Gender and tax: gender equality meets economic growth

EVERT-JAN QUAK AND BERNI SMITH

Nyakrom fish market women.

Women's equal participation in an economy means they pay and benefit from fair taxes. Given that gender issues affect every aspect of tax systems, policies and administrations must identify and challenge bias against women. Governments in low- and middle-income countries need support to reform tax policies and restructure tax administrations; not only to tackle gender issues in tax systems, but to use the those systems to promote gender equality.

Introduction

Most tax rules are 'gender neutral', at least on paper. But in practice they apply – or are applied – differently to women and men, often because of their different socioeconomic positions. For example, in many countries the second earner in a family is taxed at a higher effective tax rate than a single earner. In most cases, the second earner is a woman.

Sometimes, those collecting tax may treat women differently. Due to knowledge imbalances, male tax officials hold a position of power over female taxpayers and may exploit this in the form of sexual harassment, abuse or corruption.

KEY MESSAGES

- Gender equality increases economic growth and is an end in itself, as articulated in SDG 5.
- Implicit bias refers to 'gender-neutral' tax policies and practices that discriminate against women in practice.
- Policy makers can remove discrimination from tax codes and use tax systems as a tool to increase gender equality.
- Support to governments should be comprehensive and based on evidence from gender-disaggregated tax data.
- Support should consider tax policy, tax communication strategies, collection and enforcement, digitisation, data and engagement with civil society, among other areas.

Sustainable Development Goal 5 (SDG 5) calls for an end to discrimination against women and promotes their full and effective participation in the economy. Improving gender equality also provides a base for future tax revenues and contributes to economic growth – as gender discrimination has a very real economic cost. For example, providing stronger property rights for women and a sustainable rise in their incomes increases tax revenues.

Although in many domains there has been progress in tackling discrimination against women, gender and tax combined have received little attention. Some interventions are simple to conceptualise; for example, ensuring customs spaces at borders are well lit and have female staff. Others are complex and expensive, such as undertaking a full gendered fiscal incidence analysis of tax systems to understand how the same tax affects people with different characteristics (women and men, people working in the formal and informal business, etc.). With the right mix of political will and technical support, it would be possible to eliminate discrimination from tax systems.

Combining tax and gender goes further than eliminating discrimination. Tax systems can be used as a tool to *promote* gender equality; for example, by giving tax credits to companies that help women (re)enter the workplace. This further empowers women to contribute effectively to their countries' economic growth.

Key issues

Gender issues permeate every aspect of tax systems. For example:

- **Informal economy, micro-traders, and formalisation:** many governments have increased efforts to tax the informal economy. Informal enterprises – most of which in many low- and middle-income countries are owned by women – are assumed to be under-taxed, but in reality pay a wide range of indirect taxes, nuisance taxes, user fees and informal taxes; but they do not benefit from advantages that often accompany formality, such as access to social safety nets or finance.
- **Tax collection and enforcement:** where tax collection is often face to face, women are vulnerable to sexual harassment and abuse by officers. Where women work in highly visible trading locations such as markets tax collectors target them more often than men. This is compounded where low levels of literacy or financial literacy make tax obligations hard to understand.

"Combining tax and gender goes further than eliminating discrimination. The tax system can be used as a tool to promote gender equality"

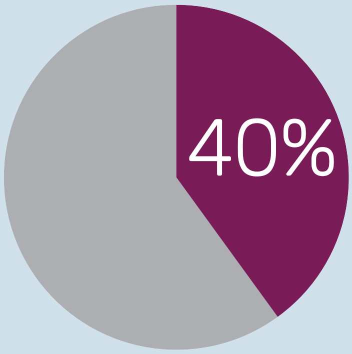
- **Indirectly discriminatory direct taxes:** apparently neutral provisions can impact women and men differently. For example, men earn more capital income on average than women, meaning preferential taxation on capital (as opposed to income) creates a risk of bias in favour of men. Also, higher effective tax rates on part-time work affect women more because they are more likely to be part-time workers.
- **Indirect taxes and consumption patterns:** many countries have increased efforts to strengthen their tax base, shifting towards regressive indirect taxes, such as value-added tax (VAT) or sales tax, impacting women more on average because they spend a higher proportion of their income on household consumption. However, exemptions of certain products, such as food, medicines and educational services redress the gender imbalance.
- **Women working in tax authorities:** women are underrepresented in senior and technical roles in most tax authorities. The issue is not just their numbers, but also their relative influence once in position.
- **Transformative tax systems:** taxes can be a tool to increase gender equality. Women benefit from tax systems that actively addresses gender-related challenges they face in improving their livelihoods; for example, tax credits for nursery fees for women returning to the workplace.

KEY STATISTICS

3x

Female employees are, on average, almost three times more likely to work in part-time employment than male employees (OECD 2022).

Source: Authors' own. Created using data from OECD 2022



Nearly 40 per cent of all economies still limit women's property rights (IMF 2022).

Source: Authors' own. Created using data from IMF 2022.

In Ethiopia, the land tax burden of female headed and female-only households is 37 per cent higher than for male-headed and dual-adult households (World Bank 2021).

Source: Authors' own. Created using data from World Bank 2021.

Policy implications

- Development partners can **raise awareness** about gender issues in taxation by supporting national and subnational governments to reform tax policy, and through capacity building and technical assistance within tax administrations. Support measures should be comprehensive and **seek leadership and champions within government**.
- Supporting partner governments to better collect and synthesise **gendered tax data** lays the foundations for effective, gender-sensitive tax policy. Collecting such data is difficult and expensive, and not often done. Governments need support in **fiscal incidence analysis** that combines overall economic impacts of both government taxation and expenditures on individuals, and includes a gender lens.
- Tax authorities should provide **differentiated tax information and education programmes** for women and men. Civil society organisations (CSOs) could play a significant role in taxpayer education, and communications on tax issues and tax reform. **Supporting CSOs** with technical assistance and capacity building to successfully participate in tax reform and taxpayer education is highly relevant.
- Tax administrations need more women in **leadership and technical** positions.
- Recruiting more female tax collectors could tackle harassment and sexual abuse; creating safe tax-paying spaces, reforming tax collection arrangements and designing grievance systems. Supporting **digitisation within tax administration** designed from a gender perspective would reduce harassment.

FURTHER READING

Joshi, A.; Kangave, J. and van den Boogaard, V. (2020) *Gender and Tax Policies in the Global South*, K4D Helpdesk Report 817, Brighton, UK: Institute of Development Studies

Megersa, K. (2021) *Gender and Tax: Programming and Evidence*, K4D Helpdesk Report 959, Brighton, UK: Institute of Development Studies

Harding, M., D. Paturot and H. Simon (2022), *Taxation of part-time work in the OECD*, OECD Taxation Working Papers, No. 57, Paris: OECD Publishing

Coelho, Maria, Aieshwarya Davis, Alexander Klemm, and Carolina Osorio Buitron (2022) *Gendered Taxes: The Interaction of Tax Policy with Gender Equality*, IMF Working Paper No. 22/26

Komatsu, Hitomi; Ambel, Alemayehu A.; Koolwal, Gayatri; Yonis, Manex Bule (2021) *Gender and Tax Incidence of Rural Land Use Fee and Agricultural Income Tax in Ethiopia*, Policy Research Working Paper;No. 9715. World Bank, Washington, DC. © World Bank.

Hicks, J.; Smith, B.; Downs, A. and Musillo, B. (2022) *Conversations on Gender and Tax: Resource Pack*, K4D Resource Pack, Brighton: Institute of Development Studies

CREDITS

Authors

Evert-jan Quak, Researcher at Institute of Development Studies (IDS), Brighton

Berni Smith, Tax & Gender Lead at the Foreign, Commonwealth & Development Office (FCDO)

Copy-editor James Middleton
Designer Lance Bellers

ACKNOWLEDGEMENTS

This Policy Brief summarises key issues discussed during the FCDO/K4D Tax & Gender Learning Journey.

CONTACT

Email info@k4d.info
Twitter @K4D_info
Website ids.ac.uk/k4d and K4D Learning Platform

DOI: 10.19088/K4D.2022.028

institute of development studies

UKaid from the British people