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THE EFFECTS OF TAX STRUCTURE ON GENDER EQUITY: RECOGNISING GENDER BIASES

Gender Equitable Taxation

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OVERVIEW

1. The Concept of Gender Bias in Taxation
2. Explicit Gender Bias
3. Implicit Gender Bias
   - *Personal Income Taxation*
   - *Corporate Income Taxation*
   - *Wealth Taxation*
   - *Consumption Taxes*
4. Status Quo

THE CONCEPT OF GENDER BIAS IN TAXATION

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Two forms of gender bias:

- ***Explicit gender bias***
  - presupposes that tax legislation ***explicitly*** treats men and women differently
  - relatively easy to identify (textual interpretation of the legal provision should suffice)
- ***Implicit gender bias***
  - the text of the relevant tax law provision ***does not differentiate explicitly*** between men and women
  - nevertheless, such provisions tend to have *different implications* for men and women
  - the effect on the wellbeing of men vs. the effect on the wellbeing of women
  - not as easy to identify

THE CONCEPT OF GENDER BIAS IN TAXATION

Explicit gender bias	Implicit gender bias
Tax treatment of men and women differs based on gender as an explicit criterion.	The effect of taxation on men and women differs due to societal or economic differences between them (i.e. roles they have in the economy and society as a whole).
Historically many examples, nowadays fewer.	Numerous examples even in modern tax systems.
Easily resolved (at least in technical sense).	Considerably more difficult to resolve.
Always intentional.	Most often not intentional.

THE CONCEPT OF GENDER BIAS IN TAXATION

- The improvement of a tax system from a gender equality perspective requires a proper ***understanding of the different patterns of economic behaviour*** of men and women ***and how such behaviour interacts with the tax system.***
- Tax systems of modern (both developed and developing) countries are based on the principle of ***plurality of tax forms.***
- As a result, gender biases generally differ depending on the specific tax within the same tax system.
- The design of various taxes (PIT, property and wealth taxes, CIT, consumption taxes) may negatively affect gender equality, through gender biases.
- Limitations?

EXPLICIT GENDER BIAS IN TAXATION

EXPLICIT GENDER BIAS IN TAXATION

May take various forms…

Where can explicit gender bias be found in a tax code?

- provisions defining the ***manner in which income is allocated*** (e.g. between spouses)
- provisions identifying the ***person responsible for the filing of*** a tax return and/or ***payment*** of tax previously assessed
- provisions setting the ***rates*** of tax
- provisions defining exemptions, deductions, allowances, credits, or other ***tax benefits***
- ***allocation of deductions*** for dependents and other tax benefits

EXPLICIT GENDER BIAS IN TAXATION: EXAMPLES

Allocation of income

- Argentina: income derived from jointly owned property is allocated to the husband and considered in the husband's tax filing
- SA (until 1995), Kenya, DRC: the income of a married woman is deemed to be the income of her husband and the tax is assessed on the husband

Differences in tax rates

- SA (until 1995): for PIT purposes 3 categories of taxpayers – married person, married women & unmarried person. Each category subjected to a separate tax table with different rates. Married women were subjected to the highest rates. Only if they were able to prove that they are the breadwinner they would have been taxed as married persons (as men were by default), which were subjected to the lowest tax rates.

EXPLICIT GENDER BIAS IN TAXATION: EXAMPLES

Responsibility for filing

- Greece (until 2018): even though spouses were taxed separately, tax return was to be filed in the name of the husband; husband is the one entitled to any potential refund
- UK (until 1990), FR (until 1986), Switzerland: within the system of joint filing – tax return had to be submitted in the name of the husband exclusively (in Ireland even if the woman was the sole income earner in the household)
- Guernsey and Jamaica: even today

Definition of exemptions, deductions, allowances, credits, or other tax benefits

- SA (until 1995): married women were entitled to only ½ of the deduction in respect of contributions to retirement annuity funds that married persons (i.e. men) were granted
- NL (until 1984): higher tax-free allowance for married men than for married women
- Pakistan (until 2010): higher basic exemption threshold for working women than for working men

EXPLICIT GENDER BIAS IN TAXATION: EXAMPLES

Allocation of deductions and other tax benefits

- USA (until 1972): deduction for dependents could be claimed only by a woman, *widower* or a husband *with an incapacitated wife*
- Tunisia: deductions for dependent children are granted only to the head of the household who is by default considered to be the man
- Morocco: if the husband is the one filing a tax return, the wife is automatically regarded as his 'dependent' and he is granted a deduction for her. However, if it is the wife who is filing a tax return, she needs to prove that she is the breadwinner in the household and that her husband and children are actually financially dependent on her

IMPLICIT GENDER BIAS IN TAXATION

IMPLICIT GENDER BIAS IN TAXATION

- Result of the fact that the tax system treats differently, i.e. discriminates against certain ***patterns of behaviour*** that may be more closely associated with one gender than the other.
- Implicit gender bias may result from e.g.:
  - ✓ differences in ***income levels***
    - the relevance of progressivity
  - ✓ differences in the ***nature of income***
  - ✓ differences in ***property ownership / wealth levels***
  - ✓ differences in ***consumption patterns***
  - ✓ differences in ***risk aversion***

TYPES OF TAXES & GENDER BIASES

GENDER ISSUES IN PERSONAL INCOME TAXATION

- Form of taxation in which explicit gender bias is most commonly found [see slides 9-11]
- ***Global*** vs. ***schedular*** model of PIT
  - ✓ Gender bias more common within the global model of PIT
- ***Individual*** vs. ***household taxation*** || ***Individual filing*** vs. ***joint filing***
- Joint filing: common implicit gender bias – ***secondary-earner bias***
  - ✓ since the rate is determined taking into account the aggregated income of both spouses, it 'pools' the total income into the higher tax bracket, and is consequently taxed in total at a higher marginal rate than it would have been if taxed separately
  - ✓ incentivizes secondary earners (mostly women) to not enter or drop out of the work force / work less hours
- Developing countries esp.: remaining outside the income tax net

GENDER ISSUES IN CORPORATE INCOME TAXATION

- No explicit gender bias, but…
- The incidence of corporate income tax and its effect on gender equality
- Corporate ownership asymmetries, fewer women in corporate boards
- Wider context of international tax competition, i.e. the so-called 'race to the bottom'
  - ✓ but – international agreement on an effective minimum corporate income tax
- Incentives in the corporate income tax system
- Risk aversion
  - ✓ debt-equity bias
  - ✓ compliance / tax avoidance, tax evasion

GENDER ISSUES IN PROPERTY AND WEALTH TAXATION

- Underlying issue: women's property and inheritance rights and its spill-over effect in taxation
  - ✓ app. 40% of countries limit women's property rights. The most restrictive laws with respect to women's right to own and inherit property in the Middle East, North Africa and South Asia
  - ✓ land ownership especially:
    - only 20% of land across the world is owned by women
    - in more than 90 countries, women do not have equal rights as men when it comes to land ownership
- The importance of wealth and inheritance taxes for lowering income and wealth inequality. However, very few jurisdictions apply net wealth taxes.
- Low stamp duties for property purchases by women (e.g. India)

GENDER ISSUES IN THE TAXATION OF CONSUMPTION

VAT vs. excise duties

- ***VAT***
  - No explicit gender bias, but…
  - ***Regressivity of consumption taxes***: crucial issue since there is more women than men in the lowest income deciles and far more men in the highest.
  - Underlying issue: ***differences in the consumption patterns*** of men and women.
  - Country-specific VAT rate structures inducing implicit gender biases.
- ***Excise duties***
  - actually implicitly biased against men (however – bargaining power within the household…)

GENDER ISSUES IN THE TAXATION OF CONSUMPTION

- Ending period poverty: the case of the ***tampon tax***
- Recent abolition of the tampon tax, i.e. zero rating or exemption from VAT of menstrual hygiene products in
  - ✓ Ireland (2010), Canada (2015), Mauritius (2017), India (2018), Rwanda (2019), Australia (2019), Germany (2020), Nigeria (2020), SA (2020), UK (2021) and many more
- The decrease in the tax rate/exemption from tax most often not passed on to consumers in the form of price reductions
- Classification issues – Ireland: menstrual cups not covered, SA: tampons not covered, etc...
- Better option? Free or subsidized sanitary products in schools/universities/at the workplace

STATUS QUO

- Ideally, gender imbalances should be remedied at source, i.e. in respect to the underlying economic behaviour and economic relations for which various taxes may provide (dis)incentives.
- Nevertheless, tax policymakers should ensure that the features of the tax system (specific taxes in its design) do not exacerbate existing gender inequities.
- In some cases, policymakers may consider using the tax system to correct for gender imbalances.
- In any case, tax policy reforms should be (pre)evaluated from the point of view of their impact on gender equality and their effects should be monitored

STATUS QUO

- OECD, *Stocktaking Questionnaire 2021*: **58%** of the countries surveyed (in total 23 out of 43) have not undertaken any analysis to identify the existing implicit biases in their tax systems
- Reasons stated:
  - ✓ almost 50% of surveyed countries are of the view that there is not a risk of implicit gender bias in their system
  - ✓ implicit bias assessment is not something that has been integrated in tax policy design
  - ✓ lack of guidance on how to identify and assess implicit biases in the design of tax policy – only 11,5% of countries reported having such guidance
- Key:
  - ✓ Support from universities and academic institutions
  - ✓ The role of the legislator in requiring such analyses to be taken into account in the policy design

BACKGROUND READINGS

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- Maria Coelho, Aieshwarya Davis, Alexander Klemm, Carolina Osorio Buitron, *Gendered Taxes: The Interaction of Tax Policy with Gender Equality*, IMF Working Paper WP/22/26, International Monetary Fund, Washington D.C. 2022.

THANK YOU FOR YOUR ATTENTION!

QUESTIONS?

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