Discriminatory tax regimes and their gender impacts-Domestic and International: Uganda Case Study.

Problems of the Global Tax system

The current global tax system is characterised by rules that privilege the wealthy. Small enterprises, such as those that are run by women, are rarely able to benefit from tax avoidance schemes requiring complicated legal and multinational structures. This places small producers, where women are over-represented, at a major disadvantage.

The secrecy jurisdictions themselves enable massive outward flows from developing countries that starve vital public services that women and children rely on.

Further the same structures are sometimes used by men to hide wealth off-shore so that their spouses are unaware of the size and location of the family wealth. This often becomes apparent when the couple separates and the husband claims to have little wealth for support of his children or for the property settlement.

The operations of the system as a whole tend to starve governments of resources needed for public services and development – both of which are desperately needed to alleviate poverty and address gender discrimination and the economic and social circumstances of women.

Problems of domestic tax systems

Many of the domestic tax structures are built on either direct of indirect taxes. Whereas direct taxes do not have outright inequalities among men and women but they lead to implicit inequalities through consumption taxes.

Domestic tax regimes are often designed to benefit capital over labour. These aspects are often put in place by corruption of the political process to benefit business interests. Such aspects include low incidence of capital gains tax, negative gearing regimes where interest from loans and credit can be set against other income to lower effective tax rates. Such regimes disproportionately affect women as they tend to have less capital accumulated than men. For instance, in Uganda, the budget for 2017.18 that had just been read, introduced tax exemption in agriculture focused on irrigation equipment, supply of animal feeds and crop extension. These are huge capital expenditure that are majorly owned by men and not women thus still perpetuating inequalities and insensitive tax regimes that are not cognizant of income inequalities among women.

Background on Uganda

Uganda has a population of more than 34 million with women accounting for 51% of the total population. The report of Uganda Bureau of Statistics of 2014 reported that women account only for 30% of formally employed work force in Uganda with majority being self-employed of providing family care. While majority are found within informal sector. Specifically women account for over 76% of work force in agriculture sector. Most of their labor is unpaid labor as they produce for subsistence and not commercial use. In addition majority of the women are involved in family care which is never paid for nor considered as part of employment with the formal definition of employment.

Women expenditure patterns

Most women spend their money on basic goods and services that included health care, food, school fees and clothing. Recent studies in the country shows that whereas less than 10% of the women have autonomous independence to make economic decisions especially within the rural areas, over 60% contribute to the economic wellbeing of their family in terms of school fees, food, clothing, health care, and even purchase of some of the capital assets. This is despite their small income which sometimes less than $1 a day.

The expenditure on the basic goods and service attracts consumption taxes that include VAT. VAT is a globally acknowledged to be a regressive tax as it does not take into account the income difference between various groups and earnings. In addition this places greater tax burden on women compared to men who are lower income earners. The charging of VAT on a number of items including sanitary wears, have made them unaffordable to many women who earn meager incomes. Actually a number of school drop outs at lower levels have been associated with menstrual period where girls cannot afford to buy sanitary towels and for fear of being embarrassed in school skip some school days during this period. The resultants effect is poor grades and eventual drop out of school with glim future.

Taxes, Public service provision and effect on women/Gender

Uganda currently raises only close to 49% of its total budget from domestic revenue. On the other hand illicit financial flows stands at 1.5 trillion shilling per annum. In terms of public services a number of deficits have been noted especially within health sector, education as well as energy provision and access by the rural majority. For instance with health sector the doctor: patient ratio stands at 1:24 725 while those of nurse/midwives stand at 1:11000. Health sector is faced with labour shortage standing at manpower gap of over 50% and low pay.

Accesses to social services are very important for the attainment of SDG 5. We know for example that education of girls has significant long term effects on poverty eradication and sustainable empowerment as well as large positive effects on their children's economic wellbeing.

Universal access to health services are important for women as they are often the members of the household who are forced to do without access to health if there is insufficient money. Women also rely on access to maternal, pre and post-natal health services. Similarly accesses to child care and elder care have much larger impacts on women who bear a disproportionate burden of unpaid care work in the home. These can only attain if the public finance is adequate and every one pays their portion of taxes including the large corporations.

The Government in 2015 admitted that they do not have enough resources to recruit more health workers and even give better pay in comparison to their neighboring countries. This has led to brain drain and even suggestion of exporting medical workers labour to countries like Trinidad and Tobago.

Consequences of poorly financed health sector due to low tax base aggravated by illicit financial flow and tax evasion that stands at 1.5 trillion Uganda shillings ($430 million) annually has seen some cases of women in labour losing their lives due to request for extra money in Government hospitals by some medics. A number of cases were reported in 2011, 2012, 2013, 2014 that even led to arrest of some medical personnel in various parts of the country coupled by public outcry. This is not to mention poor state of many of the health facilities; absenteeism of the health works and drug stock outs in public health facilities.

In terms of education sector due to poor funding, majority of the women can only afford to attend the primary education and secondary, however, statistic shows for instance within vocational and other tertiary education only 25% of girls are enrolled compared to 75% of the men (boys). This continues creating gender inequalities as formal and well-paying jobs can only be accessed by people with higher and better qualification which sometimes is out of reach of many women, thus continued economic inequalities as a result of inadequate funding within the education sector.

The structural reforms imposed by the Bretton wood institutions also saw the advent of privatization of the distribution of energy supply in Uganda. From the time the concession was given to the private investor the power tariffs have more than doubled. Many households especially in rural areas are not able to afford electricity and thus continue using wood fuel that is not only degrading the environment but also a creates health challenges as a result of inhaling carbon-monoxide emitted by burning charcoal.

Alternative Responses

There is need to all stakeholders to call on the governments to use taxation as a fiscal policy in terms of addressing this injustice, Precaution should be taken while talking about broadening the tax base through consumption taxes. Instead the large corporations and multinationals should be tasked to pay their due shares of the needed taxes that are the main sources of domestic revenue need to attain the SDGs by 2030.

In addition the governments needs to re-visit by VAT in terms of those that clearly affect the well-being of the women for instances considerations should be put on scrapping VAT on items like sanitary wears, children diapers, salt and other basic necessities in order to allow more money in the hands of the women. The budget expenditure should be gender sensitive and inclusive, including the tax exemptions.

In terms provision of public services that are very critical to the attainment of not only the Beijing declaration but also the SDGs, PPPs should be left out as provision of social services is the responsibilities of democratically elected governments and not profit oriented organizations who do not even pay their due share of taxes.

Need to undertake budget gender impact audits.