



ICTD Summary Brief 6

Gender and Taxation*

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Why is taxation relevant for gender?¹

The increased recent interest in taxation in the developing world has been accompanied by an interest in the gender implications of tax systems. There is now a small and relatively new literature on gender and taxation in general, but very little on developing countries. It is motivated by an observation that tax structures are not neutral, and often biased against the interests of women. Overall, the biases most commonly found in rich countries, which relate to personal income taxes, are not very significant in developing countries because so few people, particularly women, pay personal income taxes. Further, the effects of tax policies on men and women depend upon policies in other arenas: most closely with budgeting and expenditure, but also with employment, education, and social and cultural norms. Thus, advances in gender equality depend upon policy changes in several areas – and taxation is only one part of the bigger picture. Nevertheless, the gender lens highlights potential opportunities for improving substantive equality for women, and has proved to be quite useful in raising some important questions for further research.²

Before looking in more detail at the gender dimensions of taxation, it is useful to list the four main economic domains or areas in which feminist-inspired researchers have identified significant, material gender inequalities.³

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¹ This policy brief draws upon Barnett, K. and Grown, C. (2004) *Gender Impact of Government Revenue Collection: The Case of Taxation*, London: Commonwealth Secretariat; Birchall, J. and Fontana, M. (2015) *The Gender Dimensions of Expenditure and Revenue Policy and Systems*, BRIDGE, Brighton: Institute of Development Studies.

² There is a large literature on the gender implications of public expenditure, including gendered analysis of budgets. It is beyond the scope of this brief to cover the key issues from that literature here.

³ Barnett, K. and Grown, C. (2004) *Gender Impact of Government Revenue Collection: The Case of Taxation*, London: Commonwealth Secretariat.

- a) Unpaid care. Throughout the world, women bear a disproportionate share of the responsibility for looking after the household and caring for children and dependents. In some countries they are also in charge of subsistence production, for example food production. These responsibilities are usually in addition to any income generating employment that they might engage in. This greatly constrains women's time, restricting their participation in social, economic and political life, in addition to reducing their wellbeing and health outcomes. Taxes matter here to the extent that the overall level of taxation impacts on the level of public spending on certain kinds of services that might otherwise be provided by women in the home.
- b) Paid employment. In developing countries, women are less likely to be in the labour force, and when they are, more likely to be in the informal sector. As a recent UN Women report shows, less than one quarter of the women in the Middle East and North Africa region, and around one-third of the women in South Asia, are part of the working population. These labour force participation rates drop significantly during women's childrearing years.⁴ Moreover, women's employment is largely in the informal economy, in underpaid, precarious and frequently risky jobs. For example, in sub-Saharan Africa, only 11 per cent of women in the labour force are part of formal sector, as compared to 17 per cent of men. Once age and education are taken into account, women everywhere earn less than men. Thus policies for taxation of the informal economy are important to understand gender effects.
- c) Household decisions about savings and consumption. There is substantial evidence showing that women tend to spend more of the income under their control on goods that contribute to the social reproduction of labour, including healthcare, education, food, and care of children and the elderly. Changes in the price of these goods (due to tax policies) can lead to a reduction in consumption, substitution of goods to inferior ones, or to the use of time for domestic production (thus increasing the burden of unpaid care).⁵

⁴ UN Women (2015) *Progress of the world's women 2015-2016: Transforming economies, realizing rights*, April 2015.

⁵ The literature suggests that decisions about consumption and savings depend upon the relative bargaining power between women and men within households; and taxes are one factor, among others, which indirectly influence bargaining power.

- d) Property and asset ownership. In many developing countries women do not hold formal title to assets and property. This gender gap is particularly acute in the case of land.⁶ Lack of ownership affects women's capacity to earn a livelihood and cope with adverse events (e.g. widowhood). The tax implications of such land ownership patterns are unclear, however lowering tax rates for women-owned or jointly-owned real estate might provide incentives to register property in women's names.

In the four domains outlined above, there are substantial differences between men and women in terms of access to resources, power and responsibilities, and economic opportunities, which are underpinned by social and political institutions. Tax regimes can dampen or exacerbate these differences depending upon the context.

Where is gender relevant in taxation?

Where then are gender concerns likely to be salient in taxation? Reviewing the literature, there are four broad arguments about the relevance to understanding gendered effects of taxation arrangements. I label them: 1) bias in tax structures; 2) revenue levels; 3) women in tax collection; and 4) point of service payments. Figure 1 explains where these issues arise in the activity chain from public policymaking through revenue raising, to public spending and public service delivery.

⁶ Agarwal, B. (1995) *A Field of One's Own: Gender and Land Rights in South Asia*, Cambridge, UK: Cambridge University Press.

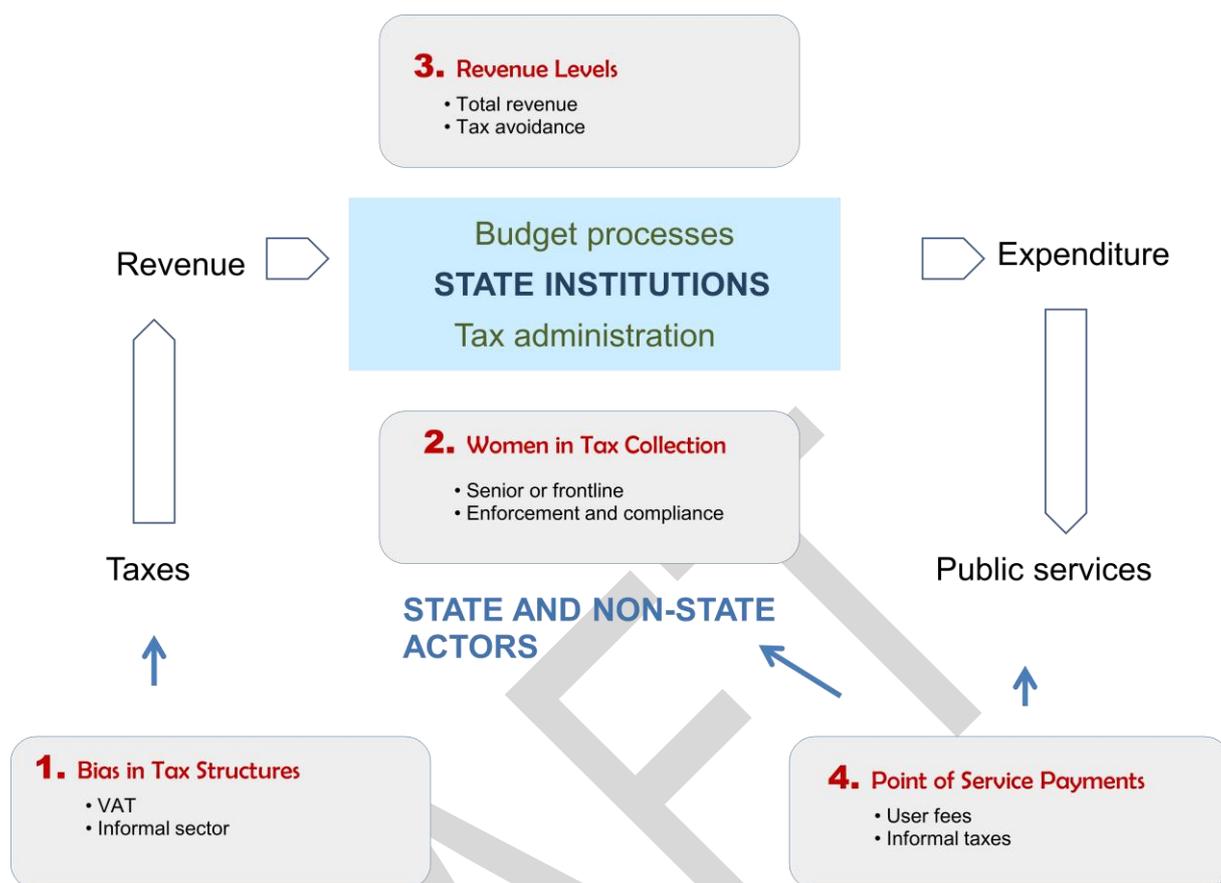


Figure 1: Gender aspects of taxation.

1. Bias in tax structures

The question raised most frequently in the literature is whether the structure of taxation – the rules about who has to pay tax and what rates – is biased against women. Some literature distinguishes *explicit* and *implicit* forms of bias. *Explicit bias* is when provisions in the tax system explicitly treat men and women differently. For example, systems of joint filing by married couples for income tax, that once were widespread, can result in married women paying a higher marginal rate of income tax than if they filed separately.⁷ *Implicit bias* is present when tax structures appear to treat men and women equally, but actually have an unequal impact. Thus, taxes that are imposed on goods bought mostly by women – for example, paraffin for cooking – embody an implicit bias against women.⁸ Equally, the excise taxes that most governments levy on cigarettes and alcohol embody an implicit bias against men, because in most societies men are the primary purchasers and users of these goods.

⁷ Caparo, C. (2014) *Taxing Men and Women: why gender is crucial for a fair tax system*, London: Christian Aid.

⁸ Stotsky, J. (1997) 'Gender bias in Tax Systems', *Tax Notes International*, June 9.

We know more about gender implications of taxation in industrialised countries, especially personal income tax provisions that unfairly burden women or discourage or disadvantage female labour force participation. In fact many governments have taken steps to eliminate this explicit gender discrimination. There is also some evidence from developing countries that personal income tax provisions are often biased against women.⁹ The real world implications are however limited: the proportion of women who are in formal employment and earn enough to be liable for personal income tax is typically very small. Very few women are thus adversely affected.

The tax structure issue that has received the most attention is the potential gender impact of indirect taxation, particularly VAT. VAT is the focus of concern for several reasons. It is a new tax in most developing countries. It has, moreover, become a significant source of government revenue, and is likely to become even more important. Because it has been promoted in particular by the IMF, social activists place it under special scrutiny.

There is an increasing concern in the literature that the burden of VAT might fall disproportionately on women, on the general grounds that women are primarily responsible for household purchases. The logic of the argument, however, is typically not spelled out, and the underlying assumptions are not made clear. Whether or not in practice VAT or other indirect taxes are biased depends upon the choice of goods and services covered by the tax, and also different consumption patterns of men and women (the latter is difficult to ascertain as consumption occurs within households). So, for example, a recent eight country study examining the incidence of indirect taxes found that in fact male-headed households bore the highest incidence of indirect taxes in four countries. Further, contrary to conventional wisdom, overall tax incidence fell most heavily on the richest and middle-income quintiles, whereas women typically are disproportionately represented in households in the lowest quintile.¹⁰ The reason for this was that in most of the countries studied, the VAT was well designed and some basic consumption goods were subject to reduced or zero rates. However, when analysed by type of good, the research found that taxes on utilities seem to fall disproportionately on female majority households, perhaps because women spend more on utilities, to save time from household tasks (e.g. collecting water).¹¹

⁹ Grown, C. and Valodia, I. (2010) *Taxation and Gender Equity*, Routledge: UK.

¹⁰ The only exception was India, where the lowest quintile had the highest incidence. Ibid.

¹¹ Ibid.

Assessing the gender impact of VAT is complex, for at least two reasons:

- In practice, VAT has often substituted for both (a) some kind of broad sales tax, and (b) import duties. We cannot assess the impact of VAT on the gender distribution of welfare without knowing the distributional effects of the taxes it replaced.
- We also have to take into account the possible effects of VAT on total government revenue, therefore total government spending, and the relative gender impact of spending. If VAT increases government revenue, and that increased revenue is disproportionately spent on women, then the net impact might be positive.

Of greater relevance for gender and taxation, is the issue of taxation of the informal economy, and closely related, local government and market taxation. Market taxes can disproportionately target women, in places where most market trade is carried out by women.¹² This is the case in low income areas of rural Africa, where market taxes are the most important source of local government revenue. Similarly rates of presumptive taxes used for taxation of the informal economy usually differ by sectors (e.g. for hairdressing separately from taxi services), and sectors dominated by women may inadvertently result in differential effective tax rates. In some cases, visible businesses such as market trading, might be in practice paying more due to stricter enforcement, than invisible businesses such as home-based manufacturing, and has gender implications depending upon whether either is dominated by women.

Formal tax rates are one thing. Their gender impact might be affected by two other issues: enforcement and compliance. With respect to the first issue, actual tax enforcement may differ according to the gender of the taxpayer, particularly at the level of local government. The existing evidence is mixed. On the one hand, women are more vulnerable to harassment and at risk of sexual exploitation. On the other hand, there is some evidence to show that women (and the less privileged, e.g. elderly) can receive more respectful treatment, or in cases be informally exempt from taxes (e.g. widows). The second issue relates to tax compliance attitudes and behaviour. If women are simply more disposed than men to pay the taxes they are told they owe, then they will tend to be a little worse off than men under any tax structure. Some research on industrialised countries suggests that women tend to be more tax-compliant

¹² Market taxes include fees levied on markets – e.g. roadblocks for entry on market days.

than men, both in attitudes and in actual behaviour. We have very little information about differences between the tax behaviour of men and women for developing countries. The data we do have relates to attitudes rather than actual behaviour. A few recent studies suggest that women are less tax compliant than men in attitude.

2. Revenue levels

Recently, feminist scholars analysing taxation have been making the broad argument that states need to raise more taxes from those who can pay them (especially large transnational corporations and elites), in order to resource public services (of greater relevance to women) at adequate levels. Central to this argument is that the fact that women provide the bulk of unpaid care in developing countries. Unpaid care includes housework, water and firewood collection, and caring for children and the elderly, which is necessary for societies to function. Women often bear the double burden of providing care as well as generating income. Public services such as health and education are critical for women. Poorly-resourced public services mean that ‘women and girls have to fill the gap through their unpaid or low paid care work’.¹³ The case made is a broad and general one, and raises questions about the level of revenue collection and spending priorities. However, the claim that additional government revenue would reduce the burden on women of providing unpaid care is clearly optimistic and incomplete. It depends on how the additional revenue is spent: for example, on health care or on military equipment? The obvious implication is that for revenue to improve the substantive position of women, accountability and gender sensitive budgeting is critical. It is, however, beyond the scope of this brief to summarise the large literature on the subject here.

3. Women in tax collection

A few authors have shown some interest in the question of whether the performance of tax administrations might be affected by the gender composition of their staff. There are in fact two separate questions. One is whether the general performance of tax administrations might be improved if there were more women in their ranks – and/or in senior positions. The other is whether those improvements might be especially beneficial to female taxpayers.

¹³ Donald, K. and Moussie, R. (2015) *Redistributing unpaid care work – why tax matters for women’s rights*, IDS Policy Brief.

We know little about these issues. Little information seems to be publicly available on the gender distribution of the staff of tax administrations in developing countries. Casual observation suggests that: they are predominantly male; that the proportion of females is increasing; that women are more commonly found in lower than in higher ranks; and that the female proportion varies considerably according to location – and is likely to be particularly low in South and West Asia. It seems likely that women are employed mainly in office positions, especially in jobs where they have little direct face-to-face contact with taxpayers. This would have an implication for the argument about whether or not the employment of women in tax collection is likely to help reduce levels of corruption. Significant corruption takes place in face-to-face interactions between tax collectors and taxpayers. If women are rarely employed in posts that involve face-to-face interactions, their opportunities to be corrupt would anyway be reduced. However, it is at least plausible that women employees are less likely to be corrupt than men because they are less likely to be members of the informal social networks that support corruption. The issue is clearly important. Corruption is a significant problem in tax collection in many countries, and a major source of non-compliance on the part of taxpayers and lack of trust in government. The issue needs further investigation. We have little more evidence about the impact of the gender composition of tax administrations on taxpayers. In some situations at least, female taxpayers are vulnerable to discrimination, intimidation and extortion by male tax collectors. This may help explain why, in developing countries, taxpayer surveys suggest that women, in some cases, are less inclined than are men to meet their tax obligations willingly.

4. Point of service payments

Payments made directly at the point of accessing services can be of two kinds – user fees and informal taxes.¹⁴ These are not taxes in a strictly formal sense. But it would be wrong to exclude them from this discussion. To the extent that they are the price paid by citizens for accessing services provided on a more or less monopoly basis by government organisations (or non state actors), then they are substantively very much like taxes – and in effect substitutes for formal taxes. It seems likely that funding public services (formal or informal) through user fees and informal taxes will tend on average to disadvantage women.

¹⁴ Clearly, not all informal taxes are to provide local-level services. Some are just to finance guns and gunmen. For a fuller discussion of informal taxation see the ICTD Summary Brief on informal taxation.

User fees are a case in point. With an increase in the number of countries adopting fiscal decentralisation, local governments are increasingly expected to rely on own-source revenue for providing services, and user fees are a common source of such revenue. However, user fees can be regressive, and often discriminate against women and girls when imposed on basic public goods such as health, education, water and sanitation. So for example, there is a reduced utilisation of health and education by girls when households are expected to pay for them. This issue, in practice, might be one of the more important gender dimensions of taxation.

Informal taxes are ‘tax-like payments, made to both state and non-state actors, that are outside of statutory tax laws.’¹⁵ They are imposed by non-state actors who might be providing local level services (including security in the form of protection rackets) in contexts where the state is absent; or where state actors can extract additional informal rents due to peculiarities of the regulations (e.g. street traders making payments to the police for occupying pavements). Again, these have implications to the extent that women consume more of the specific services provided, or dominate particular sectors of the informal economy.¹⁶ An emerging but difficult to study theme related to how women experience taxes, is the prevalence of transactional sex, as a means of tax payment or tax minimization in some contexts.¹⁷

Conclusions

To date, people exploring the issue of gender and taxation have tended to approach it with a First World lens, notably in looking for clear gender biases in the collection of personal income tax, and as a result of the increasing significance of a new consumption tax, i.e. VAT. There is in fact little cause for concern. Gender biases that exist in the structure of personal income taxes in low-income countries have very limited impact because few women pay personal income taxes at all: women are very unlikely to be employed in the formal sector and receive incomes above the minimum threshold for personal income tax. The evidence on the gender effects of introducing VAT is scarce and disputed. But the fact that basic consumption

¹⁵ Prichard, W. and van den Boogaard, V. (2016) *Informal Taxation in Sub-Saharan Africa: A synthesis*, ICTD Summary Brief 2, Brighton: Institute of Development Studies.

¹⁶ ICTD is emerging as a leader in conducting surveys to capturing the distribution of the informal tax burden.

¹⁷ For example, in Liberia, 37 per cent of respondents had experienced sexual based violence at border crossings and 15 per cent had been raped or coerced to have sex in exchange for favours. Higgins, K. 2011. *Gender Dimensions of Trade Facilitation and Logistics*. Washington, DC: The World Bank. This raises issues about whether sex is coercive or perceived as an option (when desperate), and one’s subjective view of whether this can be a legitimate means of taxing (and paying).

items are either zero-rated or low-rated for VAT purposes (with a few exceptions) in many developing countries suggests that concerns about major adverse effects on women seem misplaced.

However, the fact that researchers and campaigners have so far focused on these issues does not mean the absence of significant gender issues that require further investigation. It seems very likely that in some respects, existing taxation systems are biased against women.

Foremost are the implications of the informalisation of work, the burden of unpaid care, and the prevalence of women in particular sectors of the informal economy. Specifically, local governments, under pressure to raise own-source revenue, may focus taxes on sectors dominated by women (e.g. markets). This is an area where further research is required.

Related is the theme of the consequences of the gender composition of the tax administration, whether a greater number of women will improve performance of tax administrations, and also whether it is likely to benefit women taxpayers. Informal taxation is another significant issue that may differentially affect women, and we need more evidence on the scale and nature of such payments. Finally, women tend to perceive tax rates and administration as a greater burden than men do, and are usually less confident in dealing with tax officials. Combined with low levels of economic literacy prevalent in the informal economy, this impacts their ability to understand, engage with and benefit from revenue systems.¹⁸

If we're interested in the gender dimensions of taxation, should we focus only on the adverse effects of taxation on women? What about exploring the possibilities of actively using the taxation system to promote equality by advancing the position of women? A good example is the case of property taxes. Positive discrimination in favour of women, by reducing the tax liability for property that is formally registered as being owned by women, might be a way to give women greater actual property rights. Another potential area is preferential tax treatment, for a limited period of time, for small businesses that are newly registered with the tax authority and formally owned by women.¹⁹ More broadly, governments should consider increasing the voice of women within taxation systems, through gender mainstreaming in tax policy making, as well as strengthening gender equity within tax administrations. A focus on

¹⁸ Carroll, E. 2011. Taxing Ghana's Informal Sector: The Experience of Women." Christian Aid Occasional Paper No. 7. London: Christian Aid.

¹⁹ Although both these mechanisms can be abused (registration in a woman's name without giving her control), it can marginally increase a woman's bargaining power.

these potentially more fruitful avenues can provide useful insights to understanding how taxation affects gender, and how it might be used to achieve substantive equality for women.

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