steadily growing and by 2006/07, it contributed about 1.89 per cent to GDP. From the 2004/05, revenue from domestic production and consumption exceeded 50 per cent of which 28.83 per cent was collected from income taxes and in 2006/07 it was at 29.1 percent. PAYE remained the major source of income taxes followed by corporate income tax and Withholding tax (Table 4). Since 1997, PAYE tax rates have not been reviewed, suggesting that PAYE performance is largely explained by growth of the economy (which resulted into increased number of employees and salaries) and tax administration enforcement actions.

The low levels of direct taxes in 2006/07 (Table 4) can be explained by the majority of family employment being in the informal sector employment and agricultural production. All these comprise unpaid workers or labourers whose incomes are either not taxed or their tax contributions are very low given that the probability of them falling in the lowest income tax brackets is high. Like in many

developing countries, in Uganda government finds it very difficult to tax the informal sector employees and businesses.

Table 3: Share of type of tax to GDP and total tax revenue, 2002/03-2006/07

	2002/03	2003/04	2004/05	2005/06	2006/07
a) %share of Tax to GDP					
Net URA collections(Excl. Govt. taxes & Tax Refunds)	11.97	12.45	12.68	12.86	12.47
Gross Revenues	12.33	12.86	13.09	13.47	14.43
<i>o/w Total domestic taxes</i>	6.09	6.24	6.67	6.87	7.23
Direct Domestic Taxes + Fees & Licenses	3.05	3.44	3.8	3.92	4.16
-PAYE	1.43	1.52	1.62	1.81	1.89
Indirect Domestic Taxes	3.04	2.8	2.87	2.95	3.07
<i>o/w Govt VAT Payments on behalf of Private Co.</i>	0	0	0	0	0.01
Taxes on international Trade	6.14	6.53	6.32	6.5	7.06
Government Taxes on Imports	0.11	0.09	0.1	0.1	0.14
b) %share in total tax revenue					
Net URA collections(Excl. Govt. taxes & Tax Refunds)	97.07	96.79	96.89	95.49	93.32
Gross Revenues	100.00	100.00	100.00	100.00	100.00
<i>o/w Total domestic taxes</i>	49.00	48.53	50.96	51.02	50.09
Direct Domestic Taxes+Fees &Licenses	24.73	26.75	29.04	29.10	28.83
Indirect Domestic Taxes	24.63	21.78	21.92	21.91	21.25
<i>o/w Govt VAT Payments on behalf of Private Co.</i>	0.00	0.00	0.00	0.87	0.07
Taxes on international Trade	49.76	50.77	48.27	48.27	48.92
Government Taxes on Imports	0.88	0.70	0.77	0.71	0.99

Source: Author's calculations based on data from Uganda Revenue Authority

Table 4: Composition of Direct Domestic Taxes in Billion of Uganda shillings

Type of tax	2002/03	2003/04	2004/05	2005/06	2006/07
PAYE	168.27	200.27	245.13	307.57	368.63
Corporate Tax	84.22	121.58	160.02	182.17	195.01
Presumptive Tax	2.16	2.45	2.49	3.67	2.05
Other	4.29	5.30	5.19	4.64	7.83
Withholding Tax	50.48	57.57	85.38	93.03	116.10
Rental Income Tax	6.02	6.09	6.17	6.47	8.32
Tax on Bank Interest	4.27	8.96	8.29	6.72	29.06
Casino and Lottery Tax	0.24	0.28	0.37	0.34	0.39
Total	319.94	402.22	513.05	604.62	727.39

Source: URA, Background to the Budget, 2008-Ministry of Finance, Planning and Economic Development

3.1 *Uganda's Direct Tax Profile*

Uganda's tax system includes direct and indirect taxes. The direct taxes are income taxes that include individual as well as corporation taxes. PAYE is a major category of personal income taxes. Regarding income tax, the Income Tax Decree of 1974 with extensive amendments in the subsequent annual financial statutes remained the main income tax law until the major reforms in 1997, which saw the enactment of the Income Tax Act of 1997. Recently the reforms in this category of tax have included abolition in 2005 of hut tax or graduated tax as it was commonly known. The hut tax was the major source of revenue for local governments. Following its abolition in 2005 the revenue bases of local governments were seriously affected adversely. A local service tax replaced the graduated tax in 2008 to compensate local governments for the revenue loss. The local service tax is levied on individuals, mainly those with wage monthly incomes.

Personal income taxes in Uganda are imposed on the basis of income, irrespective of gender. In other words, the tax laws relating to personal income tax reflect formal equality between men and women. They do not explicitly discriminate between male or female tax payers. Furthermore, the tax laws and practices do not have any provisions for affirmative action to address inequity that is rooted in the country's history and cultural practices. Lack of positive discrimination may be a source of unfairness in Uganda's situation where women constitute the majority of the rural poor.

3.2 *Global versus Scheduler: Individual versus Joint Filing (Unit)*

Taxable personal income in Uganda is not treated 'globally.' Uganda's Income Tax Act (Cap 340) is made up of 'schedules' of different types of income (or differently measured income), 'each of which has tax imposed in its own way and with different tax rates' (See Sections 15, 16, 18, 19, 20 of the Income Tax Act). In terms of the filing unit, under Uganda's Income Tax Act (ITA), a return of income must be filed by an individual, a company or a partnership for every source of income. In the case of an individual, a return should be filed by a person whose income from a particular source of income in any one year of income is above Shs 1,560,000. A return should be filed for every source of income other than wage income for which employees deduct PAYE and remit it to the Uganda Revenue Authority (URA). A partnership is also required to file a return of income as if it were an individual for every source of income. The Income Tax Act (Cap 340) therefore treats partnerships the same way as individuals. However Section 55(1) provides that 'Income or deductions relating to jointly owned property are apportioned among the joint owners in proportion to their interests in the property.' Where the interest of the joint owners in the property cannot be ascertained, it shall be deemed to be equal (Section 55(2)). Spouses are treated as two different individuals for income tax purposes.

Uganda's tax laws relating to income tax do not provide for joint filing of tax returns, which translates into equal treatment of both men and women for income tax purposes. However, equal treatment of men and women with regard to income tax fails to address inherent gender inequality that is rooted in social norms and culture.

Under Uganda's laws, 'every tax payer shall furnish a return of income for each year of income of the taxpayer not later than four months after the end of that year' (ITA, Section 92) subject to the specific cases (spelt out in Section 93) where return of income is not required. However, the returns are based on every source of income and not treated globally.

3.3 Definition of Income

The chargeable income for a person in any one year of income is his/her gross income for the year less total deductions allowed under the Act (Section 15). The main categories of chargeable income are:

- Employment income (Section 19)
- Business income (Section 18)
- Rental income [Rent earned by an individual owner of property is separated from income earned from other sources and taxed separately under rental tax rates. Rental income earned by a company is taxed under corporate income tax rates]
- Profits from a business or profession
- Income from dividends and interest
- Trust income and pension income
- Income from management or professional fees or royalties
- Income of non-resident individuals or companies deemed for be derived from Uganda

The different sources of income attract different income tax treatment. Furthermore, the definition of income brings out glaring gender inequalities. The inequality arises from the smaller proportion of women in all categories of income sources. With regard to business income, again the biggest proportion of persons engaged in business is men, particularly in non-farm businesses. The rest of the income bases cited such as rental income, profits from a business or profession, and income from dividends are a preserve of men. Clearly, the income bases favour men relatively more compared to women. Accordingly, personal income tax tends to burden men relatively more compared to women because of the inequitable distribution of opportunities to income. The argument in this regard is not to use personal income tax as an instrument for the reduction in gender gaps but for increased opportunities to women to increase their incomes.

Section 63 of the Income Tax Act (Cap. 340) provides that the chargeable income of each taxpayer who is an individual is determined separately. Where a taxpayer attempts to split income with another person, the Commissioner may

make the necessary adjustments 'to prevent any reduction in tax payable as a result of the splitting of income' (Section 64). A split of income is allowed only for partnerships (see section 4.1).

3.4 Exemptions – those that reduce or lower the tax base

Section 21 of the 1997 Income Tax Act provides for tax exemptions. The following tax exemptions relate to personal income tax:

- Personal income below the minimum threshold for payment of Pay As You Earn (PAYE)
- Any education grant that has been made to enable or assist a recipient person to study at a recognized educational or research institution.
- The value of any property acquired by gift, bequest, devise or inheritance that is not included in business, employment or property income. This provision favours men relatively more compared to women. In Uganda, most communities are paternal and inheritances mainly benefit men.
- A pension. This provision benefits men relatively more compared to women because women are relatively few in pensionable employment.
- A lump-sum payment made by a resident retirement fund to a member of the fund or a dependant of a member of a fund. This provision also benefits men relatively more compared to women because of the relatively larger proportion of men in pensionable employment.
- The proceeds of a life insurance policy paid by a person carrying on a life insurance business
- The official employment income of a person employed ('in uniform') in the armed forces of Uganda, the Police or prisons services. This provision also benefits men relatively more compared to women. Until very recently, the forces were employing only men. Even after the forces have started employing women, the proportion of women in the Uganda People's Defense forces is still below 5 percent. Women make only about 25 per cent of Uganda's police force.

Women hardly benefit from the tax exemptions enumerated above because of their limited participation in paid employment, business, and limited ownership of property. The argument in this regard is not to deny the male income tax exemptions but rather to increase opportunities for women to participate in paid employment, business, and own property like easing the rates at which women access development loans from micro finance institutions.

3.5 Rate Structure Applied to Taxable Income

The third schedule of the Uganda Income Tax Act of 1997 gives tax rates (

Table

5).

Table 5 further shows the distribution of persons in paid employment by PAYE tax brackets. It is evident that the majority of them fall outside the taxable incomes. The share reduces with increasing tax bracket. Men are more likely than women to fall in taxable income brackets. Put differently, men are more likely to be employed in more remunerative jobs relative to their female counterparts. It is also evident that only three in every ten paid employees are likely to be women.

For emphasis, we note that each category of PAYE bracket has more men than women, including the category of employees that are completely tax exempted. In other words, paid employment in Uganda benefits men relatively more than women in each category of PAYE. The proportion of women in each category of PAYE brackets decrease as the level of wages rises (

Table 5). Accordingly, the burden of PAYE falls disproportionately on men compared to women. Again the argument in this respect is not to achieve gender equality by taxing the men, (which would mean equality at a low level of consumption) but rather to argue for increased opportunity for women to get into paid employment in each PAYE bracket.

In April 2008, the Parliament of Uganda passed the Local Governments (Amendment) Bill, 2008 introducing two taxes one of which was the LST. The collection of LST effectively started on 1st July 2008 and is levied and collected by all Local Governments in the country in collaboration with the employers in Government Ministries, agencies and departments, Local Governments, Public and Private Institutions and companies. PAYE is an allowed deduction before computation of LST. The LST was determined for any employee and salaried earner as per the schedule in

Table 5 after deduction of PAYE where applicable.

The introduction of LST led to payment of income tax by some people whose monthly income was below the PAYE threshold of Shs130,000 because the threshold of LST at Shs100,000 per month was far below that of PAYE. In nominal terms, LST brought more men than women into the fold of paying income tax in this respect. However, in proportion terms, a higher proportion of women in paid employment came into the fold of paying personal income tax compared to that of men. Again, the argument in this respect is not to use taxation as a means of reducing gender gaps in income but rather to provide opportunities to women to access paid employment in equal measure at all levels of income.

Using employment earnings of 2005/06,

Table 5 presents the distribution of paid employees by LST brackets. The LST has 12 brackets compared to only four for PAYE. There is no discernable pattern in the distribution of employees as is the case for PAYE tax brackets. Disaggregating analysis by gender reveals that more 95 per cent of women employees are earnings less than Ushs2.4million per annum. The share of employees falling outside the LST brackets is lower than that of PAYE.

The last column of

Table 5 presents the proportion of women in total paid employment by income tax brackets. Women in paid employment are more concentrated in non-taxable income category.

Table 5: Distribution of paid employees by tax brackets

Bracket	Income tax brackets	Tax rate	All	Female	Male	% Female
	PAYE ('000Shs)	%				
1 st	< 1,560	0	82.3	88.9	78.8	36.7
2 nd	1,560 - 2,820	10	9.9	6.7	11.6	23.0
3 rd	2,820 - 4,920	20	4.9	2.5	6.1	17.8
4 th	> 4,920	30	3.0	1.8	3.5	21.1
	LST ('000Shs)	Shs				
1 st	< 1,200	0	77.3	85.6	73.0	37.6
2 nd	1,200 - 2,400	5,000	14.4	9.7	16.8	22.8
3 rd	2,400 - 3,600	10,000	3.2	2.2	3.7	23.1
4 th	3,600 - 4,800	20,000	2.6	1.2	3.3	16.2
5 th	4,800 - 6,000	30,000	1.2	0.9	1.3	26.1
6 th	6,000 - 7,200	40,000	0.3	0.0	0.4	0.0
7 th	7,200 - 8,400	60,000	0.1	0.1	0.2	19.8
8 th	8,400 - 9,600	70,000	0.4	0.3	0.5	20.3
9 th	9,600 - 10,800	80,000	0.0	0.0	0.0	35.9
10 th	10,800 - 12,000	90,000	0.0	0.0	0.0	0.0
11 th	12,000 - 24,000	100,000	0.3	0.1	0.4	10.4
12 th	> 24,000	120,000	0.2	0.0	0.3	0.0
	Estd. Absolute # ('000)		2,886.1	981.3	1,904.8	34.0

Source: URA, MoLG, 2008 & Uganda National Household Survey-UNHSIII, 2005/06

3.6 Tax Preferences

Uganda's Income Tax Act 1997 provides for tax preferences in three different categories namely: i) reductions of taxable income; ii) reductions of tax rates; and iii) tax credits or exemptions. At the beginning of every financial year the Uganda Government announces tax measures that are mainly intended to raise revenue to finance the national budget. However, the tax measures also reflect tax

preferences with a view to achieving desired social and economic outcomes including the following:

- i. Reducing the income tax burden on vulnerable groups such as the poor men or women, children and physically impaired persons.
- ii. To make the income tax burden be borne relatively more by the rich.
- iii. To discourage consumption of harmful substances such as cigarettes and beer.
- iv. To promote growth of key sectors in the economy such as agro-processing.

The Uganda Parliament amends the Income Tax Act annually in order to provide for income tax measures that Government announce at the beginning of every financial year. Accordingly, a review of both the Income Tax Act 1997 and the annual amendments to the Act give total information about Uganda's tax preferences.

a) Reductions of taxable income: Deductions or allowances

The Uganda Income Tax Act of 1997 provides for deductions or allowances for deriving the income before calculating income tax payable by a taxpayer. The Act refers to the allowance as "deductions". The deductions relating to personal income tax include:

- i) All expenditures and losses incurred by the taxpayer during the year of income to the extent to which the expenditures or losses were incurred in the production of income included in gross income. Such deductions are allowed for registered businesses, which are predominantly owned by men.
- ii) The amount of any loss that deals with gains and losses on the disposal of assets incurred by the taxpayer on the disposal of a business asset during the year of income. This provision favours men because they are the predominant owners of assets.
- iii) In the case of rental income, 20 per cent of rental income as expenditure and losses incurred by the taxpayer in the production of such income. Again this provision favours men because rental income accrues mainly to men.

b) Reductions of tax rates

As regards income tax, Uganda's tax rates have remained unchanged since the coming into being of the Income Tax Act 1997. Once the chargeable income is calculated by allowing for the deductions enumerated above, the rates that are provided for in the Income Tax Act of 1997 with specific thresholds are applied to calculate the amount of tax payable by a category of taxpayer. The tax rates are contained in the second and third schedules of the Uganda Income Tax Act 1997. The second schedule gives tax rates relating to incomes of small business

taxpayers. The third schedule gives tax rates relating to resident individuals and companies. The annual amendments to the Uganda Income Tax Act of 1997 have not provided for any changes in the tax rates contained in the second and third schedules.

c) Tax credits and/or exemptions

While the Uganda Income Tax Act 1997 provides the broad framework on tax deductions, there are annual amendments to the Act that reflect emerging tax preferences. These are contained in various amendments to the Uganda Income Tax Act of 1997 in form of tax credits and/or exemptions to priority sectors of the economy.

Uganda's income tax preferences have hardly addressed gender concerns. The disadvantaged gender that happens to be women is treated the same way as men without due cognizance of the vulnerability of women to poverty. As such, there are no deductions or allowances that are geared towards addressing gender gaps. Only a few amendments to the Income Tax Act 1997 have some gender relevance. These include first the Income Tax (Amendment) Act of 2003 which among other things exempted a tax payer in the business of agriculture, plantation or horticultural farming from paying tax. The gender relevance of the amendment is only to the extent that the majority of women are employed in agriculture; otherwise the amendment was not made with the intention of reducing gender gaps in terms of income. A second remotely gender relevant amendment to the ITA was the Income Tax (Amendment) Act 2008 which among other things provided incentives to persons engaged in agro-processing. Again the gender relevance of the amendment is only to the extent that agro-processing is key to agriculture in which the majority of women eke a living. Otherwise the amendment was not made with the intention of reducing gender gaps in terms of income. Broadly, amendments to the Income Tax Act have hardly taken into account gender concerns.

Broadly, Uganda's tax preferences seem to favour men relatively more compared to women. Consequently, Uganda's tax preferences have tended to accentuate already existing gender gaps in terms of disposable income between men and women. This is mainly on account of low participation by women in employment and other income generating activities.

3.7 Inflation

From the time the 1997 Income Tax Act was enacted, Uganda has experienced low annual inflation (Table 6). Although the inflation was low, it led to erosion of wages. Table 4.5 below shows the PAYE tax thresholds in 1997 constant prices. The income tax brackets have not been adjusted upwards to cater for inflation. The computations in table 4.5 below show that going by the initial PAYE tax brackets, the minimum income that was exempt from income tax that was fixed at Shs130,000 in 1997 was by 2007 equivalent to Shs 197,271. In other words,

the category of persons paying income tax today whose income ranges between Shs130,000 to Shs197,000 per month were in 1997 exempted from payment of income tax. Since the majority of female wage earners are in the lower category of PAYE brackets, this means that fixed income tax brackets has hurt women in paid employment relatively more than men.

Table 6: Impact of inflation on monthly thresholds for PAYE

	1998	1999	2000	20001	2002	2003	2004	2005	2006	2007
Inflation	0.64	5.76	3.4	1.9	-0.3	8.7	3.7	8.5	7.5	6.1
Upper threshold										
	13083	13836	14307	14579	141417.	153720.		17295	18593	19727
130,000	2	8	2	1	1	4	159408	8	0	1
	23650	24998	25848	26339	255493.	277721.	287997.	31247	33591	35640
235,000	4	5	4	5	5	5	2	7	3	3
	41262	43614	45097	45954	445754.	484535.	502463.	54517	58606	62181
410,000	4	4	2	1	7	4	2	3	0	0

Source: Author's calculations based on annual inflation figures from UBOS

Put differently, inflation has eroded off some of the benefits small income tax payers enjoyed in 1997. Deflating the wage rate of Shs130,00 per month by the annual inflation rates leads to about Shs40,000 per month. This means that some wage earners that were previously exempted from payment of income tax have effectively been brought into the category of persons paying the tax. A higher proportion of working women compared to men happen to fall in this category. The policies that relate to personal income tax have accordingly not been gender sensitive given the adverse impact of inflation on wages. As of 2007, an upward adjustment of income tax brackets by about 52 per cent would leave income tax payers at the level they were in 1997. Such adjustment would address the implicit gender bias of income tax that is arising because of inflation.

3.8 Salaried versus self-employed

The salaried people in Uganda are required to pay PAYE, which is an income tax based on the salary on an individual. Salaried people can hardly evade income tax because it is deducted at the source first before the taxpayer is paid his/her salary. It is the responsibility of the employer to ensure that he/she deducts incomes tax from salaries of all employees and remit it back to URA.

Self employment takes the form of single owner business where the owner of the business employs himself/herself and hires a few or no other people. Such businesses are largely informal. Self-employed persons do not pay PAYE because they do not have wage income. Self employed people pay taxes on inputs but cannot claim a tax refund. Informal businesses that range from individual and informal partnerships are not required to file tax returns to the URA. Women are largely engaged in such self-employment mainly in trade in local markets. On the other hand, a survey carried out by the Ministry of Finance, Planning and Economic Development (MFPED)-Export Analysis Unit in 1995 showed that only 28 per cent of the total number of exporters in Uganda were women. Nonetheless, both men and women engage in trade in local markets and

pay market dues. Those that engage in value addition pay non-refundable VAT on inputs. Majority of self-employed women fall in the informal sector and hardly face the wrath of paying personal income tax. While this category of persons does not pay personal income tax, they do not receive any tax rebates of any kind on the inputs they use; they all pay taxes of different kinds. Because informal sector businesses pay indirect non-refundable taxes, it is just in order that self-employed persons in the informal sector are not required to pay personal income tax.

4 Incidence of direct taxes

4.1 Incidence of Personal Income Tax

Individual level: Employment income information was collected for only those individuals in wage employment. The wage/salary information was collected as net of tax³ and for the last 12 months prior to the survey. Therefore, there was need to first calculate the gross income and thereafter derive PAYE due from each individual. To estimate the PAYE borne by each household, we first estimated the PAYE paid by each individual and then summed it up across individuals within each household. Using the statutory income tax schedule as it were in 2005/06 to the actual net labour income of each individual, we were able to calculate PAYE. The income tax schedule includes four PAYE tax brackets as discussed above. The revenue based on the new direct tax, LST, was derived following closely the press release by MoLG in June 2008. The tax due to each employee were based on the net earnings after PAYE

In 2005/06, PAYE collections amounted to Shs266bn, of which public employees contributed Shs121.9bn. The workers in the highest income bracket paid 77.6 per cent of PAYE (

³ This is according to the manual of instructions for the survey.

Table 7). Women contributed only 12 per cent of PAYE.

Next we discuss the progressivity of the PAYE structure. It is evident from

Table 7 that PAYE is progressive. The better paid workers pay more PAYE as percentage of their income. In terms of gender assessments, the incidence of PAYE is greater on male workers in the highest income bracket compared to female workers.

Table 7: PIT liabilities by income brackets, %

PAYE tax brackets	Share of total PAYE			Share of total LST		
	All	Of which:		All	Of which	
		Female	Male		Female	Male
< 1,560	0.0	0.0	0.0	11.3	3.2	8.1
1,560 - 2,820	4.5	0.9	3.6	17.2	4.0	13.2
2,820 - 4,920	17.9	2.9	15.0	23.2	3.7	19.5
> 4,920	77.6	9.2	68.4	48.3	7.9	40.4

Source: Own calculations based on UNHS III.

However, if LST was introduced in 2005/06, it would generate Shs8.7bn to revenue of local governments. The public employees would contribute only Shs3.8bn compared to their counterparts in private sector (of Shs4.9bn). In percentage terms, employees in private sector would contribute slightly more towards the local government revenue than to central government revenue. As a relative share in total employment, the public sector contributes 45.8 per cent of PAYE and 43.7 per cent of LST.

Table 7 shows that the lowest paid workers would contribute 11.3 per cent of local tax, with a greater contribution from male employees. More importantly, the results in Table 8 suggest that LST would somewhat increase for the first income brackets and flattens thereafter. The incidence of LST tax is less gender sensitive compared to PAYE. Overall, female workers contribute 13 per cent of PAYE but their contribution to LST would be 18.9 percent.

Findings at household level: The incidence of PAYE as a share of household income of 11.3 per cent for dual earners-female high households is higher compared to dual earner-male high households (

Table 8). A comparison among single earner households shows that PAYE incidence on single male earner households is almost twice that of single female earner households. This can be partly explained by predominance of single male earner households in the higher PAYE tax categories; single earner male households contribute about 54.3 per cent to total PAYE and furthermore they are more likely to be found in the highest quintile⁴ (quintile 5) than single female earner households who are the majority in quintile 1 and 2. Single female earners and dual earners-female high households contribute just about 5.7 per cent and 7.0 per cent to total PAYE respectively. The low contributions are partly as a result of females falling in the lowest PAYE tax income bracket compared to the males.

⁴ Refer to categorization of quintiles manual for the survey

Table 8: Share of direct taxes in total earnings, 2005/06

PAYE tax brackets	Share PAYE, %			Share of LST, %		
	All	Female	Male	All	Female	Male
< 1,560	0.0	0.0	0.0	0.1	0.1	0.1
1,560 - 2,820	2.1	1.8	2.2	0.3	0.3	0.3
2,820 - 4,920	8.7	8.3	8.8	0.4	0.4	0.4
> 4,920	21.7	17.8	22.3	0.4	0.5	0.4

Table 9: PAYE incidence by household typology

Tax incidence by household earning type		
	% of PAYE	PAYE as % of income
Single male earner	54.3	8.4
Single female earner	5.7	4.3
Dual earners by equal gender	24.3	9.9
Dual earners with males high	8.7	6.7
Dual earners with females high	7	1.3
Estd. (Ushs.bn	266.1	3,232.70

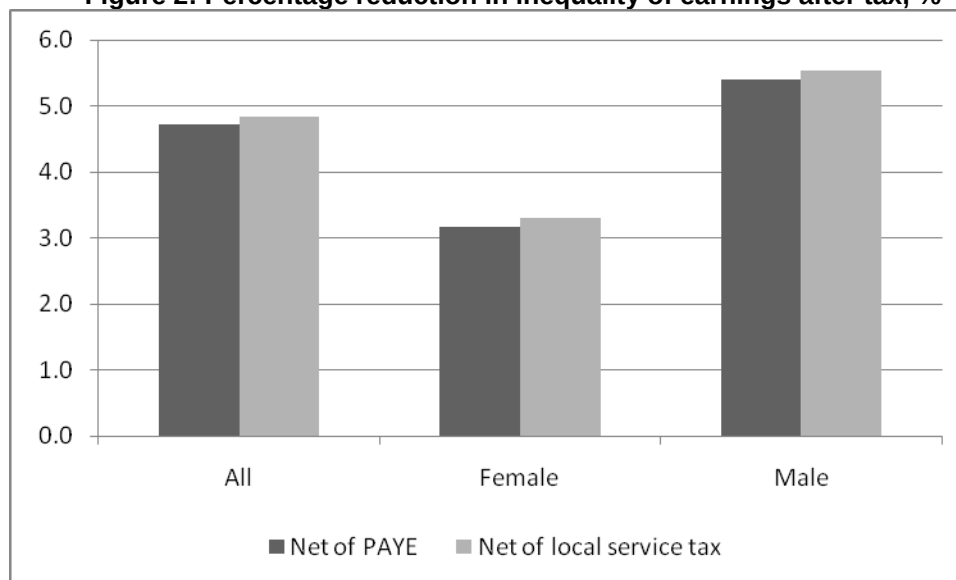
Source: Own calculations based on UNHS III.

4.2 Does PIT improve distribution of income?

Inequality of income is among the challenges the government is grappling with. Regarding employment earnings, the inequality as measured by the Gini stood at 0.63 in 2005/06, with no significant differences by gender.

Figure 2 depicts the percentage reduction in inequality of employment income after imposing PAYE and LST. Most importantly, distribution of earnings improves significantly after PAYE. This is also true for LST at global level. These findings are driven by significant improvements in the distribution of employment income earned by men. The lack of significant improvements in women's income is not surprising since most of them fall outside the taxable brackets. It is evident that LST is as redistributive as PAYE. In other words, these direct taxes are not only a means of raising incomes for the local governments but also there is an element of redistribution.

Figure 2: Percentage reduction in inequality of earnings after tax, %



Source: Uganda National Household Survey-UNHSIII, 2005/06

5. Vertical and Horizontal Equity: Hypothetical scenarios

In this section we illustrate through hypothetical scenarios how PIT impacts on different household types (with different gender focused characteristics). As earlier discussed, Uganda's tax system treats men and women the same way so long as both sexes earn similar incomes. We investigate whether equal treatment of sexes for income tax impacts differently on different household typologies. It should be borne in mind that the taxes paid by households of different characteristics such as one single earner and dual earners either male-high or female-high, will not depend on the total income earned by the household but on each individual earning member within the household typology. In our earlier analysis, we saw that the tax incidence was higher in single male earning households compared to the other household earning types. Furthermore, PAYE is progressive because higher income earning individuals pay a higher tax compared to a less paid earning individuals. At a household level, single earner households pay more taxes than households with more than one earner but with the same level of employment income (as we shall later see in the scenario analysis).

Table 10 categorizes households by earning types and distributes them across PAYE income tax brackets. The table indicates that dual earner households (i.e. households with equal numbers of earning adults of females and males with dependants) dominate within different income tax brackets-over 70 percent, followed by households with one male earner with dependants. Table 11 shows the distribution of wage earners by sector of employment across PIT income tax brackets. This has also been calculated from the data provided in the UNHSIII. Evidence from Table 11 reveals that public employees earning a wage are more

likely to be found in the upper tax brackets than private employees. On the other hand, private employees earning a wage are more likely to be the majority falling in the bottom lowest tax brackets of salaries that do not pay PIT than those in public employment.

Table 10: Distribution of household type by PAYE income tax brackets, %

PAYE brackets(monthly)	Household type				Total
	Dual earners	Single female earner	Single male earner	no earning adult	
< 130,000	72.62	15.7	9.47	2.22	14,300,240
130,000-235,000	68.05	11.91	19.56	0.48	1,522,528
235,000-410,000	74.12	9.67	16.21	0	609,770
> 410,000	68.34	8.03	22.14	1.49	619,503
Total	12,295,651	2,534,840	1,888,168	333,382	17,052,041

Source: Own calculations based on UNHS III.

Table 11: Distribution of wage earners by sector of employment across PAYE Tax brackets

PAYE brackets(monthly)	Sector of employment for wage earners		Total
	Public employment	Private employment	
< 130,000	1,227,345	3,186,766	4,414,111
130,000-235,000	739,673	340,783	1,080,456
235,000-410,000	280,410	101,992	382,402
> 410,000	380,936	55,753	436,689
Total	2,628,364	3,685,294	6,313,658

Source: Uganda National Household Survey-UNHSIII, 2005/06

Data from the UNHSIII indicated that at less than half the median and at the median income, all household types lie outside the tax brackets. Using the same data, we disaggregate the households further into the following typologies: i)

households with one single earner with children; ii) dual earners with children; iii) Dual earners by gender with children; iv) dual earners with more males with children; and v) dual earners with more females with children. Taking total annual income per household as the bench mark, the following examples were used to illustrate the impact of the PIT on individuals and households as a whole.

5.1 Vertical Equity

To clearly illustrate the vertical equity hypothesis of PIT from a gender perspective, several scenarios/cases have been used using data from UNHSIII. Other scenarios can be found in the annex.

Case 1: Tax impact on households with total earnings/incomes of Ushs1.629 million per annum (Table 12)

Case 1a: A household with a single male earner, earning UShs1.629 million and a dual earner household-male high getting Ushs1.629million per annum. Both household types are living with children. Applying the PAYE statutory rules in 2005/06, total tax payable per annum for the first household is Ushs6,900 and for the second household is zero per annum. Although the two households have the same earnings per annum, the tax burden is greater on a single earner male household compared to the dual earner with more males household. The reason could be that the incomes of males in the dual earner-male high household were all in the bottom tax bracket which does not pay PAYE on their salaries/wages.

Case 1b: A household with one male earner and the second household with one female earner each getting Ushs1.629 million per annum. The total tax payable by the male household is Ush6,900 and female is Ushs6,900 per annum. In this case, the tax burden borne by the one earner male and one earner female households is the same irrespective of gender.

Table 12: Case 1

HH earner	Children/Dependant	Female annual income	Male annual income	Female annual income tax	Male annual income tax	Total HH annual income tax	Total HH annual income
One earner male	W/C	-	1,629,000	-	6,900	6,900	1,629,000
One earner female	W/C	1,629,000	-	6,900	-	6,900	1,629,000
Dual earner more males	W/C	-	1,629,000	-	-	-	1,629,000
Dual gender earners	W/C	543,000	1,086,000	-	-	-	1,629,000

Case 2: Tax impact on households with total earnings/incomes of Ushs3 million per annum (Table 13)

Case 2a: A household with a single earner, earning UShs3 million and a dual-earner household with female earner getting Ushs1.2 million and male earning Ushs1.8 million per annum. Both household types are living with children. Applying the PAYE statutory rules in 2005/06, total tax payable per annum for the first household is Ushs162,000 and for the second household is Ushs24,000 per annum. Much as the two households have the same earnings per annum, the tax burden is greater on a single earner household (5.4 percent) relative to the two-earner household (0.8 percent).

Case 2b: A household with dual earners – with more male than female (male high) earners and another household with more female than male (female high) earners each getting Ushs3 million per annum. The total tax payable by the male high household is Ush24,000 and female high is Ushs12,000 per annum. In this case, the tax burden borne by male high household is double that of female high household.

Case 2c: A household with a single earner with children-here we have two households, one with a single male earner and the second with a single female earner. Both households earn UShs3 million per annum. The total PAYE payable by each household is UShs162,000 per annum. Implying that, the tax burden is the same for single earner households irrespective of the gender as long as both households are earning similar income.

Table 13: Case 2

HH earner	Children/Dependant	Female annual income	Male annual income	Female annual income tax	Male annual income tax	Total HH annual income tax	Total HH annual income
Dual earner more females	W/C	3,000,000	-	12,000	-	12,000	3,000,000
Dual earner more males	W/C	-	3,000,000	-	24,000	24,000	3,000,000
One earner female	W/C	3,000,000	-	162,000	-	162,000	3,000,000
Dual gender earners	W/C	1,200,000	1,800,000	-	24,000	24,000	3,000,000
One earner male	W/C	-	3,000,000	-	162,000	162,000	3,000,000

Case 3: Tax impact on households with total earnings/incomes of Ushs5.76 million per annum (Table 14)

Case 3a: A household with a single earner male, earning UShs5.76million and a dual-earner household –male high getting Ushs5.76million per annum. Both household types are living with children. Applying the PAYE statutory rules in 2005/06, total tax payable per annum for the first household is Ushs798,000 and for the second household is UShs378,000 per annum. Much as the two households have the same earnings per annum, the tax burden on a single earner male household is more than double that of dual earner –male high household.

Case 3b: A household with one earner male and the second household with one earner female each getting Ushs5.76 million per annum. The total tax payable by both households is Ushs798,000 per annum. As in the earlier cases, again, the tax burden borne by the one earner male and one earner female households is the same irrespective of gender.

Table 14: Case 3

HH earner	Children/Dependant	Female annual income	Male annual income	Female annual income tax	Male annual income tax	Total HH annual income tax	Total HH annual income
One earner male	W/C	-	5,760,000	-	798,000	798,000	5,760,000
One earner female	W/C	5,760,000	-	798,000	-	798,000	5,760,000
Dual earner more males	W/C	960,000	4,800,000	-	378,000	378,000	5,760,000

From the above examples, we conclude that one single earner households irrespective of gender bare a greater tax burden compared to dual earner – male high households with the same total annual household income categories. The tax treatments on both households are different because the tax burden falls on individuals within the households and not based on total household incomes. Put differently, Uganda's income tax system targets individual incomes and not total household incomes. The PAYE tax burden falls more on single earners irrespective of gender than dual earners, either male high or female high households.

5.2 Horizontal equity

The Ugandan income tax system does not segregate whether one has children as such it excludes a key factor that of dependants? It does not also segregate whether one is in self employment and earning an income or in private or public employment. The Ugandan law does not have special indications of different tax treatments such as households with children to be given child rebates. Thus, the Ugandan Tax systems treats households the same without putting into

consideration household typologies. There are no different tax regimes for different categories of employment. As long as both categories are earning a salaried income then the tax treatments on similar categories of income/salary will be the same as well.

If we consider tax payers at the median income who earn from different sources of income (e.g. salaried Vs self employed). As earlier alluded to, using median incomes in Uganda will not generate meaningful discussions as all categories legible to pay a tax will not as they fall outside the income tax brackets. In addition, it's hard to discern from the data self employed income as it is not gathered. UNHSIII basically gathers information only on individuals in salaried employment whether private or public. Nevertheless, Uganda's income tax system does not take into consideration taxing pooled incomes from different sources. Each income is taxed differently and faces different forms of taxes. Whereas taxes on income from salaried employment are more direct and easier to collect, self-employment income taxes are much more indirect either through payment of market dues and other transitory taxes and whatever is left is the income to oneself. The gender aspect here will be more obvious on which gender is more involved in certain self employed activities which attract taxes than the other.

As is common in other countries, in Uganda, women are most likely to be the majority in self employment or in micro enterprises or informal employment. The Uganda tax system does not discriminate between self employed vs salaried incomes. The two types of incomes will be subject to the same tax brackets (Table 15) and this is in hope that the individuals in self employment are openly revealing their incomes to URA. And this is the same at the household level where one may be one male earner, one female earner or dual earners-male high households with dependants.

Table 15: Scenario between Salaried and self-employed earner households		
	Salaried earner	Self-employed earner
Household Annual Income(Ushs)	3,000,000	3,000,000
Tax rate	10%	10%
Tax paid by one male earner (Ushs)	162,000	162,000
Tax paid by one female earner (Ushs)	162,000	162,000
Tax paid by Dual earner more males (Ushs)	24,000	24,000

6. Summary, Conclusions and Recommendations

i) Uganda's income tax system treats both women and men the same way. However, equal treatment does not mean substantive equality mainly on account of gender income inequality. The majority of income tax payers are men because of their relatively higher participation in the wage market and other income generating activities.

Recommendation: In order to reduce gender gaps in terms of wage income and therefore increase women contribution to total personal income tax, higher women participation in wage employment should be undertaken through promoting gender parity in;

- a) All professional training;
- b) Employment both in public and private sector;
- c) Political appointments; and
- d) Representation in Parliament & district councils.

There is need to strengthen strategies to address poverty which afflicts the majority of women in Uganda, as the key to reducing gender inequality in this regard. This can be done through comprehensive rural development programmes and other interventions that focus on reduction of urban poverty.

ii) Although there are some exceptional cases where some women own more property than men or earn higher levels of wages, broadly women remain largely a disadvantaged gender in terms of ownership of property and wage income. Women are a smaller proportion of the wage labour in all categories of paid income. Consequently, their contribution to income tax is proportionately small. For example, the proportion of men in each PAYE tax bracket is higher than that of women. This is because of historical and social factors such as family preferential treatment of boys accessing education at all levels. Similarly, every tax bracket of LST contains a higher proportion of men tax payers compared to women due to the same historical reasons.

Recommendation: An institutional framework that promotes gender parity with regard to ownership of property should be put in place. This includes finalisation of the Domestic Relations Bill (DRB), inheritance laws, and any other laws that have bearing on ownership of property.

iii) Uganda's employment structure leads to the conclusion that the direct tax system is egalitarian in terms of gender as it focuses mainly on higher income categories and less so on lower income categories within which the majority of women fall. There are no explicit biases in Uganda's direct tax system as both genders are treated the same way in the matter of direct taxation. However, implicit gender biases of personal income tax exist. Some causes of the gender implicit biases of personal income are: i) the fixed tax thresholds and brackets that have not been adjusted for inflation over the years; ii) vertical inequity where households with same level of earnings but different composition of tax payers

pay different amounts of personal income tax; iii) horizontal inequity where households with the same level of income and composition of taxpayers pay the same amount of income tax disregarding the presence of children and other dependants.

Recommendation: Reduction and eventual elimination of all forms of implicit bias in Uganda's tax system that should include: i) indexation of income tax brackets to inflation; and ii) consideration of household composition in payment of income tax.

iv). Uganda's income tax preferences have hardly addressed gender concerns. The disadvantaged gender that happens to be women is treated the same way as men without due cognizance of the vulnerability of women to poverty. As such, there are no deductions or allowances that are geared towards addressing gender gaps. Only a few amendments to the Income Tax Act 1997 have some gender relevance. These include first the Income Tax (Amendment) Act of 2003 which among other things exempted a tax payer in the business of agriculture, plantation or horticultural farming from paying tax. The gender relevance of the amendment is only to the extent that the majority of women are employed in agriculture; otherwise the amendment was not made with the intention of reducing gender gaps in terms of income. A second remotely gender relevant amendment to the ITA was the Income Tax (Amendment) Act 2008 which among other things provided incentives to persons engaged in agro-processing. Again the gender relevance of the amendment is only to the extent that agro-processing is key to agriculture in which the majority of women eke a living. Otherwise the amendment was not made with the intention of reducing gender gaps in terms of income. Broadly, amendments to the Income Tax Act have hardly taken into account gender concerns.

Recommendation: Among other things, Uganda's tax preferences should promote gender equity; tax exemptions should be accorded to activities in which women mostly engage like in small scale enterprise, market vendors and others.

v). The tax structure and practices hardly address fundamental gender inequalities that are rooted in the country's socio and political history. The seemingly "fair" system of direct taxation only helps to perpetuate the already undesirable gender inequalities. The tax structure hardly pursues social transformation that should be geared towards the achievement of substantive gender equality. However, gender gaps in terms of education attainment and participation in wage employment are decreasing albeit slowly. At primary education level, enrolment of boys and girls is almost at parity. Similarly gender gaps have narrowed at the secondary education level, and tertiary education level including university education.

Recommendation: To some extent tax measures could be put in place to reduce gender inequality in terms of disposable income with a view to achievement of substantive gender equality in the long run. Income tax preferences to women could include some or all of the following:

- Deductions for the number of children; this is on account that working women in Uganda take responsibility for the children under their care. This is feasible and would increase disposable income for working women to enable them take care of their children.
- Deductions for gender, or being a woman. This is quite feasible because employers know the sex of their employees. The measure would increase disposable income for working women to enable them improve the wellbeing of their household members.
- Upward adjustment of income tax brackets by about 52 per cent to correct for implicit gender bias in personal income tax that has arisen because of inflation.

The lack of such measures means that Uganda's income tax system is hardly used as an instrument for the realization of substantive gender equality. It is very important that women are afforded equal participation in paid employment at all levels of wages compared to their male counterparts.

vi) Uganda's practice of affirmative action in favour of women with regard to active participation in politics and access to paid employment particularly high paying jobs are a good move from the perspective of the realization of substantive gender equality.

Recommendation: To concretize the benefits accruing to some women in paid employment in this regard, government should in addition to affirmative action give preferential income tax treatment to women to enable them begin to close the gender gap between themselves and their male counterparts. Otherwise, what government has given to women with one hand, it is taking it away with another in form of income tax.

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Annex

Table 1b: Distribution of employment category by economic sector of 18 years and above

Economic sector	Employment Sector						Total
	Self empl	Public em	Private em	Others	Inactive	Not state	
							7,643,891
Crop agriculture	70.62	4.42	24.16	47.55	5.15	0	926,459
non-crop agriculture	6.75	1.13	6.79	1.3	0	0	29,908
Mining	0.25	0	0.16	0	0	0	971,415
Manufacturing	4.73	0.63	12.35	0	0	0	34,393
Public utilities	0.15	0.31	0.37	0	0	0	599,808
Construction	1.56	0.08	10.44	0	3.62	0	1,119,937
Trade	7.59	3.01	8.76	1.88	0	0	159,958
Hotels	1.04	0	1.53	0	0	0	592,912
Transport/comm	1.41	0.87	10.46	0	0	0	739,789
Miscellaneous service	1.09	4.25	12.88	0.89	6.32	0	1,946,488
Government services	1.54	83.39	9.45	0	1.49	0	34,902
Not stated	0	0.31	0.04	1.23	0.74	59.9	741,482
Inactive	3.28	1.6	2.62	47.15	82.68	40.1	
Total Employment	9,054,476	1,674,601	4,311,537	259,056	202,383	39,289	15,541,342

Source: Uganda National Household Survey-UNHSD, 2005/06

Other Vertical equity scenario examples

Table 16: Case 4

HH earner	Children/Dependant	Female annual income	Male annual income	Female annual income tax	Male annual income tax	Total HH annual income tax	Total HH annual income
One earner male	W/C	-	1,737,600	-	17,760	17,760	1,737,600
Equal gender earners	W/C	651,600	1,086,000	-	-	-	1,737,600
Dual gender earners	W/C	108,600	1,629,000	-	6,900	6,900	1,737,600
One earner female	W/C	1,737,600	-	17,760	-	17,760	1,737,600

Table 17: Case 5

HH earner	Children/Dependant	Female annual income	Male annual income	Female annual income tax	Male annual income tax	Total HH annual income tax	Total HH annual income
One earner female	W/C	1,800,000	-	24,000	-	24,000	1,800,000
Dual earner more males	W/C	-	1,800,000	-	-	-	1,800,000
Dual gender earners	W/C	600,000	1,200,000	-	-	-	1,800,000
One earner male	W/C	-	1,800,000	-	24,000	24,000	1,800,000

Table 18: Case 6

HH earner	Children/Dependant	Female annual income	Male annual income	Female annual income tax	Male annual income tax	Total HH annual income tax	Total HH annual income
Dual earners with more females	W/C	2,040,000	-	-	-	-	2,040,000
One earner male	W/C	-	2,040,000	-	48,000	48,000	2,040,000
Dual earner more males	W/C	-	2,040,000	-	-	-	2,040,000
One earner female	W/C	2,040,000	-	48,000	-	48,000	2,040,000

Table 19: Case 7

HH earner	Children/Dependant	Female annual income	Male annual income	Female annual income tax	Male annual income tax	Total HH annual income tax	Total HH annual income
One earner male	W/C	-	2,160,000	-	60,000	60,000	2,160,000
One earner female	W/C	2,160,000	-	60,000	-	60,000	2,160,000
Dual earner more males	W/C	-	2,160,000	-	24,000	24,000	2,160,000
Dual gender earners	W/C	1,200,000	960,000	-	-	-	2,160,000

Table 20: Case 8

HH earner	Children/Dep endant	Female annual income	Male annual income	Female annual income tax	Male annual income tax	Total HH annual income tax	Total HH annual income
Dual earner more males	W/C	-	4,320,00 0	-	282,000	282,000	4,320,00 0
Dual earners with more females	W/C	2,880,00 0	1,440,00 0	-	-	-	4,320,00 0
Dual gender earners	W/C	1,320,00 0	3,000,00 0	-	24,000	24,000	4,320,00 0
One earner male	W/C	-	4,344,00 0	-	430,800	430,800	4,344,00 0
One earner female	W/C	4,344,00 0	-	430,800	-	430,800	4,344,00 0

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