Taxes and gender equity

**Codes, behaviours, and (un)intended consequences**

THE EVIDENCE

Inequality has many faces: gender discrimination is one of them. While taxation offers a means to reduce socio-economic inequality, little is known about its impacts on gender disparities. Do taxes contribute to worsening gender inequality? Are tax codes explicitly or implicitly biased against women? Or do they have no impact at all? Might tax policies be used to promote gender equity and transform existing gendered roles in society? An IDRC project1 explored these questions through an analysis of personal income and consumption taxes in eight countries at different levels of development.

The multidisciplinary group of experts — which included economists, tax analysts, and lawyers — found that, though they were not widespread, personal income tax codes in some countries do contain explicit gender biases. In other words, the tax code contains specific regulations or provisions that treat men and women differently. The Moroccan code, for example, considers the wife as a dependant for the purpose of computing a male taxpayer’s deductions, but women who are the breadwinners must prove that their husbands (and children depend on her). More frequently, the personal income tax systems contain implicit gender biases; in other words, have different impacts on men and women because of systematically gendered social and economic customs and arrangements. These implicit biases operate through the structure of work-related deductions and allowances that benefit professionals and those in formal employment, for which men are more likely to be eligible.

Implicit gender biases are also found in consumption taxes, given that males and females have different expenditure patterns. For example, in India, the project found that the burden of indirect taxes on food items fell more on poorer, female-dominated households2 than on male-dominated households (see chart below). In most other countries, richer male-breadwinner households bear the heaviest burden of total indirect taxes largely owing to these households’ greater consumption of goods that attract excise taxes or fuel levies.

The project found that good tax policies explain why female-headed households, who are largely poorer than their male counterparts, do not bear the heaviest burden of consumption taxes in countries like South Africa, Ghana, Mexico, Uganda, and the United Kingdom. In all these countries, basic necessities are either zero-rated or have reduced rates. Simulations that increase the Value Added Tax (VAT) rates on these items show that the greatest negative impact would in fact be on poor, female breadwinner households. These results suggest that specific and targeted measures are important for ensuring that the burden of VAT is not borne disproportionately by poor women.

TOWARD INCLUSIVE GROWTH

Countries are constantly experimenting with reform of their tax systems. But beyond the redistributive role of a tax system, gender considerations are also important from efficiency and growth perspectives. In Uganda, researchers simulated the impact of zero tax for salt, a basic consumption commodity, and found that value-added tax as a percent of consumption expenditure drops faster for households with female breadwinners compared to households with male breadwinners. Furthermore, food storage facilitated from greater use of salt would allow women to use more of their time for other activities. Thus, a reform enhancing gender equity could also potentially favour efficiency and growth.

KEY CHOICES

Gender analysis of tax policy can improve reform efforts and play a role in redistribution in developing countries. Countries can review their personal income tax codes and take steps to eliminate explicit gender biases and examine the structure of deductions, exemptions, and allowances to ensure they do not contain implicit biases. While exemptions and zero-rating are discouraged in the policy literature, the findings of this project suggest that it is both imperative and possible, even in low-income countries, to administer VAT with at least some zero-rating of basic consumption goods.3 The results also suggest there are ways to compensate for any losses resulting from zero-rating in a manner that promotes gender equity in taxation.

Gender inequality needs to be taken into account when designing tax systems for inclusive growth. While this adds another layer of complexity to the design of optimal tax mixes, it can help avoid unfair unintended outcomes. Project findings suggest that tax systems can be rendered more gender-equitable without disrupting the fiscal balance. In socio-cultural and economic contexts that treat men and women differently, there might be space for fiscal policy to play a transformative role. Potential tax reforms could not only eliminate gender biases, but also be gender equitable.

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2 Households were classified in five categories: male-headed; female-headed; having a greater number of males (male-dominated); having a greater number of females (female-dominated); and having an equal number of males and females.