

**Discussion Paper**

**Gender, Taxation, and Equality in Developing Countries:  
Issues and Policy Recommendations**

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## Table of Contents

	Executive Summary	5
I	Taxing for Gender Equality: Economic Realities and Human Rights Norms	11
	A    Women’s Economic Realities	
	B    CEDAW calls for Substantive Gender Equality	
	C    Substantive Gender Equality in Tax Laws and Policies	
	D    Taxing for Gender Equality	
	F    Implementation: Capacity, Knowledge Transfer, and Data	
II	Gender Issues in Personal Income Taxation	19
	A    Gender and ‘Ability to Pay’ Taxes	
	Personal income tax exemptions, gender, and ability to pay	
	Unequal legal rights to personal exemptions	
	Unequal ability to use personal and other exemptions	
	B    Gender Effects of Personal Income Tax Rate Cuts	
	Gender effects of flat-tax PIT systems	
	The gender impact of structural detaxation	
	Gender inequality and tax expenditures	
	Restoring personal income tax graduated rate structures	
	C    Gender Equality and Tax Unit Policies	
	D    Social Contribution Taxes and Women’s Incomes	
	E    Making Paid Work ‘Pay’ for Women: Care Barriers	
	F    Assessing the Gender Effects of Total Tax-Benefit Systems	
III	Corporate Income Taxation and Gender Issues	34
	A    Corporate Income Taxation: Women in Corporate Culture	
	B    Corporate Tax Cuts increase the Tax Benefits of Incorporation	
	C    Economic Gender Realities discourage Incorporation	
	Gender barriers to incorporation	
	Gender and tax effects of incorporating SMSEs	
	D    Gender Impact of Corporate Tax Expenditures	
	Personal income tax benefits for corporate shareholders	
	Corporate income tax expenditures	
	Special economic zones	
	Promoting gender equality with corporate tax incentives	
	E    Resource Revenues and Gender Equality	
	Local gender effects of extraction projects	
	Resource revenues and gender priorities	
	F    Transnational Corporate Tax Practices and Gender Equality	
	G    Gender, Taxing Informality, and Informal Taxes	
	Informal business activities	
	Informal taxes	

IV	Impact of the VAT on Gender Equality and Ability to Pay	47
A	Poverty, Gender, and Ability to pay Consumption Taxes	
B	Gender Impact of VAT on Savings and Capital Accumulation	
C	VAT and Women-owned Businesses	
D	Rethinking Ability to Pay VAT in Developing Countries	
	Repeal or reduce reliance on the VAT	
	Expansive VAT zero-rating or exemptions	
	VAT allowances	
	Gender-equalizing VAT exemptions	
E	Other Consumption Taxes	
	Tariffs and other trade taxes	
	User fees	
V	Conclusions and Recommendations	57
A	Institutional Changes	
B	Personal Income Taxation	
C	Corporate Income Taxation	
D	Value-added Taxes (VAT)	
	Appendices	62
	Appendix A [currently in separate file]	62
	Personal, corporate, social contribution, consumption, and trade tax revenue as percentage of total revenue in low, medium, and high income countries, 1990-2014	
	Appendix B	63
	Appendix C	65
	List of Tables	
	Table B.1	
	Earned incomes by gender and age range, Fiji, 1997	33
	Table C.1	
	10% VAT on non-exempt basic necessities as percentage of average individual monthly incomes, by decile and gender, 2011	55
	List of Boxes	
	Box 1.1	
	Economic security over the life course of women	12
	Box 1.2	

UN Women’s definition of substantive gender equality	13
Box 1.3 Taxing for gender equality	17
Box 2.1 Progressive and regressive tax structures	22
Box 2.2 Women’s access to medical/education tax expenditures in the Honduras PIT tax system	24
Box 2.3 Fiji PIT, CIT, and VAT tax rate restructuring to increase revenue on the basis of ability to pay	26
Box 2.4 Joint tax unit rules overtax women in paid work	28
Box 2.5 Personal income tax policies that support increased gender equality	32
Box 3.1 Tax exemptions and incentives in Bangladesh and Honduras SEZs	39
Box 3.2 Types of informal tax payments collected in Sierra Leone, 2013	44
Box 3.3 Corporate income tax policies that promote the attainment of gender equality	45
Box 4.1 Policies that reduce the negative effects of VAT on women-owned businesses	50
Box 4.2 Gradual and balanced enactment of the Singapore VAT	51
Box 4.3 Policy proposals to reduce the negative gender impact of VAT and other consumption taxes	65
Endnotes	67

## **Executive Summary**

Between the adoption of the Beijing Platform for Action at the Fourth World Conference on Women in 1995 and the establishment of the Sustainable Development Goals (SDGs) in 2015, increasing attention has been focused on how tax laws shape women's lives, affect their access to property, incomes, and public services, and transmit gendered social expectations and stereotypes within societies, across borders, and through the generations.

Attention to the gender impact of tax laws has been accelerated by key trends in public finance policy frameworks. Beginning in 2005, the OECD and other international organizations began to recommend that countries at all levels of development focus on tax and spending cuts to stimulate economic growth. In the aftermath of the 2007/2008 global financial crisis, although many countries responded to the crisis by expanding selected spending measures to offset the recessionary effects of the crisis, the IMF began in 2010 to turn the focus back to fiscal consolidation through tax and spending cuts to promote economic recovery. Since then, the majority of countries at all levels of development began to replace crisis policies with fiscal austerity programs to cut spending on public resources and shift revenue production from progressive tax structures to regressive consumption taxes and privatization of public assets and services.

During this past decade, income inequalities have increased gaps between rich and poor due to lower levels of taxation on high incomes, increased business and individual use of transnational tax reductions and tax havens, over-reliance on short-term extractive revenues and tax incentives to the corporate sector, and falling levels of public support for key drivers of economic development such as health, education, transportation, and income security spending.

All of these changes have drawn increased attention to the gender impact of tax and budgetary policies as it became clear even at the outset of the 2007/8 crisis that cuts to public spending, privatization of income support, health, and educational programs, and the growing concentration of income and capital in the hands of the wealthy all increase after-tax income inequalities that are particularly damaging to those with low incomes and limited economic resources.<sup>1</sup> Women are over-represented in both categories in every country, as are both men and women living in low- and medium-income countries.

This discussion paper examines the gender effects of taxation and related fiscal policies within a framework integrating three critical perspectives: the realities of women's continuing economic, social, legal, and political inequalities; new global commitments to end poverty and all forms of sex discrimination; and the possibilities for shifting tax policy priorities from the present emphasis on taxing for economic growth to prioritize taxing for equality -- including taxing for gender equality, women's empowerment, and economic security over the life course.

Within this framework, the gender effects of the main types of taxes used in domestic tax systems are discussed along with promising alternative tax policies to promote gender equality. This discussion paper addresses both core elements of the knowledge agenda for gender-equal fiscal policy with particular focus on developing and emerging countries, and the full range of gender

effects and gender equal policy options for all aspects of personal, corporate, and consumption tax laws at the domestic and global levels.

### ***Taxing for Gender Equality: Knowledge Agenda for Fiscal Policy***

Research into gender, taxation, and development is crucial to tackling the challenges societies face today, which include optimizing human development, the effectiveness of fiscal governance, and economic durability while ensuring biosphere sustainability. This discussion paper forms part of the UN Women knowledge agenda on gender equality, the SDGs, redressing the effects of fiscal austerity policies, and financing for gender-equal and inclusive development. This paper maps out what is known about gender, taxation, and development policies, and the contribution this research can make to promoting gender equality.

This discussion paper is accompanied by policy briefs that outline key findings and recommendations on four themes: (1) the integration of all tax and other fiscal policy objectives with gender equality, women's empowerment, and economic security over the life course for all; (2) the role that personal income tax policies can play in fulfilling this global agenda; (3) the challenges and policy options available for turning corporate and business tax laws into positive forces for equality; and (4) changes that need to be made to VAT and other consumption taxes to ensure that all tax systems promote gender equality, reduce poverty, and enhance economic durability.

By systemizing what is known about gender, revenue systems, fiscal policy options, and development frameworks, this discussion paper and accompanying policy briefs are intended to make available explicit and accessible approaches to the complexities of gender and taxation, support country knowledge sharing, and make available documents for use in scaling up or adapting gender and taxation policy approaches that fulfil the human rights of women. In short, these publications are designed to ensure that all stakeholders can access information on 'how to' promote gender equality and women's empowerment within the specific features of all components of national and subnational tax systems, including access to evidence-based research.

This focus is important, because, regardless of the precise composition of national revenues, tax laws are the backbone of national government revenue structures. Disregard of the gender effects of tax laws can actually undercut other progress toward gender equality that may be pursued through government expenditure or other programs. Thus, it behoves all stakeholders to consider the gendered effects of specific tax policies as well as from 'whole government' perspectives to ensure that tax policies are effectively coordinated with all government fiscal and social objectives.

### ***Substantive Gender Equality and Taxation: Normative Frameworks***

Section I of this discussion paper outlines the economic dimensions of gender inequalities that leave women vulnerable in uniquely gendered ways to violations of their human rights. The main focus of this section is on the role of the Convention on the Elimination of All Forms of Discrimination against Women [CEDAW], the Beijing Platform for action, and CEDAW Optional

protocol decisions and Concluding observations in providing legal mechanisms to advance substantive gender equality in tax, expenditure, development, and other fiscal laws.

This section also outlines the components of ‘taxing for gender equality,’ a compilation of policy principles that ensure that tax systems can advance substantive gender equality effectively. First, on a whole-country basis, governments should resist pressure to focus primarily on fiscal austerity to promote growth, and instead should strive to raise most of their revenues from progressive personal and corporate income taxes, far less revenue from regressive flat-rated taxes like social contribution and consumption taxes, and provide realistic exemptions from all types of taxes for individuals who do not have the financial ability to pay those taxes. Second, all types of taxes, exemptions, and benefits should be calculated and paid only on the individual basis, not by married couples or families, in order to respect the principle of women’s rights to full fiscal legal personality and thus to be taxed as individuals.

Third, the growing use of special ‘tax incentives’ such as tax deductions and incentives for selected groups of taxpayers should end. In their place, all legitimate government goals should be supported with direct spending programs instead of through tax incentives. Tax incentives are distributionally ‘upside down’ because they invariably give the biggest tax benefits to those with the highest incomes and few or no tax benefits to those with low incomes. These ‘tax termites’ are costly, rarely reported, and give fewer benefits to women than to men. Even tax benefits designed to improve women’s access to childcare, for example, should be provided as public services for no or low fees. Tax deductions for care services invariably give small or no after-tax benefits to women with low incomes, while rights to public and subsidized care services to those with low incomes will reach them directly. Tax haven regimes provide extreme forms of tax incentives that are rapidly reducing global fiscal space, and need to be brought to an end in order to protect national revenue systems.

Fourth, whole-country tax systems should be benchmarked and monitored on a transnational comparative basis to determine whether aggregate tax and spending systems are in fact promoting gender equality, and to track the income, gender, and poverty impacts of each type of tax and expenditures item comprising national and regional fiscal systems. Microsimulation programs that disaggregate all data by gender and related demographic points are ideal for this purpose, although they should be supported by ODA and available to all stakeholders, including to civil society organizations and experts.

### ***Gender Issues in Personal Income Taxation***

Section II of this discussion paper examines the many ways in which far too many personal income and social contribution tax provisions overtax women as compared with men. The most important change governments can make is to provide complete exemptions from both personal income (PIT) and social contribution taxes (SCT) for those whose incomes are below or within the margin of poverty risk. No PIT or SCT should be collected from those who living near poverty lines. The second most important change is to replace existing simplified and flat personal tax rate structures with truly graduated tax rates structures. The lowest PIT rates should begin above the poverty threshold, and gradually increase for moderate and high incomes. The same steps should be taken by countries that have cut most or all tax rates to new low levels in structural detaxation programs.

Third, joint taxation of adult couples or of families actively appropriates women's 'fiscal space' and results in their paying higher taxes on earned incomes when they are then viewed as second earners in tax laws. Individualizing personal income taxes and social contribution taxes gives women independent property rights in their own personal tax and social contribution exemptions. It also ensures that women can take direct personal and legal responsibility for managing their own incomes and taxes. In many countries, women are still not allowed to file their own tax returns, or to opt out of joint returns if that benefits them. All such laws should be repealed.

Finally, many individuals in paid work can only obtain unemployment insurance, retirement pension credits, disability benefits, and/or health insurance as contributory workplace benefits. But with many more women than men working informally in undocumented, unpaid, or paid work without workplace benefits, far fewer women have access to workplace or income security benefits to which men are more widely entitled. Broad-based progressive PIT and SCT revenues should be used to fund government safety net programs for those who cannot otherwise access them.<sup>2</sup>

### ***Gender Issues in Taxing Corporations***

Because corporations are legally separate taxable 'persons' or 'entities,' corporate income taxes (CIT) were devised to prevent corporations from being used to insulate profits and incomes from personal income tax laws. Thus, both corporate and human taxpayers originally paid roughly similar income tax rates in many countries because the two types of income taxes were coordinated with each other to ensure that incomes generated by businesses and investments owned by corporate 'persons' would still pay income taxes on the same basis as if they were owned directly by individuals.

Over time, as 'taxing for economic growth' advocates have lobbied for CIT rate cuts to make their countries more 'competitive,' growing gaps between PIT and CIT rates have made it increasingly profitable for high income taxpayers to incorporate personal sources of incomes. At the same time, transnational corporate profit shifting to obtain low or zero income corporate income tax rates in tax havens, the growing use of generous tax holidays and incentives to attract foreign direct investment in developing countries, and the offer of special tax regimes for extractive operations and special tax-free economic zones in developing countries have all further reduced average CIT rates regionally and worldwide. Globally, corporations are predominantly owned and managed by men and employ fewer women than men, while women's businesses are more often likely to be unincorporated. Thus, substantially more men benefit from CIT rates and capital gains exemptions on sales of corporate shares, while women's larger number of unincorporated businesses tend to be taxed at the usually much higher rates imposed by PIT plus SST systems.

The trend toward lower CIT rates has affected national fiscal structures in countries at all levels of development and wealth. But the negative impact on women in lower income countries is more direct and harmful. Shrinking CIT revenues are often replaced with consumption tax revenues, which do not usually take gender differences in ability to pay those taxes into consideration. In the wake of the movement toward fiscal austerity, deficit reduction, and cuts to public services, falling CIT revenues and falling tax-to-GDP ratios constrain government budgets and become grounds



for cuts to public services crucial to health, education, gender equality, and women's economic empowerment. At the same time, fewer women than men benefit from falling corporate tax rates, own VAT registered businesses, or are able to incorporate businesses to benefit from CIT rates. Thus, the tax effects of fiscal austerity programs cut government support for services crucially relied upon by women and at the same time, tend to overtax women's businesses in 'reformed' VAT, PIT, and simplified or presumptive business tax regimes that are designed to raise new revenues from 'hard to tax' informal and unincorporated businesses.

Policy solutions include countering fiscal austerity programs and transnational tax competition through regional and international cooperation, reducing tax incentives to corporations, and effective enforcement of anti-avoidance rules and penalties. At the same time, programs to increase women's access to financial and business management skills, capital, and markets, and equal hiring, pay, benefits, and representation laws in corporations are needed. Women in informal and unpaid work should be supported in combatting exploitation in family businesses or informal trading, and should receive training in accounting for actual profits/losses instead of remaining over-taxed by simplified or presumptive tax systems. And all these changes should be genuinely motivated by the goal of increasing women's after-tax incomes and wealth, not by using new types of taxes to surveil women's micro- and small business activities.

### ***Gender Impact of VAT and other Consumption Taxes***

One of the most unique features of low and medium income country tax systems is their growing reliance on value-added taxes (VAT, or goods and services taxes, GST). VAT revenues account for approximately twice as much revenue in developing countries as their second biggest source of revenue, corporate income taxes. Progressive PIT systems account for much less revenue than either the VAT or CIT in low and medium income countries. High income countries obtain more revenue from PIT, but rely heavily on VAT and SST, and much less on CIT.

Section IV of this discussion paper finds that more women than men and all those living in poverty will not have the 'ability to pay' VAT on basic necessities of living. As a result, women and all with low incomes, particularly in developing countries, risk that they and their children will live without adequate nutrition, living conditions, health care, and education – all crucial to human development. In contrast, those with the highest personal, business, and investment incomes in developing countries are often taxed relatively lightly under PIT and CIT systems, which means that revenues to fund redistributive programs to benefit those with no or low incomes will be limited, also constraining human development. VAT impairs women's ability to invest in education, acquire capital assets, carry on businesses profitably, or live on unequal wages, and thus to attain economic security or equality.

Addressing the negative effects of VAT/GST taxes on women calls for multilevel policy initiatives. The most important recommendation is to rebuild developing country fiscal systems to reduce or avoid reliance on the VAT, increase PIT and CIT revenues, and increase total revenues on a stable and continuing basis. All those living in or near poverty levels should be insulated from all VAT liability. To reduce VAT burdens on women in the business sector, VAT systems should compensate subsistence, informal, and small business owners for VAT paid to their suppliers but unrecovered through VAT compliance systems. Strong programs to increase the property owning,

financial, and business rights and capacities of women are also crucial. Substantially more revenue should be raised with excise taxes on luxury goods predominantly acquired by those with high incomes than with consumption taxes on basic necessities of human health and development.

### ***Recommendations for Promoting Gender Equality through Tax Reform***

Detailed institutional recommendations for improving the gender impact of tax and other fiscal policies are outlined in section V. Ensuring that tax and expenditure policies promote gender equality, reduce poverty, and increase after-tax income equality in all countries, and, most urgently, in developing countries, depends on key strategies.

Developing countries need support in meeting their SDG obligations to mobilize domestic revenues through in-depth and long-term evaluation of the gender and poverty effects of their tax, transfer, and public investment systems. The goal of such systemic review should be to reduce the use of taxes that extract revenue from those with low incomes and to restructure revenue systems for sustainable gender equality, poverty reduction, and adherence to all human rights standards.

To meet these obligations, Ministries of Finance, gender equality machinery, and civil society organizations need increased resources, including through overseas development aid, to develop, manage, and generate critical feedback on progressive and gender-equal tax and expenditure systems capable of promoting gender equality and meet all SDG targets. It is essential that each country benchmark the gender impact of its entire revenue and expenditure system on pre-tax and post-tax incomes of individuals and households, particularly through microsimulation programs able to track actual gender conditions and the impact of each specific tax and spending provision accurately. Permanent annual comparative and cross-country monitoring can then be used to assess how medium-term revenue strategies developed to promote gender equality can affect the status of women in the long term.

Transfer of new knowledge generated through taxing for gender equality should be supported by regional and international tax and civil society organizations, South-South and triangular cooperation, and ODA in order to attain capacities needed to meet new international transparency, cooperation, and gender equality standards.

## **I Taxing for Gender Equality: Economic Realities and Human Rights Norms**

In international and domestic law, states are sovereign. However, with sovereignty come government obligations to their residents and to other states. Customary international law and the growing list of international human rights treaties recognize not only state prerogatives to tax, but also state obligations to distribute tax burdens equally, take taxpayer ability to pay into consideration, and use revenues without discrimination. Key transnational human rights treaties include the UN Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, regional African, Asian, European, and American human rights covenants, and the Declaration of the Rights of Indigenous Peoples.<sup>3</sup> State constitutions and human rights laws also apply to fiscal issues, and both state courts and treaty bodies have legal authority to implement human rights guarantees in relation to tax, spending, and other laws.<sup>4</sup>

In addition to these treaties, the Convention on the Elimination of All Forms of Discrimination against Women and the outcome of the United Nations' Fourth World Conference on Women, the Beijing Declaration and Platform for Action,<sup>5</sup> have inspired increased understanding of how all dimensions of social, economic, legal, and political policies need to be changed to eliminate all forms of discrimination against women and to promote women's full and genuine equality – including in relation to the many tax laws that affect virtually all aspects of contemporary life. Most recently, the importance of all human rights laws relating to tax laws and to gender are now backed up by concrete Sustainable Development Goals and Financing for Development commitments, targets, and indicators.

Gender impact analysis of taxation systems is an essential element of gender mainstreaming and gender budgeting because revenues are widely acknowledged as being the 'lifeblood' of effective governments. Tax systems give governments the financial capacity to identify, fund, and meet the needs of those living within their borders. Taxes represent one of the oldest and most effective methods of pooling, protecting, sharing, and developing human and natural resources wisely. Whether the need is for water, roads, schools, safety, or health care, tax revenues make it possible for governments to aggregate resources for developments that few individuals could ever afford to finance on their own.

Ascertaining the gender impact of specific tax laws themselves is also crucial. Even when tax revenues are being spent in ways that actively promote gender equality, the gender impact of the actual tax laws that produce the revenue being used to fund such programs can independently perpetuate gender inequalities. The laws that stipulate what is taxed, who pays taxes, and how much they must pay can all be highly discriminatory in many ways – including on the basis of gender – even when those revenues may be spent for non-discriminatory or even for equality-promoting purposes. To the extent that the taxation process itself either perpetuates or intensifies economic, social, political, or development gender inequalities, the tax system can run counter to and even undercut gender-equal government spending.

This discussion paper addresses the gender impact of tax and related fiscal policies in the context of the realities of women’s economic, social, legal, and political conditions, global commitments to gender equality in taxation, and the need to shift fiscal policy priorities from fiscal austerity programs that cut government social spending and taxing for economic growth to building tax systems around durable and adequate revenues and the goal of taxing for gender equality.

## **A Women’s Economic Realities**

Globally, women spend an average of 250% more time in unpaid work than men every day. This means that men literally have more time available for paid work. The global average gender pay gap is 24%. This means that even if women were to have time for equal hours of paid work each year, they would still earn a quarter less income than men each year. Some regional pay gaps are even higher, rising as high as 33% in South Asia. In some areas, as much as 75% of women’s employment is informal, unprotected work. Women’s increasing levels of education and political representation have not managed to erase these longstanding economic gender gaps.<sup>6</sup>

### **Box 1.1**

#### **Economic security over the life course of women**

The Australian research group economic Security 4 Women defines economic security as ‘financial security through access to employment and equal opportunity that assures regular and continuous pay and delivers financial stability and independence, ...contains a social safety net that protects women from fear of social dislocation and isolation,’ enables women to ‘support themselves across their lifecycle and also support various family members still in their care,’ and ‘afford the basic essentials such as food on the table, care services, medical services, and housing,’ ‘to pay bills, maintain a reasonable standard of living lifestyle,’ and to save and/or invest and to relieve the stresses of continual financial hardship.’<sup>7</sup>

The US research group Wider Opportunities for Women defines economic security as having stable employment and predictable income over the life course adequate to meet all childcare, education, training, savings, asset accumulation, retirement, unexpected life event, and social support needs, taking into account the effects of gender disparities, racialization, age, and other vulnerabilities.<sup>8</sup>

Researchers have found that levels of overall economic security have gendered intergenerational implications as well as affecting the wellbeing of specific groups of women at any point in time.<sup>9</sup>

With lower earnings over their lifetimes, women have less capacity to save, acquire assets, and provide for their own economic security during adulthood and in crucial later years. Thus, even when women may be earning close to the same wages as men, many different factors can mean that for women, their paid work may not ‘pay’ as well as men’s, for example, when they have to incur significant care costs to gain time for paid work. Even equal earnings may not be sufficient to provide equal economic security over the life course, and still leave women vulnerable to poverty.

## **B CEDAW Calls for Substantive Gender Equality**

The many forms of economic inequality and insecurities faced by women clearly violate domestic and international human rights laws that guarantee women the right to both formal and substantive equality.

And so do tax laws that fail to consider women's pre-existing economic inequalities and equality rights when allocating tax burdens and tax benefits among taxpayers.

Since 2004, the CEDAW Committee has used the term 'substantive equality' interchangeably with the concept of 'de facto' equality to emphasize that women are entitled to full factual equality with men in all aspects of public and private life.<sup>10</sup> In recent years, it has emphasized in its reports that governments are to demonstrate promotion of substantive gender equality.<sup>11</sup> The concept of substantive equality does not displace the necessity of also enforcing women's rights to formal or explicit legal equality, but is considered to be an overarching concept that calls for women to be accorded full factual equality of opportunities and outcomes in all situations.

For example, a son inheritance preference that respects customary law can be seen as promoting the rights of specific population groups. But if such a law is read as prevailing over a gender-equal inheritance law that has been enacted by the national government, then the son preference law would be considered to violate the CEDAW guarantee of substantive gender equality.<sup>12</sup>

### **Box 1.2**

#### **UN Women's definition of substantive gender equality**

UN Women reads the wide and inclusive language used in article 1 of the CEDAW as taking a 'first step toward advancing the notion of substantive equality in its comprehensive definition of "discrimination against women"' as –

'any distinction, exclusion or restriction made on the basis of sex which has the effect or purpose of impairing or nullifying the recognition, enjoyment or exercise by women, irrespective of their marital status, on a basis of equality of men and women, of human rights and fundamental freedoms in the political, economic, social, cultural, civil, or any other field.'<sup>13</sup>

This definition is important, because it ensures that states must take 'all appropriate measures' to rectify gender inequalities. Such ameliorative or equalizing action will not, by itself, be considered to discriminate against men even if it only applies to women, if the action is designed to eliminate some form of sex discrimination.

## **C Substantive Gender Equality in Tax Law and Policies**

Gender roles influence tax policies because men's and women's decisions about employment, spending, saving, and investments are all shaped by how they are taxed.<sup>14</sup> Unfortunately, relatively few governments actively monitor their tax systems to correct for these gender differences. And because tax laws appear to be gender neutral, the relationship between gender and taxation remains unexplored in most countries.<sup>15</sup> CEDAW and the Beijing Platform for Action both make taxation issues matters of substantive gender equality.

CEDAW places positive obligations on governments to 'take...all appropriate measures' to secure the 'full development and advancement of women,' 'de facto equality,' and 'the elimination of prejudices...and practices' that express 'the idea of inferiority...or stereotyped roles for men and women.' Thus governments are obligated to eliminate formal or explicit legal distinctions in official laws, and to enforce all the specific financial, material, social, economic, and political commitments spelled out in the Convention. Economic rights include the right to substantive equality in earnings, incomes, promotions, vocational training, and social security; removal of all barriers to full participation in public life and paid work, adequate maternity leave, job protection, childcare, and credit rights; and development rights of women in unpaid, informal, and subsistence activities in both urban and rural areas.<sup>16</sup>

The Platform for Action makes it clear that these economic rights include tax laws, tax benefits, spending laws, social protection programs, all other fiscal laws and policies, and entire budgets.<sup>17</sup> In addition, the Platform stipulates that the gender effects of all fiscal policies are to be analysed from the multiple perspectives of women, poverty, inequality, and family wellbeing, and that whenever any negative gender effects are found to exist in connection with any such measures, governments are to take proactive ameliorative action to 'adjust them...to promote more equitable distribution of productive assets, wealth, opportunities, income, and services.'

The Platform further requires that women are to participate fully and equally in the design and monitoring of all policies pertaining to sustainable economic growth, poverty eradication, gender equality, and anything that falls within the 'overall framework of achieving people-centred development.' In addition, the measuring stick to be used in evaluating fiscal policy measures is whether they 'promote women's economic opportunities and equal access to productive resources' as well as 'address the basic social, educational, and health needs of women, particularly those living in poverty.'

These commitments have been confirmed repeatedly. In the Beijing+20 review conducted in 2015, the review outcome document explicitly confirmed that the Platform commits countries to gender-based analysis of all fiscal measures in their linkages and their impact on women.<sup>18</sup> Similarly, the Addis Ababa Action Agenda for financing for development affirmed state commitments to achieving gender equality via 'significant increase in investments to close the gender gap and strengthen support for institutions in relation to gender equality and the empowerment of women at the global, regional and national levels,' including in relation to both overseas aid and all aspects of domestic development.<sup>19</sup>

When the Sustainable Development Goals were adopted in 2015, state signatories agreed to gender equality as a stand-alone goal and to the use of gender-based analysis in relation to all other SDGs.<sup>20</sup> And the Paris Agreement on climate change recognizes gender equality as a key value, to be attained through gender-responsive participation rights as well as in all planning processes implementing that treaty.<sup>21</sup>

Recent CEDAW decisions on complaints brought under the Optional Protocol to the treaty have confirmed that all aspects of fiscal policies are to be held to account. In the 2014 *Blok* decision, the Netherlands was found to have violated women's maternity leave rights by repealing maternity allowances for self-employed women.<sup>22</sup> The *Blok* decision applied the substantive equality test to the legislation in question, found that countries are bound by CEDAW when ratifying it, even if they do not enact domesticating legislation supporting the right to sue the government for violations of CEDAW, and, for the first time, recommended that the government be obligated to pay monetary damages to the complainants for this violation.

An even stronger report was filed in the 2015 *Canadian Inquiry* decision, which arose from complaints brought on behalf of Indigenous women after decades of efforts to obtain improved living conditions and life opportunities for them and their communities had failed. In that complaint, the CEDAW Committee found that the government of Canada had violated numerous specific provisions of CEDAW, held all levels of Canadian government accountable for these violations, and ordered all levels of government to take dozens of detailed remedial steps, including numerous fiscal steps, to lift Indigenous women and communities from the depths of long-standing poverty, risks of violence and murder, and exploitation.<sup>23</sup>

Similar opinions can be found in the UN Committee on the Status of Women Concluding observations on periodic national CEDAW reports. In 2016, the CEDAW Committee expressed concern about Swiss government financial secrecy laws that shield corporations from scrutiny of their financial and tax reports and make it difficult to monitor corporate tax planning, tax minimization, and wealth concealment. The Committee recommended that the government prepare independent participatory reports on the extraterritorial effects of such policies on women's substantive equality rights, to be conducted in an impartial manner, with public disclosure of all methodologies and findings used in preparing such reports.<sup>24</sup>

## **D Taxing for Gender Equality**

Beginning in 2005, the OECD and other international organizations began to recommend that countries at all levels of development prioritize tax and spending cuts to stimulate economic growth.<sup>25</sup> When the 2007/2008 global financial crisis arose, it appeared that the momentum toward 'taxing for growth' had been interrupted as some 73% of all countries increased public spending to offset selected recessionary effects of the crisis.<sup>26</sup>

In 2010, however, the IMF renewed its emphasis on fiscal consolidation as it began making recommendations for tax and spending cuts to promote economic recovery. Countries at all levels of development began following suit, replacing crisis policies with fiscal austerity programs to cut spending on public resources and shift revenue production from progressive tax structures to

regressive consumption taxes and privatization of public assets and services. Current trends indicate that the negative effects of austerity will affect 83% of those in developing regions and 61% of those living in high-income regions by 2020.<sup>27</sup>

Throughout the period beginning in 2005, the dominant focus of the OECD in particular continued to be on tax and spending changes most likely to promote economic growth. The matured 'going for growth' formula recommends that countries reduce corporate and top personal income tax rates and at the same time continue to use tax subsidies and tax holidays to reward overseas business investment; raise larger shares of total revenues with flat-rated property, VAT, and environmental taxes; reduce employment, income security, and housing benefits; eliminate trade barriers; and increase married women's involvement in paid work.<sup>28</sup> These recommendations have not typically criticized corporate use of offshore tax havens, although international focus on tax avoidance has increased.

By 2010, the OECD and IMF had begun to address growing gaps between rich and poor.<sup>29</sup> Although much of this income inequality work was originally gender neutral, the role of income and gender inequalities had begun to enter this analysis.<sup>30</sup> However, the main focus of the gender/taxation analysis was on finding tax and fiscal policies that could synergistically promote income equality and gender equality while contributing to economic growth. This led to the realization that increasing women's involvement in paid work could drive GDP growth, a focus that has remained characteristic of fiscal policies in high-income countries, but that often leaves out the wider range of domestic tax issues that affect women.<sup>31</sup>

Since 2007/8, however, the many connections between the global economic crisis, fiscal austerity policies, growing gender inequalities, and government budgets have increased attention to the relationship between taxation and gender inequalities across the spectrum of tax instruments and fiscal contexts.<sup>32</sup> Included in the expanding scope of the gender/taxation literature are studies on the negative gender effects of business and individual exploitation of transnational tax avoidance planning and tax havens, government reliance on extractive and special export zone revenues to replace tax revenues, and increased privatization of public assets and services to further justify domestic budget cuts.<sup>33</sup>

Demonstrating that gender equality in taxation is a matter of fundamental human rights, particularly in the context of low-income and developing countries, has at the same time strengthened determination to shift the global focus from taxing for economic growth to taxing for human well-being through economic development, poverty eradication, food security, biosphere sustainability, equality, and gender equality.<sup>34</sup> The role of national, regional, and international human rights tribunals and treaty-monitoring bodies in enforcing these links have been crucial aids in enforcing respect for these rights. Where gender and taxation are concerned, the CEDAW Committee's active involvement has been crucially important as it has addressed tax issues in its monitoring process since its inception.<sup>35</sup>



## **F Implementation: Capacity, Knowledge Transfer, and Data**

Ministries of Finance, tax administrators, government gender equality machinery, and nongovernmental organizations all need resources to develop capacity to evaluate the impact of tax and other fiscal policies on gender equality. As a minimum, it is essential to benchmark the many gender effects of specific types and instances of tax laws, change tax and other fiscal policies to ensure that medium-term impacts are consistent with the goals of taxing for gender equality in the longer term, and promote accountability for gender equality in tax laws through implementation and monitoring procedures.<sup>36</sup>

Particularly given the technical and data challenges in measuring the gender impact of tax laws, accelerating knowledge transfer among and to developing country governments and civil society organizations is crucial. Regional and international tax and civil society organizations supporting government capacity-building to develop and manage more progressive and gender-equal tax systems can increase the efficacy of these efforts. Mechanisms include South-South and triangulated cooperation, peer learning, knowledge exchange networks, overseas development assistance (ODA), and implementation tracking systems.<sup>37</sup> For example, the Global Partnership gender equality indicator reports on the percentage of countries with systems to track and make budgetary allocations for gender equality<sup>38</sup>; separate tracking of the implementation of gender-equal taxation would increase the transparency of tax systems and gender budgeting, particularly in the context of monitoring SDG implementation.<sup>39</sup>

Availability of sex-disaggregated socioeconomic and tax/expenditure data is also essential to the effective implementation of taxing for gender equality. The accessibility and quality of available data defines the analytic methods that can be used to examine the gender impact of existing and alternative tax and other fiscal policy options,<sup>40</sup> including on a whole-country basis. All data should be collected and reported in forms that make comparative gender impact analysis possible at the individual level, over time, and by gender, age, income, assets, benefits, education, location, and household composition. Recent developments in international transparency, cooperation, and taxation will require heightened standards of capacity for the countries implementing them, and development partners with interests in enhancing domestic resource mobilization can assist in developing appropriate data.

### **Box 1.3**

#### **Taxing for gender equality**

Taxing for equality that takes gender and racialization, Indigenous, disability, poverty, and other inequalities into consideration can promote economic equality and security.

Solutions with proven track records include --

1. Institute progressive taxes on incomes and capital based on ability to pay
2. Reduce taxes on low earned incomes and provide earned income credits
3. Increase taxes on incomes from property and capital received by those with high incomes
4. Eliminate all tax and benefit penalties that penalize women's paid work

5. Reduce tax burdens on low-income self-employed women
6. Secure affordable, flexible, accessible early childhood and care services for all
7. Eliminate inequalities in hiring, wages, promotion, and benefits
8. Invest in affordable education and skills training
9. Increase income security and pension supports for those with low and middle incomes
10. Guarantee income security for single parents, low-income, and low-skill workers
11. Resource revenue trusts should be used to insulate government budgets from fluctuations in the resource market prices, with allocations to those negatively affected by extractive industries
12. Benchmark, monitor, revise, and track the impact of tax and all other fiscal policies on women's pre- and post-tax incomes, assets, and economic security

## **II Gender Issues in Personal Income Taxation**

Well-designed personal income tax systems generate durable revenue flows to governments fairly, through progressively low tax rates for those with low incomes, and progressively higher tax rates for those with high incomes. Durable personal income taxes enable governments to provide services and programs essential to wellbeing – water, housing, transportation, education, good paid work, care resources, healthcare, safe communities, social protection programs, and income security during unemployment, disability, and later years.

Unfortunately, low income and developing countries have come to raise more of their revenues from consumption taxes – mainly from Value-added Taxes (VAT) or Goods and Services Taxes (GST), but also from excise taxes, user fees, and special charges for public services. On average, low income countries collect over four times as much revenue from VAT as from personal income taxes, and middle-income country VAT revenues are rapidly approaching the same level. Only high-income countries collect more revenue through progressive personal income taxes (PIT) than through the VAT.<sup>41</sup>

Improving the progressivity of personal income tax systems is not an easy task, however. Many features of existing personal income tax laws have negative effects on women and those with low incomes. If these features are not corrected as PIT laws are reformed, then PIT revenues as an overall share of total revenue may increase, but the PIT system as a whole can continue to discriminate against women with personal tax policies that disparately favour those with high incomes, and thus undermine the redistribution of unequal market incomes more fairly, which is one of the core purposes of fair PIT systems.

The four most important problems of this type are addressed in this section. First, most personal income tax systems are expected to honour the principles of ability to pay taxes, equitable taxation, efficiency in tax administration, and adequacy of revenues. Thus most personal income tax systems provide some tax exemptions for incomes needed to obtain the basic necessities of living. However, many countries provide only partial tax relief for minimum basic living costs, which is disproportionately costlier for women because they have lower average incomes than men. Thus these tax systems do not fully respect the principle of allocating tax burdens to those with low incomes on the basis of ability to pay.

Second, ‘going for growth’ personal income tax reforms have reduced the revenue-producing capacities of many personal income tax systems in several ways: shifting to flat-rate personal taxation; using structural detaxation to reduce revenues from all components of the tax system; and granting large numbers of valuable special tax exemptions, benefits, credits, and rates (‘tax expenditures’) to selected types of transactions or classes of taxpayers. These types of changes are more likely to benefit those with higher incomes, and they are relatively worthless or can even increase the tax loads on those with low incomes, who are predominately women.

Third, joint taxation of adult couples or other family groupings is still used widely in personal income tax systems, to the detriment of women. Tax unit rules negatively affect women because they determine who owns women’s ‘fiscal space’ for tax purposes. When women cannot use their

own fiscal space, they can end up paying higher taxes on their incomes than single women would pay, which in effect mean that both tax and benefit provisions can actually impose after-tax penalties on married women income earners.

Fourth, most countries still tie eligibility for income security programs such as unemployment benefits, disability supports, pension incomes, access to expanded health services, and social security programs to employment income. These benefit programs are funded with the proceeds of specialized types of personal income taxes referred to generally as social contribution taxes. These social contribution taxes form a second tax on earned incomes. Because fewer women than men are employed, and because women in paid work have lower average incomes than men, women generally benefit less from these tied programs. However, social contribution taxes (SCTs) regressive in impact because they tend to take a larger proportion of low earnings than from higher earnings. And with lower average incomes than men, this means that the combined costs of the personal income tax and social contribution taxes – plus the costs of any childcare women in paid work may need – mean that paid work may not ‘pay’ for women as well as it does for men. This happens in countries at all levels of development and average incomes.

Financing for Development commitments include provision of overseas development assistance (ODA) to support capacity-building to governments and to civil society in order to develop, implement, and manage PIT changes that can increase gender equality in tax and other fiscal laws as well as in all aspects of life.

## **A Gender and ‘Ability to Pay’ Taxes**

When collected through employer withholding taxes, personal income taxes can provide stable revenue flows with low administrative costs. In low and medium income countries, personal income taxation may be more difficult to administer than property, sales, or other types of taxes, because cash flows can be difficult to track, and informal and in kind transactions may escape taxation completely. Nonetheless, virtually all countries collect personal income taxes, unless they have large extractive revenues or have built their economy around being no-income-tax jurisdictions that are used by wealthy individuals and corporations to minimize income taxes.<sup>42</sup>

Tax systems are often evaluated in terms of ability to pay, equity, efficiency, and adequacy of revenues.<sup>43</sup> When gender equality, poverty eradication, and biosphere sustainability objectives are added to the list of tax policy criteria, however, the principle of ability to pay becomes of central concern. This principle ensures that both horizontal and vertical concepts of tax equity will match tax burdens with each individual’s actual financial ability to pay taxes. This approach is more likely to tax women fairly, because on average, women have lower incomes than men.

### **Personal income tax exemptions, gender, and ability to pay**

Most countries provide basic personal exemptions for those paying personal income taxes. These exemptions ensure that incomes needed for the basic necessities of living are not taxed. These exemptions should enable taxpayers to meet the costs of a dignified standard of living for themselves and their dependents, and to accumulate savings needed to cope with unexpected economic conditions during earning years and to live in dignity in later life.<sup>44</sup>

In practice, personal tax exemptions for taxpayers themselves may not be available at all. Or, personal exemptions may be too small to fully exempt minimum incomes from taxation. For example, in one high income country, it has been determined that the adjusted market basket measure of basic necessities is US\$13,458 for 2017, but only the first US\$8,515 is exempt from the lowest rate of income tax that is paid. That means that a single adult would have to spend US\$742 on federal income taxes instead of on food, shelter, or other basic necessities. In high income countries, community or non-profit organizations may assist such individuals, but lower income countries cannot necessarily provide similar levels of voluntary relief.

### **Unequal legal rights to personal exemptions**

Many countries continue to have personal income tax exemptions that discriminate on the basis of gender. At least sixteen countries still limit personal tax exemptions to men, or require husbands' permission if claimed by wives.<sup>45</sup> Some countries do not explicitly state which spouse can claim these tax benefits, but require parents to apply for exemptions.<sup>46</sup>

### **Unequal ability to use personal and other exemptions**

Most countries permit married persons who have no incomes themselves to transfer their own personal tax exemptions to the other spouse (or, in some countries, to a cohabitant). This may provide much-needed tax relief when the nonearning spouse is unable to work. But if that is not the case, however, the ability of one spouse to claim the other spouse's tax exemptions creates tax disincentives to second spouses to work for pay. Typically women are those second earners.

Many countries give taxpayers a wide variety of types of personal exemptions. For example, in addition to personal exemptions, there may be exemptions for age, temporary or permanent disability, or for providing unpaid care for other members of the family. Because dependent spouses often do not earn enough income themselves to use their own personal exemptions, tax systems often let the dependent spouse transfer their own exemptions to the sole earner.

Unfortunately, these well-meaning transferable exemptions also create tax disincentives to the dependent spouse, should they decide to take up paid work. The higher the income of the sole earner, the larger the tax benefit to the sole earner of using transferable tax and other exemptions will be. And, because dependent spouses are predominantly women, and because women's incomes are on average lower than men's, if the second spouse does enter paid work, the after-tax value of those exemptions will likely be smaller than if the supporting spouse could have claimed them. This is because those with higher incomes pay tax at higher rates, and thus the after-tax value of exemptions is greater to the higher income spouse. In this way, personal income tax exemptions can create tax barriers to a second spouse entering into paid work.

For example, some countries limit both spouses to their own exemptions, but do not let them transfer them between themselves. To give further incentives to second earners, who are usually women, second earners may receive extra exemptions to ensure that their incomes are not impaired by taxation. In these situations, supporting spouses can take some extra exemptions for second earners who become disabled or incapacitated. At the present time, only a few countries reserve either dependent child tax exemptions or personal credits to women. These rules are notable

because they promote gender equality by providing tax incentives to women's paid work, and, at the same time, prevent the husband from using those exemptions as a tax bonus for supporting a spouse with no income. The family benefits from these types of exemption rules only when the second spouse is in paid work.<sup>47</sup>

Some countries have reduced the negative gender impact of all types of personal and demographic tax exemptions by ensuring that no spouse will get a larger tax break by claiming the other spouse's own exemptions. For example, turning the value of the exemption into a tax credit that is calculated by reference to the lowest income tax rate ensures that the exemption will not provide a larger tax benefit to one spouse or the other. This does still create some tax disincentives for women entering paid work at the very lowest income levels, however. So this is not a complete policy solution. The better practice is to reserve all personal exemptions to each individual, and to provide social protection payments to individuals who need income support.

**Box 2.1**  
**Progressive and regressive tax structures**

Progressive taxes and tax systems transfer economic resources from the wealthy to those with the lowest incomes. Regressive taxes and tax systems transfer economic resources from those with low and/or middle incomes to those with higher incomes.

Low and middle-income countries tend to raise proportionately more of their revenues from flat-rated VAT taxes than from the PIT. Only high-income countries continue to produce almost as much revenue from the PIT as from the VAT.

Regressive taxes refer to both specific types of taxes and overall tax systems that sit more heavily on those with the lowest incomes. Regressive allocation of taxes means that those with the lowest incomes – those with the least ability to pay taxes – are being asked to contribute proportionately more of their incomes to government revenues than are those with greater ability to pay taxes. Other taxes may sit more heavily on the wealthy, which would be described as progressive taxation. 'Progressive' tax systems are those that take proportionately more revenue from those with the greatest ability to pay taxes.

## **B Gender Impact of Personal Income Tax Rate Cuts**

Although personal income taxes have been associated with graduated rate structures for nearly a century, 'taxing for growth' advocates have pushed for personal income tax rate reductions quite consistently for decades. Since the UK began to cut its social spending and then its revenues in the late 1970s, pressure for lower personal income tax rates has resulted in three significant types of systemic changes in PIT rates and revenues. The first is the flat-rate PIT movement, in which all

graduated rates have been replaced with one flat tax rate. The second is the use of structural detaxation to cut the tax rates in major types of tax systems, including corporate and VAT/GST rates as well as personal rates. The third is growing use of 'tax expenditures' to deliver tax reductions and cash benefits to taxpayers through specific tax incentives.

The gender impact of these personal income tax rate and revenue reductions arises from their disproportionate impact on men as compared with women: These types of tax changes rarely benefit those who have no or low incomes, and they deliver the largest tax savings to those with the highest incomes. Because most women in countries at all levels of development have lower incomes than men, far fewer women benefit from these types of policies. Indeed, in the case of the widespread shift from graduated to flat-rated personal income tax rates, more women than men have seen their personal tax rate increase at the same time as men's actually fall.

Given these gender realities, the degree of progressivity, regressivity, or neutrality of personal income tax rate structures can make a significant difference to women's ability to earn enough to support themselves and those depending on them over the course of their lives.

### **Gender effects of flat-tax PIT systems**

Over forty countries at all levels of development have adopted flat-rate personal income tax laws. Advocates of the flat tax system claim that single-rate tax systems simplify income taxation, but the real attraction is that they usually provide large tax cuts for those with the highest incomes. Regardless of the stated reasons for replacing graduated personal rates with a single flat rate, these types of tax systems have substantial negative gender effects.

These negative gender effects come from two directions. First, women are negatively affected by moving to flat tax systems because all those with the lowest incomes will experience income tax rate *increases*. When a set of graduated PIT rates is replaced with one single rate, the new rate is usually higher than the lowest old rate, but lower than the highest old rate. About half of the flat-rate PIT countries have kept their new flat income tax rates between 10% to 16%. The rest use single rates that are either around 20%, or range from 36% to 44%. Because more women than men have low incomes, significantly more women than men will face tax increases, as will disabled, immigrant, older, rural, Indigenous, and racialized persons.

Second, men are disproportionately benefited with new tax rate cuts: all those whose old tax rates were higher than the new flat rate will receive immediate income tax rate *reductions*. On average, men receive most of the highest incomes, and significantly larger shares of moderate to high incomes. If the new flat rate is 10% to 20%, and the old top rates had been in the 35% to 50% range, all those who paid at the old top rates receive permanent tax cuts of 15% to 40% annually. (See simulated example in Appendix B.)

### **The gender impact of structural detaxation**

Even when a tax system does not move to a completely flat tax rate structure, the process of cutting tax rates to induce economic growth produces structural detaxation, or the systemic reduction in total tax revenues. Like the flat tax, systemic tax cuts tend to reduce top personal income tax rates, but they do not usually reduce lower tax rates. Thus, with larger shares of the highest incomes, men

tend to receive larger shares of these tax cuts than women. Over time, the cumulative effect of rate cuts to high tax rates shifts more and more of the total PIT tax burden from those with high incomes to those with lower incomes.

### **Gender inequality and tax expenditures**

The term ‘tax expenditures’ was devised to describe provisions in tax laws that are designed to use tax laws to provide after-tax financial benefits to selected groups of taxpayers. For example, if business owners receive the right to deduct not just 100% of employee wages as business deduction, but 200% of wages actually paid, the extra deduction is known as a tax ‘expenditure.’ Literally, such extra deductions are expenditures of government revenue, but, because they are done through tax rules, they are called 'tax' expenditures instead of direct expenditures.

Tax expenditures are popular with taxpayers, even when they may not actually be qualified to claim them. They are also popular with governments, because they are not very visible, and avoid exposing how much revenue is actually being spent on policies that tend to favour high income taxpayers. Like gender budgeting, tax expenditure budgets have been adopted in many countries to make them more transparent and accountable. Not all countries publish full tax expenditure budgets, and relatively few publish gender breakdowns of tax expenditures.

Although graduated personal tax rates are designed to take ability to pay taxes into account, and take more taxes from those with higher incomes, tax expenditures turn the principles of ability to pay and vertical equity ‘upside down’: Tax expenditures give the biggest tax benefits to those who need them the least, and give the smallest, or none at all, to those who need them the most.

The more use a government makes of tax expenditures, the more taxable income will be excluded from taxation in personal income tax returns. At the extreme, governments have been known to literally give away as much potential revenue as they collect in actual taxes. For example, a 2004 study of the Chinese tax expenditure system found that ‘the cost of current tax expenditures has reached – and even exceeded – the amount of total tax revenue collected by the [tax] system’<sup>48</sup> as the result of many tax expenditures of various kinds.

<p>Box 2.2 Women’s access to medical/education tax expenditures in personal income tax systems</p>									
<p>In this example, assume that a PIT law is changed to permit taxpayers income tax deductions of up to US\$1,700 each year for medical and education expenses in a tax system that has these rates:</p>									
	<table> <tr> <td>Up to US\$6,000:</td> <td>0%</td> </tr> <tr> <td>US\$6,000-US\$9,100:</td> <td>15%</td> </tr> <tr> <td>US\$9,101-US\$21,300:</td> <td>20%</td> </tr> <tr> <td>Over US\$21,300:</td> <td>25%</td> </tr> </table>	Up to US\$6,000:	0%	US\$6,000-US\$9,100:	15%	US\$9,101-US\$21,300:	20%	Over US\$21,300:	25%
Up to US\$6,000:	0%								
US\$6,000-US\$9,100:	15%								
US\$9,101-US\$21,300:	20%								
Over US\$21,300:	25%								
<p>Taxpayers who have at least US\$7,700 in income can deduct the entire US\$1,700, and thus they would have no PIT liability at all. The tax saving from the medical and education expense</p>									



deduction would give them up to US\$255 in tax savings (15% x US\$1,700).

If they had even higher incomes, taxed at the 20% or 25% PIT rate, the tax saved or the value of the 'tax expenditure' would be even higher – 20% of US\$1,700 = US\$340, and 25%, = US\$425.

If we assume that women in such a system have average incomes of US\$2,942, and men have average incomes of US\$6,876, it becomes apparent that women with average incomes will not get any benefit from this deduction even if they spend US\$1,700 in a year on medical or education expenses.

In such a system, men with average incomes would get a tax benefit of US\$131 (15% x US\$876, the amount of income over the US\$6,000 tax exempt zone).

The average income men's tax benefit of US\$131 represents just 2% of the average male income. If an equal benefit for medical/education expenses were available to women, it would have more than twice as much value to women as it does to men – 4.5% of the average female income. But instead, women get a tax benefit of zero because of their low incomes.

This illustrates the 'upside down' effect of tax expenditures: The higher taxpayers tax rates and incomes are, the less they need government help with these types of costs – but the larger the tax benefits they get will be. The lower the income and the tax rate, the more government help is needed – but the smaller the tax benefit will be. Tax expenditures give the biggest tax benefits to those who need them the least, and the smallest benefits, or no benefits at all, to those who need them the most. On average, those who need them the most will be women and those living on low incomes.

On a structural level, the vast majority of tax expenditures tend to benefit those with businesses, corporations, investment capital, and high incomes, all of whom are predominantly men. Thus on an overall level, tax expenditures undercut all tax systems by distributing potential revenue to those who need extra income the least. Tax expenditures thus contribute substantially to after-tax income inequalities in general and to systemic after-tax gender income inequalities.

### **Restoring graduated PIT rate structures**

Flat rate PIT taxes, structural detaxation, and tax expenditures remain the focus of personal income tax policy. But in recent years, there has been growing awareness that stable and adequate revenues are essential to durable macroeconomic planning, and that cutting taxes to spur GDP growth does not by itself produce durable economic development.

Establishing or restoring progressive PIT rate structures does, however, involve two distinct issues. The first issue is that personal income tax rates interact in complex multifaceted ways with corporate, consumption, and other types of taxes as well as with the many tax benefits, incentives, and other tax expenditures that are embedded in tax laws. Thus rationalizing the structural interactions of all components of the tax system is essential to ensure that the resulting tax/transfer

system allocates all tax liabilities with regard to factual ability to pay. The second issue is that overall reform must also be designed to reduce overall gender, race, Indigenous, urban-rural, age, and other systemic after-tax income inequalities.

Tax changes implemented by the Fiji government after 1997 show how that country tackled both of these tax policy issues at once:

Between 1997 and 2011, the Fiji government had replaced its graduated 0%-15%-25%-35% personal income tax rate structure to a flatter rate structure. It had gradually enlarged the tax exempt zone from \$4,500 up to \$15,000 by 2011. At the same time, it had gradually increased its lowest tax rate from 15% to 25% in 2011, and reduced its highest PIT rate from 35% to 31% in 2011.<sup>49</sup> This did not produce a completely flat tax system, but the 0%-25%-31% rate structure was similar to other high-rate flat tax systems. (By this time, many flat tax countries had added one or two rates to their PIT tax tables to obtain more revenue, but kept them as low as possible so that wealthy taxpayers would not move to other lower-tax jurisdictions.)

By 2011, however, the Fiji government realized that it had given up too much fiscal space, and thus was not raising enough revenue. The large \$15,000 tax exempt zone protected ability to pay taxes, but the big jump from 0% to 25% and 31% were encouraging tax avoidance. With large segments of the population still living in poverty, and with existing tax incentives to overseas investors not generating enough GDP growth, the government restructured all of Fiji's personal, corporate and consumption tax rates.

In essence, the government reversed its previous tax system, which had high VAT and the two flat PIT rates: It increased the tax exempt zone to \$15,600 (US\$8,500), and combined that with a wide range of low PIT income tax rates, a reduced CIT rate, and PIT surtaxes on those with the ability to pay high tax rates. (Box 3.3) According to the government, this completely new rate structure was designed to remove as much of the tax burden as possible from the '99.4% percent of taxpayers,' and to ensure that the 'less fortunate among us will pay no taxes at all' because 'poor and middle class Fijians have shouldered most of the tax burden for too long.'<sup>50</sup>

Box 2.3				
Fiji PIT, CIT, and VAT tax rate restructuring to increase revenue on the basis of ability to pay				
The 25% and 31% PIT rates were replaced effective 2012 with the new Fiji PIT rates below, <sup>51</sup> plus the Social Responsibility Levy (SLR):				
Income (US\$)	x	Tax rate	+	SLR = Total tax
0–\$8,500		0%	--	0%
to \$12,000		7%	--	7%
to \$27,225		18%	--	18%
to \$147,000		20%	--	20%
to \$163,300		20%	23%	43%

to \$190,600	20%	24%	44%
to \$218,000	20%	25%	45%
to \$245,000	20%	26%	46%
to \$272,000	20%	27%	47%
to \$544,000	20%	28%	48%
over \$544,000	20%	29%	49%

The Social Responsibility Levy was designed to be applied 'progressively,' and was designed to affect the top 1% of the population 'only for as long as it takes to increase GDP growth and get people off of welfare programs.'

The CIT was set at a maximum of 20%, taxes on sugar drinks and other unhealthful foods were increased, and the VAT rate was reduced from 15% to 9%. However, at the same time the VAT rate was cut, VAT exemptions for many basic necessities of living were abolished, except for education costs remained exempt.

This type of approach – reducing the lowest PIT rates but increasing them for high income taxpayers – can make any tax system fairer in terms of both ability to pay taxes by those with low incomes, and being able to raise adequate revenues at the upper end of the income scale. For example, microsimulation analysis has shown that if Canada had used the more progressive Netherlands PIT rate structure in 2016, with lower tax rates on the lowest incomes, higher rates for above-average incomes, and even higher rates for top incomes, women as a class would have had US\$6.8 billion more in after-tax income that year, or an average of US\$800 more per taxpayer in the fifth decile, the majority of whom are women. That structure would also have produced US\$3.5 billion additional federal revenue in 2016.<sup>52</sup>

**C Gender Equality and Tax Unit Policies**

The definition of 'taxpayer' has important tax implications for women. For purposes of personal income taxation, the taxpayer can be defined as each individual, or as a married couple, an entire family, or all those living in a household, whether related or not. When each individual is seen as an independent autonomous 'taxpayer,' then each person is required to pay taxes on their own incomes and property. (Corporations are also legal separate 'persons' for tax purposes).

Tax unit rules have important gender effects because they determine who owns women's 'fiscal space' for tax purposes. Most personal tax systems provide tax exempt zones for each taxpayer, and, except in flat tax systems, provide graduated PIT tax rates that match ability to pay taxes to each individual's own income level. If some taxpayers – second earners, who are predominantly women – are not treated as separate individuals for tax purposes, however, they risk losing all or part of their own fiscal space, depending on how those rules are written.

#### Box 2.4

#### Joint tax unit rules overtax women in paid work

The 2012 Fiji tax schedule (box 2.3, US\$) can be used to illustrate the gender impact of joint personal income taxation of spouses. (Hypothetically; Fiji taxes spouses as individuals.)

##### **Taxation as an individual:**

If a taxpayer has total income of US\$12,000, then this taxpayer would only pay tax on income over the US\$8,500 tax exempt zone. According to the 2012 Fiji tax table, that tax would be 7% of the income between US\$8,501 and US\$12,000, or a total tax of US\$245 on the US\$3,499 that is taxed at the 7% rate.

##### **Taxation of the second earner's income as part of the marital tax unit:**

If two spouses have US\$12,000 in income, but both incomes are deemed to belong to one spouse, then that one spouse can use their own US\$8,500 tax exempt zone and can also take advantage of the low 7% tax rate when calculating the tax on the next US\$3,499 slice of income. That will produce a total tax for the first earner of US\$245.

When the second US\$12,000 income is also taxed in the first spouse's hands, the whole of the second US\$12,000 would be taxed at the rate of 18%. The second tax would be US\$2,160.

When taxed to the joint marital unit, the total tax bill for the two spouses is US\$2,405.

If the spouses were not married, their two tax bills would come to a total of only US\$490.

Governments that still permit joint taxation of spouses but wish to turn joint taxation into a tax benefit for the higher income earner have devised numerous policies to reduce this over-taxation. Some countries double the tax-exempt zone for couples, but then apply the rest of the tax rates as if it were all the income of one spouse. Some aggregate all spousal, family, etc., incomes, but then allow it to be split into equal shares for each person to be taxed at the regular tax rates. The variations are endless, but to some degree, they all increase the tax paid on second incomes by more than if the second earner were taxed as a separate taxpayer.

The end result of marital, family, or household tax units is that second earners face tax penalties if they have earned income. These tax penalties can only be avoided by minimizing or avoiding earned income. Because the effects of joint taxation are so significant, they create fiscal barriers to women's paid work.

Progress toward taxation of women as individuals is slow. Fewer countries now require joint taxation only, mainly in the MENA region. Both Ministries of Finance and courts have joined in securing these changes, as in the case of Thailand, where women now have the right to file

independent tax returns on earned and investment incomes.<sup>53</sup> However, at least a third of countries at all levels of development still permit either optional joint filing or income splitting. Where this option still exists, women are vulnerable to giving up paid work to concentrate on unpaid work when joint taxation plus income splitting will produce net after-tax benefits for the main earner.<sup>54</sup>

## **D Social Contribution Taxes and Women's Incomes**

On average, countries at all levels of development collect more revenue from social contribution taxes than they do from personal income taxes. For example, low income countries collect 11.7% of total tax revenue from SCTs, and just 10.5% from the PIT. Because both the PIT and SCT are paid on personal incomes, this means that SCTs increase the total shares of taxes charged on personal incomes to 22.2% for low income countries, 19.1% for medium income countries, and 38.5% for high income countries. (Appendix A)

In a sense, income security or social security programs form part of the large system of social protection programs that governments provide for their populations. Some social protection programs are non-contributory, are usually based on financial need, and provide minimum basic incomes to those who cannot work for pay due to disability, long illness, poverty, care responsibilities, or age. These types of income security programs are funded out of general government revenues.

Social contribution taxes are quite different from personal income taxes: They are paid on personal earned incomes by either employees or employers, or by both. These taxes are generally tied to individual paid work, income levels, and work history. They are designed to provide temporary incomes for those in paid work during periods of unemployment, sickness, disability, maternity or parental leave, and, in the longer term, retirement. These are personal rights that can be claimed by the individual worker, but, if a spouse or qualifying dependent family member is also permitted to claim rights derived from their earner spouse, social contribution laws create joint tax-benefit rights.

Unlike personal income taxes, social contribution taxes are usually paid at a flat rate for all workers, do not provide full exemptions for minimum basic incomes, and also tend to be capped, so that they are not paid on earnings over designated income levels. Regulated by governments and sometimes permitting tax deductions for social contribution taxes, these programs can be either public, private, or hybrid in nature.

Women's incomes are on average lower than men's. Thus personalizing income security entitlements by tying them to individual earned incomes and worker contributions increases women's long-term economic inequality.<sup>55</sup> Indeed, many of the features of these taxes can create additional tax barriers to women's paid work. When women earn small amounts of income, or work occasional hours, impending SCT liability may cause women to stop working just before their incomes become subject to paying this tax. When worker's income security plans cover their spouses, second earners may opt to concentrate their time on unpaid work in order to qualify for spousal benefits via the employed spouse. And when high income worker contributions are capped, and pay no SCT on incomes over those caps, second earners can be incentivized to

specialize in unpaid work while the high-income first earner can avoid paying SCT on earnings over the cap, thus producing tax savings for the couple's combined work effort.

These types of gender inequalities and SCT earnings disincentives can be overcome with careful policy design. For example, universal social protection becomes available when a government provides SCT waivers or allowances for all low-income workers' contributions to income security programs, so that the earnings thresholds and earnings caps lose much of their gender impact. At the same time, making as many benefit programs as possible public – such as health services and the costs of medicines – reduces the negative effects of SCTs on low-income and second earners.<sup>56</sup>

### **E Making Paid Work 'Pay' for Women: Care Barriers**

One of the biggest barriers to women's paid work is their disproportionate responsibility for unpaid work, which can include working as a contributing family member in a family business or agricultural operation; provisioning the household through growing food, producing clothing or household equipment; obtaining fuel, water, and supplies; or caring for other family members, home teaching, community work, or supporting the educational, medical, or paid work activities of other members of the family. Other barriers include lack of transportation, security while travelling to work or at work, and low pay.

One of the most unavoidable of those barriers is care of family members, especially when children are young. The availability, accessibility, and cost of care is a major factor in determining whether a woman can work for pay, or has to opt for working on a constrained basis part-time, in the home, or in unpaid sectors. Given the importance of care work to social reproduction, failure to lift this burden from women clearly violates obligations to gender equalizing fiscal policies. Between gender pay gaps, disproportionately high tax rates on women's incomes, and the costs of paid care, paid work literally may not 'pay' for women.

In developing countries, paid work opportunities continue to be constrained by childcare issues for the vast majority of women with children. Exploratory research on this issue suggests that as many as 91% of urban women in Liberia, 82% of urban women in Kenya, and 72% of rural women in Senegal find their access to paid work to be negatively affected by lack of ability to obtain affordable childcare.<sup>57</sup> Increased provision of early childhood education programs, public childcare services, public subsidies for the costs of care, and either tax credits or deductions have ameliorated this situation, but on their own, they cannot solve the problem for all women. One childcare cost survey indicates that in African cities in 2014, the care costs for one child are 'the equivalent of between one-quarter and nearly half of an average person's monthly spending' and would 'absorb the entire consumption or more of an extremely poor person in Ghana or South Africa.'<sup>58</sup>

These figures are consistent with the results of detailed OECD statistical analysis of the total tax cost plus childcare cost of paid work for single and second earner parents in member countries. The only country that ensured that women in paid work were not burdened with childcare costs was South Korea. In the other countries, the combined cost of all taxes plus childcare costs came to at least 29.7% (Spain) and as much as 77.9% (Canada) for second earner parents, and to at least

39.6% (Bulgaria) and as much as 94.1% (Canada) of gross earnings for single parents. The OECD averages were 57% for second earner parents and 73.4% for single parents.

Developing countries have put considerable effort into attempting to solve the multiple and intersecting problems of women's access to paid work, children's need for care and education, and associated nutrition and transportation needs. Social protection programs have begun to address such barriers. However, without adequate care funding too, it will be mothers or older daughters who do the support work of making those programs work. The concern is that social protection programs can 're-traditionalize gendered roles and responsibilities' without making any provision for childcare.<sup>59</sup> Care programs are essential if women's paid work and social programs are to 'pay' financially.<sup>60</sup>

Tax laws alone cannot solve this problem. 'Upside down' tax deductions for childcare costs would give the smallest tax benefits to the women who need them the most, and no tax benefits for women whose incomes are so low that they have no income tax liability. Direct cash transfers that can be used for childcare costs are vulnerable to being used to meet other basic needs, because potential childcare funding can be turned into cash support for women's unpaid work. The best approaches are those that provide fully subsidized care to those who do not earn high enough incomes to afford care costs. But even subsidized care will not solve the problem if it does not make quality care that is fully responsive to all of young children's development needs accessible to all parents, regardless of their incomes and transportation options.

Some countries have developed programs to integrate care resources into paid work sites. For example, Viet Nam provides tax incentives to corporations to help pay the costs of financing and operating onsite childcare facilities.<sup>61</sup> Tajikistan's law on preschool education includes provision of directly-funded public childcare.<sup>62</sup> Indian and Ethiopian programs designed to increase women's involvement in paid work integrate care, nutrition, and maternal nursing services into these programs.<sup>63</sup> And South Korea's care policies demonstrate that when governments provide full childcare services at no cost to either single or second earner parents, women's paid work – including women who are single parents – can sustainably and securely 'pay.'

## **F Assessing the Gender Effects of Total Tax-Benefit Systems**

As the preceding discussion reveals, multiple specific tax and benefit provisions affect the extent to which women's paid and unpaid work can 'pay' for them. Although considerable statistical data are needed to identify exactly which types of provisions will produce the greatest improvements in women's after-tax and after-childcare costs incomes, advances in microsimulation of social and economic policies is making it possible to conduct such detailed types of empirical analysis. The reality is that no one set of policies will optimally ensure that paid work can 'pay' for all women in all countries, and microsimulation analysis using sex-disaggregated income, tax, and benefit data enables policy options to be examined in the context of specific countries, to see how new policies may need to be finetuned.

Many countries now have their own social, tax, and financial simulation programs, but the EUROMOD and the companion SOUTHMOD microsimulation programs have been designed

specifically to support comparative tax policy and benefit analysis across countries on consistent types of indicators. The EUROMOD system includes all European Union countries and affiliates; a Canadian version of EUROMOD is nearing completion; and the United Nations University World Institute for Development Economics Research (UNU-WIDER) SOUTHMED project is producing models for seven African, Asian, and Latin American countries to add to the two African models already in operation.

Not all the new models support full gender-disaggregated analysis yet. However, when they are complete, they will be of great assistance in identifying how the many national and subnational taxes, benefits, and tax-benefit provisions interact to shape changes in women’s economic status in specific countries. Joint reporting of couple or family incomes, expenditures, and assets still pose problems in completely mapping gender impact, but these tools move gender impact analysis of tax and related transfer and other fiscal policies to the next level.<sup>64</sup>

**Box 2.5**

**Personal income tax policies that support increased gender equality**

Numerous changes need to be made to personal income tax systems, including social contribution taxes, to reduce their many negative gender effects:

1. Tax all in adult couples and families as individuals – not as members of couple, household, or extended family entities
2. Exempt minimum basic incomes fully from personal income taxation
3. Ensure that all adults have equal individual legal rights to file reports of their own incomes, assets, and benefits, and to pay and be liable for their own taxes only
4. Limit dependent deductions for spouses to those who are unable to work due to disability, long illness, or incapacity
5. Limit tax deductions or other adjustments for children or dependent family members to single parents or second earners
6. Deliver all tax exemptions as tax credits the values of which are the same for taxpayers at all income levels
7. Replace flat and low personal income tax rates with truly progressive graduated rates that take actual ability to pay taxes into consideration at all income levels
8. Review and reduce the use of tax expenditures, and, where government transfers are essential, replace them with direct benefits
9. Publish annual tax and benefit expenditure reports – fully disaggregated by gender – in order to maintain budgetary transparency and government accountability
10. Increase PIT rates on high net worth individuals through the whole range of actual incomes, using either high income surtaxes or special rate schedules
11. Waive or subsidize social contribution taxes on those earning less than minimum basic incomes
12. Fully individualize social contribution taxes in terms of both contributions and benefits, and remove all social contribution tax liability caps on those with high incomes
13. Fully subsidize universal, flexible, and accessible care resources for single and second earner



parents in paid work to promote women's economic empowerment and remove pressure on women to provide unpaid care, household business, agricultural work

14. Expand development of microsimulation programs capable of documenting the comparative gender impact of the total tax and benefit system with fully sex-disaggregated data, publish findings annually, and make these programs available to government, academic, and civil society analysts

### **III Corporate Income Taxation and Gender**

This section discusses the many ways in which corporate tax issues affect women's economic status and opportunities. Women are not represented equally in the corporate sector as owners, managers, or employees, even though global corporate income tax rate cuts over the last several decades have increased the tax benefits of incorporating businesses and tax subsidies uniquely available to corporations.

The economic realities of women's lives discourage women from forming incorporated businesses, but it has also not been easy to improve women's corporate employment conditions with substantial tax benefits rewarding corporations for hiring more women with better pay and benefits. Complex gender issues associated with resource revenues, transnational corporate income tax practices, the taxation of informal enterprises, and informal taxation of women's business are also discussed.

#### **A Women in Corporate Culture**

Globally, the incorporated business sector continues to be a 'man's world' little affected by gender equality considerations. Women have some ownership or participation connections with just 34% of all incorporated firms worldwide. Only 13.7% of all companies in the world are controlled by women. Even firms with at least one top female manager are rare (18.6%, worldwide). And corporations appear to have strong preferences for hiring men: Only 32.9% of all permanent fulltime employees of corporations are women, worldwide. When the focus is on production workers, that number drops to 25.6%.<sup>65</sup> The corporate world is not gender inclusive.

However, it is significant that women in developing regions are increasing those numbers, and bring with them higher levels of fulltime employment for women in both production and nonproduction jobs. The East Asia and Pacific region and the Latin America and Caribbean region lead the world in terms of numbers of female controlled corporations (27.4% and 24.2%, respectively). This is significantly higher than rates of female controlled corporations in high income OECD (16.9%) and non-OECD countries (22.1%), and the Europe and Central Asia region (18.9%). And while women in the middle east and north Africa are least likely to control corporate businesses (5.1%), even the rate of female ownership in Sub-Saharan Africa (15.6%) is nearly the same as for high income OECD countries.<sup>66</sup>

#### **B Corporate Tax Cuts Increase the Tax Benefits of Incorporation**

Corporations are taxed as separate legal 'persons' to enable them to keep their investments and profits legally separate from the interests of their shareholders. Over the last century, the global trend has been for owners of corporations and capital to seek lower rates of taxation on these assets than is typically borne by employment and unincorporated business incomes. National governments have been persuaded that cutting CIT tax rates is 'taxing for growth' because it will increase corporate investment in business activities, and thus increase GDP growth. Since the 1950s, these views have become increasingly influential.<sup>67</sup> In 1993, the average of all corporate income tax rates worldwide was 38%. By 2016, this average had fallen to 22.5%.<sup>68</sup>

With the exception of flat income tax rate countries, personal income tax rates are now generally higher than corporate income tax rates. Thus it is more advantageous for business owners to incorporate their businesses, because if they do not, they will pay higher personal income tax rates on business profits that, if they incorporated the business, would be taxed at the lower CIT rates. Despite these trends, women-led businesses are predominately located in the unincorporated sector, and male-led businesses predominate in the corporate sector. This structural gender difference produces different levels of tax liabilities, after-tax incomes, accumulated capital, and wealth for those who own these two types of businesses. Overall, the after-tax financial advantages of corporate tax systems accrue markedly to men.

These changes in corporate tax rates have not been uniform in all regions. The average corporate rates in Africa remain higher than in other regions. The largest absolute fall in average top corporate rates between 2003 and 2016 was 11% in Asia, from 31% to 20.1%.<sup>69</sup> In some countries, it is not unusual for top marginal corporate income tax rates to have fallen from the 35% level in the 1990s to as low as 20% or even 10% at the present time. At the same time, personal income tax rates still remain significantly higher than CIT rates in most countries.

The emerging gaps between top PIT and top CIT rates mean that business owners can easily choose between incorporating the business, or earning business income personally, for example, as a self-employed entrepreneur or professional, partner in an unincorporated business, or owner of an unincorporated registered company. When the top PIT tax rate is 35% and new low CIT rates are just 10% or 20%, for example, it will pay to incorporate the business. The result can mean 15% to 25% lower annual taxes on that business income, in this example.

Because of these dynamics, every time corporate tax rates are reduced relative to personal income tax rates, the gender differences between the after-tax profits earned by women-led vs men-led businesses increase as men's net wealth in the form of corporate shares, accumulated corporate assets, and profits grow larger.<sup>70</sup> And, as after-tax profits contained in corporations grow due to corporate rate cuts, after-tax income and wealth gaps between owners of incorporated vs unincorporated businesses also grow.

## **C Economic Gender Realities discourage Incorporation**

Given the worldwide trend toward much lower CIT rates as compared with PIT rates, it might appear that anyone with an unincorporated business ought to incorporate as soon as possible. However, economic and social gender realities mean that women may not be able to obtain the same degree of economic advantage from incorporating their businesses as men can.

### **Gender barriers to incorporation**

Many women become entrepreneurs not by choice, but by necessity. This is especially true when women cannot obtain paid employment. In many low-income rural areas, large numbers of women are self-employed women, while relatively few are in third-party employment.<sup>71</sup>

Forming a sole proprietorship provides work, but it does not necessarily provide significant income to support incorporation of the business. When self-employed women earn less than both women and men in paid work, and when women self-employed in agricultural work earn even less than all other categories, it is not likely that they can afford to form corporations for the conduct of their business activities.<sup>72</sup> This likelihood is even lower when ethnic minority status and regional locations are taken into consideration, especially for women self-employed in agriculture.<sup>73</sup>

When women establish small businesses out of necessity, incorporation is not an option if they operate near the margins of profitability. Women with few assets, little capital, and low levels of educational opportunity or attainment tend to find that they are foreclosed from incorporating. Changes in land registration rules putting women onto land titles have helped somewhat, but women's main business assets tend to be vehicles, buildings, savings, and bank accounts, because most registered interests in land are still held by men.<sup>74</sup> Without assets or capital to use as collateral for loans, many sole proprietorships can only offer services. The costs of incorporating or even registering a business, the challenges of under-capitalization, lack of collateral, risk aversion, gender stereotypes, constraints on transportation, discrimination against women-owned businesses, and weaker networks make it harder for women to incorporate their enterprises.<sup>75</sup>

Studies aimed at identifying what problems needed to be solved in order for women-owned businesses in Ghana to become more productive found that while businesses account for 70% of all employment in that country, some 80% of women-owned businesses are classified as micro, small, or medium enterprises (MSMEs). The main reasons they remain small include unequal access to business financing, transportation, family support, household and care support, training, and local service and retail outlets. Cumulatively, these factors mean that women's MSMEs are less able to compete, especially with cheap overseas imports. The promising fact is that women engage in every type of business in Ghana, including farming, manufacturing, agribusiness, and craft work. Programs designed to support women in developing the resources, organizational capacity, competitive access to customers, and financial depth to compete in international markets can improve the status of these businesses.<sup>76</sup>

That women are motivated and able to successfully operate incorporated businesses is demonstrated in Thailand and Timor-Leste. In both these countries, women have some ownership participation in 64% of all corporations. Even in the small Timor-Leste corporate sector, women have 61% of ownership or controlling shares. In Viet Nam, women have some degree of ownership participation in 51% of corporations, and hold 42.5% of nonproduction positions in corporate businesses.<sup>77</sup> Clearly women's disadvantages in the incorporated sector can be reduced with effective supports.

### **Gender and tax effects of incorporating MSMEs**

In general, incorporating women-owned micro, small, and medium-sized businesses produces little to no tax advantage so long as their business profits remain low. If business profits have to be used right away to pay the business owner's ongoing living expenses instead of for business development, incurring the expense of forming and registering a corporation to get the reduced tax rates paid by corporations in most countries provides no economic advantage at all. If all or most of the corporation's after-tax profits have to be paid immediately to the main shareholder as salary,

they will be deductible expenses to the corporation, but will then be taxed at personal income tax rates. If paid as dividends, they may, depending on the corporate-shareholder dividend tax rules, gain some tax advantages, but not necessarily the full benefit of the low corporate rates – and considerable accounting costs will be involved in such more complex tax returns.

The costs of forming and operating as a corporation that cannot accumulate after-tax retained earnings to expand the business operation or invest in business assets may thus be too high at low-profit levels. Indeed, in many cases, incorporation can be a mistake, making it less profitable to the owner to pay corporate taxes than if the business were simply operated as an unincorporated business and taxed at low-income personal income tax rates.

In high and medium income countries, small business corporations do often get preferential low tax rates to encourage formality and corporate investment. These are options for enterprises in low income countries in which owners do not need the full profits for their own living expenses. But when poverty and informality levels are both high, and businesses operate at the margins of profitability, the combination of gender, lack of paid employment, and informality means that the policy emphasis should be on ensuring that women have paid employment and/or access to business capital first, and should not encourage incorporation until businesses become profitable. Trying to bring such businesses into the tax net before they are sustainable does not solve the real problem – lack of viable economic opportunities for women to earn decent incomes.<sup>78</sup>

#### **D Gender Impact of Corporate Tax Expenditures**

Many countries provide special tax incentives and tax expenditures to those who invest in or own corporations. This is done for the purpose of trying to make sure that corporate businesses remain as profitable as possible to enhance GDP growth. Some of these tax incentives are delivered through the personal income tax system to investors; others are delivered directly to corporations, reducing corporate tax bills. Stacking tax advantages inside corporations and in relation to income or gains from corporate investors or shareholders adds incrementally to the gender skew that consistently delivers larger shares of tax benefits to men via corporate tax rules. Over time, the cumulative impact of these tax benefits means that women lag behind men in accumulating wealth and assets.<sup>79</sup>

##### **Personal income tax benefits for corporate shareholders**

Shareholders of corporations usually receive tax discounts on corporate dividend payments, and on capital gains they may realize when selling corporate shares. Dividends usually receive various kinds of personal income tax discounts, and capital gains on the purchase and sale of corporate shares are not usually fully taxed because they are either taxed at special low rates, or are partially or wholly exempt from personal income taxation.

Women who own corporate shares can benefit from these special corporate investment tax benefits. However, the revenue lost to governments from granting these tax benefits will not go equally to women and men so long as women have lower incomes, savings, levels of ownership in corporations, and smaller businesses. With lower annual incomes than men, women typically receive smaller shares of tax-favoured corporate dividends and capital gains because they own

fewer corporate shares. And, with lower incomes, women's personal income tax rates will be lower than men's, and thus they will get smaller tax reductions from tax benefits like dividend deductions or capital gains exemptions than men, who will on average pay taxes at higher rates. When capital gains are earned through corporations, they might even be tax-benefited twice due differences between personal and corporate income tax rates on capital gains.

The 'upside down' effect of tax expenditures will give average women smaller tax benefits for the same amounts of dividends or capital gains received by men. This will happen because regardless of whether these benefits are received directly or through corporations, when women's personal income tax rates are lower than men's, so are the after-tax values of their tax benefits.

Sex-disaggregated tax data on these types of tax effects are not easily accessible in low income countries. However, Australian annual taxation statistics illustrate the first two of these effects. First, 42% of all taxpayers claiming dividend tax benefits in the 2012/13 tax year were women, because fewer women than men owned corporate shares. Second, because women share owners on average received less dividend income than men, and, on average, had lower PIT tax rates, they only received 29% of the total personal income tax expenditures associated with dividend income that year. The other 71% of that lost revenue went to the 58% of dividend recipients who were male.<sup>80</sup>

### **Corporate income tax expenditures**

On the global level, the forms of tax expenditures for corporations most widely used in developing countries are tax holidays, tax exemptions, allowances, or credits for new investments, special tax and export zones, and, somewhat less often, reduced tax rates. High income countries most frequently use research and development tax credits, tax free and export zones, and investment allowances or credits.<sup>81</sup> While many developed countries use investment tax allowances or credits to attract increased foreign direct investment, they tend to have less effect in developing countries, which pose other challenges.<sup>82</sup>

Corporate tax expenditures are increasingly used in low and middle income countries, often at the expense of considerable foregone tax revenue: In one of the first tax expenditure reports in its region, the Moroccan government found that in 2006, it had foregone revenues equivalent to 3.7% of its GDP, or 17% of the total revenue collected. Corporate income tax expenditures produced the second largest revenue loss; 85 specific corporate tax provisions accounted for 18% of all tax expenditures for that year, or 0.7% of GDP. Investment incentives accounted for 35% of those CIT tax expenditures, followed by exports at 17%. Social housing tax expenditures received 9.3% of those tax cuts.<sup>83</sup> These figures are low in comparison with the corporate tax expenditures reported by high income countries.<sup>84</sup> However, women hold majority ownership in just 3.5% of all businesses in Morocco in 2013, and held minority shareholding interests in just 31.3%.<sup>85</sup> Thus their shares of the economic benefits of these tax expenditures would be very small.

Even in countries with much smaller tax expenditure budgets, however, the foregone revenue represented by these types of tax expenditures could make a considerable difference in improving the status of women. ActionAid found that fifteen low income countries had provided CIT tax expenditures ranging from 0.09% to 2.31% of GDP. This may seem to be a small number, but it is

actually quite large when compared with average spending by the same governments on programmes targeted on women’s rights and empowerment in 2013 – 0.03% of GDP.<sup>86</sup>

### Special economic zones (SEZs)

Special zones or production facilities can take many different forms. Some are isolated geographically with closed grounds; others are integrated into surrounding communities. The key characteristic of these zones is their largely tax-free status and export focus. And they have significant gender impact: Historically, up to 90% of SEZ employees are women, partly because gender wage gaps made them more profitable as employees. As of 2006, 66 million workers were employed by SEZs in 130 countries, with more added each year.<sup>87</sup>

The gender effects of SEZs arise out of the loss of tax revenues to host countries (box 3.1) and out of the gender impact of regulatory regimes associated with these zones. Most employment standards regulations and worker protection laws are weaker in SEZs, and, even as regulations have been improved in recent years, an estimated 28% of workers in SEZs have less protection in terms of overtime, leave, occupational safety, temporary contracts, or retirement security than under domestic laws. In addition, women working in SEZs are not often paid equally with men, although women may earn more in the SEZs than in the domestic economy. And now that slight gender advantage is disappearing as gender wage gaps close and production methods are being upskilled: SEZ labour markets are increasingly being ‘defeminized’ as more men are now being hired for wages not much higher than those paid to women.<sup>88</sup>

Box 3.1 Tax exemptions and incentives in Bangladesh and Honduras SEZs	
<u>Bangladesh</u> <sup>89</sup>	<u>Honduras</u> <sup>90</sup>
* 10 year tax holidays	* exempt from profits taxes
* 5 additional years at 50%	* exempt from taxes on assets
* duty-free import of raw materials	* duty-free import of raw materials
* duty-free export of finished goods	* duty-free export of products
* duty-free import of construction materials, equipment, machinery	* exempt from local sales taxes
* relief from double taxation	* exempt from excise taxes
* exemption from dividend taxes	* exempt from municipal taxes/duties
* duty-free import of three vehicles	* no taxes on repatriated profits
* 3 year exemption from income taxes	* capital can be repatriated
* accelerated tax depreciation	* customs is cleared on site
* remittance of royalty and service fees	
* full repatriation of capital and dividends	

The revenue losses associated with SEZs are substantial. It is impossible to estimate foregone revenues without data from the tax returns filed by holiday firms, but estimates of income tax revenues foregone in South America are in the range of 0.5 to 6% of GDP.<sup>91</sup> Multiple SEZ tax exemptions increase privatize corporate profits, but these profits accrue mainly to shareholders of overseas corporations, not to the host country.<sup>92</sup> At the same time, host countries have few resources to meet the many social and development needs arising outside the SEZs but due to their presence. Local resources are heavily burdened when employers relocate to more attractive SEZs, or workers become unable to work due to uninsured injuries.

### **Promoting gender equality with corporate tax incentives**

Some countries make affirmative efforts to promote gender equality by offering tax incentives to corporations that employ increased numbers of women and accommodate their gender-specific workplace needs. For example, when Viet Nam cut the standard corporate income tax rate from 25% to 20%, two special CIT rates were put into place to provide incentives for prosocial development. General incentives were provided for corporations willing to commit to high levels of investment, revenues, and employment in education, health care, sport and culture, high technology, environmental protection, scientific research, infrastructure projects, special export zones, and large manufacturing projects.

In addition, gender specific corporate tax rate reductions are available to companies that employ many female staff or ethnic minority workers, offer retraining costs for women being reassigned to other jobs, including tuition fees and full salary, and provide on-site childcare facilities, maternity leave allowances, and overtime allowances for women not taking maternity leave. Employers accepting these tax incentives are also required to accept additional Labour Code provisions, including accommodation for extraction and storing breast milk, supporting unionization of women workers, complying with gender equality in work rules, providing health and maternity accommodation, and contributing to costs of childcare resources.<sup>93</sup>

These rules have not been in place long, so their overall impact on the quality and continuity of women's paid work has not yet been quantified. The expectation is that these provisions will increase corporate compliance with non-discrimination laws. Feedback to date suggests that these types of incentives can be improved by permitting employers to carry gender enhancement costs back to earlier tax years, or forward to future tax years, and also by increasing funding for these programs, extending eligibility to the types of businesses most likely to be owned primarily by women, and ensuring that microenterprises employing women also receive appropriate types of tax benefits.

## **E Resource Revenues and Gender Equality**

Identifying the gender impact of the extractive industries in developing countries is a work in progress. Gender issues arise at the local level, because the establishment of resource extraction projects affects women's economic opportunities at each stage of these long-term projects, including closure. Gender issues also arise at the national level, depending on how extraction revenues are structured and used, and in the design of fiscal policies that bring extractive revenues



into annual budgets. The gender effects of transnational corporate tax practices that are also relevant to resource industries is discussed in section F.

### **Local gender effects of extraction projects**

Resource extraction projects frequently displace existing agricultural, fishing, and other productive practices. These displacements change women's economic options both as new projects are planned and put into operation, and when they are closed. A large-scale study of the gender impact of nearly 900 mines in Africa found that employment effects were geographically localized, that men obtained more and higher paid work in extractive industries as compared with women, and that growing gender income gaps resulted in at least three times as many women withdrawing from previous paid work as moved into paid work in these operations.<sup>94</sup>

Similar research demonstrates that as traditional fishing and agricultural areas have been dedicated to oil and mining projects, women have lost traditional sources of incomes from both fishing and agricultural work.<sup>95</sup> Upon closure of mining operations, women's new jobs tend to disappear, but that more men than women are able to return to agricultural work.<sup>96</sup> In addition, the long term effects of oil, mining, gas, and other extractive operations on fish, soil conditions, water courses, and human health create additional environmental and health barriers to women's longer term economic prospects and unpaid work burdens. World Health Organization studies have found that in-migration increases women's risks of HIV/AIDS, other infections, and violence, and that regional populations are at risk of increased poverty, loss of traditional livelihoods, accidents and injuries, destruction of land, conflict arising from destabilization, and the health effects of long-term poverty, including nutritional deficiencies and stunting.<sup>97</sup>

### **Resource revenues and gender priorities**

Gender equality in resource development and revenue policies is not simply a matter of directing spending or tax concessions toward women or gender relations. The gender impact of every component of the revenue-raising process pertaining to the resource sector has to be examined.<sup>98</sup> Nor is the assessment of the gender impact of resource development on gender equality reducible to a question of what gender policies will best promote economic growth; all channels through which existing resource policies perpetuate or intensify gender inequalities are relevant to this set of issues, and thus need localized strategies.<sup>99</sup>

Many recommendations begin by advocating adoption of the Norwegian resource revenue trust model to immunize national budgets from the volatilities of extraction revenues. But the economic realities of low income countries have resulted in the view that host governments should allocate at least some resource revenues to gender issues and general human capital development as a top priority to safeguard and improve the wellbeing of the population as major structural changes take place due to extractive projects.<sup>100</sup> Additional challenges are posed by artisanal extractive activities, which generally occur outside the scope of government negotiation and regulation, are highly informal, and expose women to even more intense risks ranging from direct exposure to toxic chemicals to wholesale appropriation of labour and loss of alternative economic opportunities.<sup>101</sup>

UNDP field officers have recommended that earmarking specific extraction revenues for gender issues, including training in non-traditional paid work, education, and leadership, would help

counter the known negative gender effects of resource development.<sup>102</sup> There is growing agreement that it is essential that women be equally represented in all aspects of resource development, management, and revenue governance as well, including in negotiations leading to local and regional resource revenue benefit sharing agreements, to minimize the many negative economic and social gender effects documented to date.<sup>103</sup>

## **F Transnational Corporate Tax Practices and Gender Equality**

Domestic revenue losses arising from multinational corporate tax practices encompass revenues lost due to resource extraction industries as well as to features of SEZ operations. In contrast with SEZs, which are special locations or sectors that are essentially tax-free zones, transnational corporations (TNCs) create their own tax-free or low-tax zones by designing their business operations to take advantage of the low- or no-tax features of many different countries on a continuing basis. Often using SEZs as components in tax reduction chains, these corporate tax practices reduce the revenues of both host and corporate home countries.

The most recent estimates of global revenue losses from international corporate tax planning range from US\$500<sup>104</sup> to \$650 billion annually.<sup>105</sup> What is significant from both gender and developing country perspectives, however, is evidence that TNC tax practices have ‘spillover’ effects on developing country revenue systems, driving their CIT rates down as the result of tax competition. And, the resulting revenue losses are of greater significance to developing countries than to high income countries. Lower income countries lose from 6% to 13% of their total tax revenues to TNC tax planning, while the OECD countries lose 2% to 3% of total tax revenue.<sup>106</sup> Because low and medium income countries derive larger shares of their total tax revenue from corporate income taxation than do high income countries, these revenue losses directly reduce government budgets, and thus investments in infrastructure and social programs that protect and promote human capital.

TNCs achieve this ‘tax shifting’ in many different ways. Corporations, trusts, and other business relationships can be created, merged, and subdivided quite easily, and contracts can be used to transfer corporate assets or transactions to low- or no-tax countries. For example, resource rights can be sold to an entity located in a low-tax country, so that profits are taxed there and not where actual extraction operations take place. So long as profits are kept in low- or no-tax countries, and are not repatriated to the home country, they may remain untaxed for decades.<sup>107</sup> US companies hold some US\$2.1 trillion overseas in order to avoid bringing it into the US, where it would be taxed. General Electric leads the list with US\$119 billion held offshore in 2014.<sup>108</sup>

The gender effects of these corporate tax practices arise from the specifics of the TNC operations in question. Ownership, control, management, and TNC supply chains are preponderantly in male hands. Thus, TNC tax practices intensify gendered imbalances in wealth worldwide, and reduce home country corporate tax revenues. Weak levels of corporate social responsibility leave women in host countries vulnerable to discriminatory labour practices, health and safety risks, and environmental degradation. Revenues lost as tax concessions reduce host country capacities to invest in gender-equal social and economic wellbeing or in gender equality in the business sector.

## **G Gender, Taxing Informality, and Informal Taxes**

The ‘informal’ sector in developing countries can be extremely large. The informal economy encompasses both the conduct of informal business activities, and the collection of informal taxes in the form of various levies not authorized by state laws. International agencies recognize the fiscal potential of this sector, but have not focused on the gender impact of taxing informal activities.

### **Informal business activities**

‘Informal’ business activities range from subsistence agriculture accompanied by pooling and exchange transactions, to unregistered business or employment activities conducted mainly by cash or barter and unreported to local or national authorities.

The domestic revenue mobilization called for by the Sustainable Development Goals posit that because informal activities can account for large shares of national GDP – for example, 39.5% in Tanzania in 2010<sup>109</sup> – taxing this sector effectively is becoming a policy priority. The Tanzania Revenue Agency study confirms that women form the majority of workers found in most state-recognized informal sectors. Overall, 67% of those working informally in Tanzania in 2010 were women, and women were outnumbered by men only in the construction and education, health, and social work sectors. Women had high levels of self-employment, but, as compared with men, they had below minimum wage earnings and lower incomes than men throughout.

Three basic methods of taxing informal businesses have come into practice: fixed tax regimes for micro businesses, simplified turnover taxes for small businesses, and presumptive taxes. All are aimed at the ‘hard to tax’ informal sector.

Fixed tax regimes apply small negotiated tax rates to micro businesses. For example, individuals in specified businesses (florists, beauty, and hair services) in Latvia can pay a ‘fixed patent fee’ monthly, on the level of US\$48 to US\$110 per month instead of paying formal personal income taxes and social security contributions.<sup>110</sup> ‘Simple’ turnover taxes impose a fixed rate on gross business receipts rather than requiring taxpayers to calculate actual profits. In Cameroon, the simplified system taxes actual profits at 2.2% and gross receipts at 5.5%; in Kenya, the simplified rate is 3%; in Malawi, 2%. In Mozambique, either a fixed tax or scaled simplified 3% rate can replace all other taxes. Presumptive taxes can be flat or scaled; for example, presumptive taxes on transport operators are flat rates based on seating capacity.<sup>111</sup>

These tax methods have been developed in order to bring informal operations into both the taxpaying process and social protection programs. However, abuses exist on both sides of these divides. Governments in low income countries may be more motivated to increase revenues than to expand social security programs. And taxpayers are motivated by all types of micro- and small business tax reductions to qualify for reduced taxes. Scaled transition rules are not often used.<sup>112</sup>

The gender effects of these types of taxes are not well documented. However, one obvious defect with fixed tax regime payments, simplified rates on gross receipts, and presumptive flat rate or scaled taxes is that they risk overtaxing those operating at the margins of profitability. Thus instead of protecting the after-tax profitability of marginal businesses, they can seriously burden those who

earn no net profits or incur net operating losses from business activities. Unfortunately, only the option of maintaining books of account can improve the tax outcomes in these situations.

When these alternative types of taxes are used, the lack of financial records means that it is also difficult to determine whether they are fair or unfair. This is brought out in the results of a survey of women working as traders, market sellers, and dressmakers in Africa. At least 40% of those surveyed reported paying only local taxes, because their incomes were below the US\$632 tax threshold for payment of national business taxes. These local taxes included the basic head tax rate, income taxes, property taxes, market tolls, hawkers' license fees, and street, water, and light levies.

Not surprisingly, however, some of the women surveyed reported paying more in taxes than they actually received as gross receipts from the sale of their goods. Those with very low incomes reported paying between 16% to 25% of receipts in taxes, while those with moderate and higher incomes reported paying maximums of 20% and then 12% as their incomes increased. These alternative types of taxes are likely to be found to overtax women as compared with men, given average income gaps in the region.<sup>113</sup>

Better policy approaches would support accurate calculation of actual profits of micro-businesses consistent with standard business tax laws, with the emphasis on capacity building, and not on policing or enforcement. Because digital technology is increasingly advocated by development partners for use in social protection, banking, and VAT transactions, women also need long-term positive support to formalize their informal businesses – not harsh presumptive or simple tax regimes that can be digitally surveilled.

### **Informal taxes**

State taxes are not the only levies that are collected. Recent research in Sierra Leone has found that alongside official state taxes and user fees, the informal sector is subject to informal taxation in the form of illegal government levies, unregulated local fees, and various types of social fees. (Box 3.2) Although survey respondents reported average formal state taxes of 6.17% of household incomes in 2013, a wide range of informal levies came to another 7.95% of total household incomes.<sup>114</sup>

#### **Box 3.2**

Types of informal tax payments collected in Sierra Leone, 2013

#### **Illegal state levies**

1. Central government informal taxes: Informal taxes paid to central government employees
2. Local government informal taxes: Informal taxes paid to local governments, possibly paid through the chief
3. Security payments: Informal taxes to army or police officers

**Informal chieftain taxes and user fees**

1. Taxes or payments to chiefs, including for use of local materials, payments for community projects, dispute resolution fees, fines, court fees
2. Labour services provided to the chief

**Informal non-state community levies and user fees**

1. Community development taxes
  - \* User fees or community development taxes paid to religious organisations, local elites, community-based organisations, or international nongovernmental organisations
  - \* Informal payments to doctors or teachers, and ‘community teacher’ fees
2. Community governance taxes
  - \* Payments or fines to secret societies and trade associations
3. Security or protection payments
  - \* Payments to local security groups, neighbourhood watch organisations, or local gangs<sup>115</sup>

Women who are informal cross-border traders face both sets of issues – the problems women face when working in the informal sector, and the issues of informal taxation. Even though women form the large majority of cross-border traders in some regions, most operate informally out of fear of the administrative complexities of registered trading, or because they have gone into that work through local traditions. In addition, as the numbers of women needing access to paid work have increased, informal trading appears to be a real long-term option for many.

The risks of informal trading are high, including loss of goods, extortion, harassment, and physical harm. The requirements for entry are low, and women living near or marrying across borders have found it to be a workable way to generate income either as a supplement to employment or on its own. Both formal and informal taxes and fees are paid, including payments to drivers who can also arrange customs crossings and multiple taxes on goods, leading to fears that even if registered, they would still be coerced into making informal payments in addition to paying the official tax rates.<sup>116</sup>

**Box 3.3****Corporate income tax policies that promote the attainment of gender equality**

Numerous changes need to be made to corporate income tax systems in order to improve the after-tax economic status of women whose lives are affected by the tax treatment, tax incentives, and other fiscal aspects of corporations:

1. Increase support for women-owned businesses in terms of education, experience, government provisioning, and costs of business registration and incorporation
2. Eliminate tax rate gaps between unincorporated and incorporated businesses with flow-through corporate tax systems
3. Extend rights to social security benefits without contributions for net loss years and for years when net profits are below minimum basic income levels
4. Establish capital funding programs for women-led businesses to compensate them for lack of own capital, including

ownership of land

5. Reduce, quantify, and publish corporate tax expenditure reports, disaggregated by sex, to bring transparency to this form of government subsidies to incorporated businesses
6. Establish reduced capital gains and corporate income tax rates for small businesses, with phased withdrawal to avoid rewarding businesses that stay small to reduce tax bills
7. Reduce the use of tax expenditures as incentives to corporate investment in developing countries
8. Redirect revenues otherwise lost to governments as the result of tax expenditures to capital funds for cooperative and/or women-owned businesses
9. Replace special economic zones with comprehensive tax regimes designed to equalize opportunities for domestic and foreign corporate investment
10. Enforce workplace equality laws with regard to corporate employment of women and all disadvantaged groups
11. Ensure that tax incentives provided to corporations that increase the roles of women in employment, management, directorships, and procurement are flexible, can be carried back or forward in loss years to preserve their value
12. Counter short term foreign investment in extractive industries or special economic zones by promoting region-wide minimum investment and tax conditions
13. Hold resource extraction and special economic zone businesses accountable for all spillover effects on women, including loss of education, paid work, land, and water rights
14. Invest resource extraction revenues in investment trusts to insulate annual budgets from market volatilities in extractives prices
15. Develop net benefit sharing agreements consistent with UNDP and UN Women proposals to ensure that those affected by resource extraction projects are treated fairly, especially women
16. Replace presumptive, fixed tax, and simplified turnover tax systems applicable to informal businesses with long-term support for financial literacy enabling women and small businesses to pay tax only on actual profits.
17. Regulate informal taxes imposed illegally by state actors, local leaders, and collected as user fees for access to public services
18. Protect informal cross-border traders, and conduct education and registration programs designed to ensure trader knowledge of rights and protective programs and resources
19. Invest government revenues in developing comprehensive women's economic empowerment programs aimed at strengthening but not policing women's businesses
20. Develop tax policy capacity to benefit from the UN-IMF-World Bank-OECD Platform for Collaboration on Tax Matters processes concerning BEPS policy issues and options, evaluate competing policy options, develop, implement, and monitor suitable BEPS options

#### **IV Impact of the VAT on Gender Equality and Ability to Pay**

Since the mid-1990s, low and medium income countries have relied more heavily on the VAT and other goods and services taxes for revenues than on any other type of tax, followed by corporate income taxes. In contrast, until the early 2000s, high income countries relied most heavily on personal income and social contribution taxes, and, since 2000, almost as heavily on the VAT, but the least from corporate income taxes. (Appendix A) Thus the overall tax systems in low and medium income countries remain more regressive than progressive, in overview.

The regressive impact of VAT has not been denied, but proponents emphasize its value in promoting economic growth, efficiency in producing revenue,<sup>117</sup> its ‘business friendly’ structure, and suggest that replacing PIT and social security taxes with increased VAT revenues can enhance economic productivity by taxing formal employment more lightly and thus reducing the appeal of working in the untaxed informal sector. Such proposals also suggest that the known regressive effects of the VAT can be offset by increasing levels of social protection payments and funding for public programs.<sup>118</sup> Detailed distributional studies, however, suggest on an empirical level that raising more revenue from progressive PIT rates to fund adequate social protection and public services programs, combined with reduced reliance on the VAT, reduces aftertax and aftertransfer income inequalities and economic security of those with low incomes.<sup>119</sup>

It is true that high income countries have enough revenue flexibility to fund social welfare programs and redistribute pre-tax incomes. However, the expansion of VAT revenues has accompanied increasing after-tax/after-transfer income inequality even in high income countries,<sup>120</sup> which suggest that (1) many middle-income and developing countries will have relatively less room to increase VAT without severely affecting the overall progressivity of the tax system, and (2) the choice of tax composition and incidence is a political one, and countries concerned with economic security and gender equality may choose to have less efficiency in revenue collection in order to increase equitable distributions of tax burdens and aftertax incomes, and to promote gender equality.

. However, there are issues to be considered regarding such a proposal including

This section addresses the question of whether the VAT is a good choice for developing countries, and, particularly, for women in developing countries, by examining the gender impact of VAT in low income and developing countries from four perspectives. The first is whether women and those living in poverty have the basic ‘ability to pay’ VAT that is often assumed to exist in high income countries. The second is how VAT affects women’s ability to accumulate savings and acquire capital assets over their lives as compared with men. The third is the impact of VAT on women-led businesses. This section concludes by examining ways in which developing countries have dealt with these issues, including provisions that reduce the regressive incidence of VAT on women and those living on incomes near or below poverty levels.

## **A Poverty, Gender, and Ability to pay Consumption Taxes**

Regardless of whether a government is committed to maintaining the overall progressivity of its total tax system, the principle of ‘ability to pay’ taxes is fundamental to tax policy and human rights. In revenue terms, it recognizes that governments actually lose net revenues by taxing those who can barely pay, or cannot pay at all. In human rights terms, taxing those at or below the margins of survival violates constitutional and human rights to life and equality.<sup>121</sup>

VAT, goods and services taxes (GST), and other consumption taxes present inescapable problems of ability to pay. Once the cost of VAT is permanently added to the costs of all goods and services, those living within range of the poverty zone will then be forced to pay as much as 20% or more for the minimum basic necessities of living. Since poverty is the condition of not being able to secure on a reliable basis those minimum necessities, such taxes will impair ability to pay those taxes without low income exemptions.

VAT is regressive or ‘upside down’ by income, and is also regressive by gender: VAT takes a larger share of incomes from those with the lowest incomes, even though they have less ability to pay that tax. In every country, there are more women than men in the lowest income deciles, and far more men in the highest. On the individual level, the allocation of VAT is therefore also severely ‘upside down’ by gender. (See simulation in Appendix C)

## **B Gender Impact of VAT on Savings and Capital Accumulation**

VAT is a flat tax on consumption. Those who do not have to spend their entire incomes on meeting their basic living needs can benefit significantly from tax systems with high VAT rates and low personal and corporate income tax rates, because once health and education needs are met, those with higher incomes can save for unexpected changes in economic conditions, purchase land, and accumulate financial as well as human capital. Those savings are not subject to the VAT unless the country is one of the few that also impose financial transactions taxes on savings and investments.

Thus the extent to which governments raise tax revenues from progressive vs regressive tax systems will affect women’s vs men’s savings and capital accumulation rates. When a country raises much of its revenue with VAT, those with high incomes essentially pay few personal or corporate income taxes on incomes they do not have to spend. As a result, all those whose incomes exceed living expenses plus taxes can accumulate after-tax incomes more rapidly than those with low incomes. And those who can barely meet their own living needs have no capacity to save.

Because women’s incomes are on average lower than men’s in virtually all countries, and because gender earnings gaps are only closing very slowly, far fewer women than men can enjoy economic security or capital accumulation. (See Appendix C for sample calculations demonstrating this effect.) Thus, one of the hidden gender effects of VAT is that it disproportionately disadvantages women as compared with men in developing economic security or acquiring capital assets of their own.



## **C VAT and Women-owned Businesses**

Because the VAT is collected by businesses, it may look like a business tax – but it is not. In fact, it is a tax on private individual and household consumption. Businesses merely collect VAT for the government. Any VAT registered businesses have to pay their suppliers is fully recovered from the VAT they collect from their customers, because they charge the same percentage of VAT to their customers that they paid. If for any reason businesses do not get reimbursed in this way for all the VAT they pay, it is refunded to them by the government.

Most countries exempt micro, small, and even some medium size businesses (MSMEs) from requirements that they register as VAT collectors. The advantage of this to MSMEs is that they do not incur the administrative costs of collecting, remitting, and otherwise keeping track of the VAT they collect for the government. But the downside to MSMEs is that they still have to pay VAT on goods and services that they purchase from other businesses. Even if the MSME is an agricultural, household, or self-employment business, they have to pay the VAT on any items that are not VAT-exempt.

Micro, small, or medium businesses that do not register as VAT collectors will end up with 'trapped VAT' costs just like end-point consumers. This forces them to choose among three unattractive options: They can register as VAT collectors themselves, which means that their prices will go up, and either drive customers away or start competition among similar businesses. Or, they can remain unregistered and just absorb the cost of the VAT they pay their suppliers as part of their operating costs, which will reduce their profits. Third, they can forgo VAT registration and pass some of the VAT they paid to their customers through increased prices, and earn somewhat lower profits.

Each of these choices either reduces small business profits and/or creates tax incentives for small business owners to operate out of sight of the government, or even to under-report incomes in their tax returns. These responses increase the already high levels of informal or even shadow business activities in developing countries, with barter taking the place of formal monetary payments.

These responses to VAT are well-known at all levels of development. They raise particular gender concerns because women-owned businesses in rural, less developed, and low-income regions are on average smaller than men's businesses, have fewer employees, and lower turnover (gross receipts), often operate informally, and may be less profitable. Indeed, as discussed in section II, many women-run businesses are essentially self-employment operations that women may be forced to establish when they cannot find paid work. Many women also work as unpaid but part owners of household businesses that should pay VAT, but have no involvement in the cash flow.

Women also have less access to capital than men, whether from commercial lenders, family, or friends, and higher levels of responsibility for unpaid work, including care work. As a result, their businesses tend to be more local due to limited access to transport, suffer higher costs because they cannot buy as much in bulk, and have less time due to home-based responsibilities.

The VAT will therefore hit women-owned businesses on harder and increase economic gender inequality. Women-led businesses tend to be smaller, have less capital, employ fewer paid workers,

are more localized, and have lower profits than male-led businesses.<sup>122</sup> At the same time, they have less access to unpaid work performed by family members, because the role of unpaid household business worker is more often assigned by gender to women than to men. Thus, women's profits will be lower due to higher employee costs, and they will be less likely to collect as much VAT on their business value-added against which to offset input VAT costs.<sup>123</sup>

Similar problems can arise when women-led businesses acquire capital. Without equal access to bank loans at standard rates or low-cost family loans, women who have to resort to high rate informal credit incur higher capital costs. But if input VAT credits can only be claimed for reasonable documented costs of capital, women are at greater risk of lower input VAT credits for their business capital.

With lower gross receipts, less capital, less personal time, fewer staff, and smaller profit margins, the costs to women registering businesses and collecting and remitting VAT to the government are relatively high when compared with more profitable men's businesses. Concentrated in the small business sector, and owning few large companies, VAT compliance sits more heavily on women.

At the same time, women may face greater risks if they do not comply with VAT laws. Financing for Development recommendations include using ODA to enhance local government revenue administrative capacity.<sup>124</sup> This means that when digital technology is used for tax payments, transactions can be cross-checked with reported VAT filings and other financial data,<sup>125</sup> and may disproportionately affect women working in the informal sectors.

#### Box 4.1

##### Policies that reduce the negative effects of VAT on women-owned businesses

**Zero-rating VAT** allows small businesses to reclaim VAT as a refund from the government in specific sectors considered essential for economic durability or development. This saves them from having to raise consumer prices or lose profits due to these extra costs. Indonesia does this for its tourism and agriculture sectors.

**Reduced VAT rates** let small business owners decide whether to absorb VAT as an extra cost, or raise their prices slightly. This reduces the impact of the full VAT rate on this choice.

**VAT exemptions** can be used to support social welfare and development, such as exemptions for medical, dental, and social welfare services.

**Advance credits, flat allowances, or scaled subsidies** can offset the costs of VAT to small household, agricultural, own-account, and commercial businesses.

**Small business expense deductions for non-creditable VAT payments** enable small businesses to reduce taxable profits by deducting VAT from gross receipts in calculating taxable profits of unincorporated or incorporated business.

## **D Rethinking Ability to Pay VAT in Developing Countries**

Given the serious problems with food security, health, sanitation, water, housing, transportation, and personal care needs faced by the largest majority of those living in developing countries, it is time to rethink heavy reliance on consumption taxes. The best alternative would be to reduce or repeal the VAT, increase all progressive income tax rates, and increase sales or excise taxes on nonessential items. Second-best alternatives include greater use of zero-rating, exemptions, low VAT rates, cash VAT allowances, and enacting gender-equalizing VAT provisions.

### **Repeal or reduce reliance on the VAT**

Any country can reduce or even repeal its VAT. The personal and corporate income tax systems can be adjusted to replace revenue that might otherwise be raised with a VAT or other consumption taxes. Not every country needs or will necessarily benefit from the VAT if other tax rates can be maintained at adequate levels. The example in Appendix B of how Fiji increased PIT rates and reduced reliance on VAT shows how this type of progressive revenue shift can be done.

Many other developing countries that face revenue challenges have decided to rely on moderate to higher income, sales, or excise tax rates to meet their revenue needs, instead of trying to implement the VAT. These include Belize, Sao Tome et Principe, the Solomon Islands, Myanmar, Eritrea, and Afghanistan. Eritrea, for example, has average incomes of US\$1,130 and quite high poverty rates. With income tax rates up to 30% and sales taxes that range up to 10% and 12%, it maintains a tax ratio of 10.7%, which is already higher than that of other very low-income countries.

There is growing awareness that over-reliance on VAT revenues is risky. In 2011, when the Philippines planned to replace its corporate income tax with a new VAT, an Asia Development Bank evaluation advised against it on the basis that it would have made the total tax mix regressive in incidence. Instead, the ADB recommended that the government concentrate on improving its tax administration to bring in revenues due and owing but not collectable due to weak procedures, and to enact new high excise taxes on items usually purchased only by those with high incomes.<sup>126</sup>

#### **Box 4.2**

##### **Gradual and balanced enactment of the Singapore VAT**

When the Government of Singapore decided to implement the VAT in 1994, it introduced it at the rate of 3% – one of the lowest rates ever seen at the time – with the promise not to raise it until it was convinced that the VAT was not causing any financial hardships or economic imbalances. At the same time, it enacted generous subsidies and other measures to ‘ensure that as far as possible, no household should be worse off when the GST is implemented.’<sup>127</sup>

The Singapore VAT remained at 3% until 2003. It was raised it 1% at a time to 7%.

Singapore did not implement its VAT until it had secure revenue surpluses. It could have cut high its higher personal and corporate income tax rates earlier, in line with the 1990s view that low tax rates accelerate economic growth. But it held off increasing reliance on VAT until it was sure that its overall revenue system was stable enough to ensure a smooth long-term transition.

In addition, the new VAT law contained many features to protect those with low incomes from its effects, others to create incentives for local industry, and special protections for small businesses. The Government deliberately provided generous special subsidies and allowances that more than cushioned the price and tax effects of the new low VAT, to make sure that it did not intensify risks of poverty. Then it carefully postponed raising the VAT rate until household incomes appeared to be large and stable enough to afford paying the new tax at gradually higher rates. Today, Singapore's VAT is an accepted part of its fiscal structure.

### **Expansive VAT zero-rating or exemptions**

Although tax policy advisors often prefer 'pure' VAT laws, to ensure the administrative efficiency of these types of taxes, developing countries have devised many ways to finetune VAT rates and exemption lists to minimize their regressive effect on the poor. VAT rates range from 7% in Singapore and Thailand, 7.5% in the Bahamas, and 12% in Fiji, up to 18% in Malta and Uganda, 19% in Cyprus, and 20% in Albania. Some of these are very low-income countries; others, like Singapore, are now high income countries. Yet all have remained attentive to the importance of expanding and tailoring exemption lists as poverty reduction and minimization measures:

**Uganda** stands out among countries with a high VAT rate – 18%. Uganda has a high poverty, malnutrition, tariff, PIT, and CIT rates, and low average incomes (US\$1,612 annually). But the 18% VAT in Uganda is subject to long lists of zero-rated items, including agricultural, medical, education, and food items. It also has one of the world's longest lists of exempt items, including livestock, food stock, contraception, social welfare services, education, dental, and medical items.

**Indonesia** maintains a 10% VAT rate, but, with high malnutrition rates, it exempts all 'basic needs foods,' all foods and beverages served by hotels, restaurants, and caterers, most agricultural inputs.

**Australia** also has a 10% standard VAT rate, along with quite high personal incomes, and some of the highest PIT and CIT rates in the region. Nonetheless, it exempts all basic foodstuffs, water, sewerage and drainage services, childcare, health, education, and related expenditures.

**Colombia** continues to maintain long lists of VAT exempt necessities. It also uses sales taxes instead of the VAT on some items, to solve the problem of non-refundable VAT payments that are 'trapped' in broken supply chains or small business operations. Colombia is notable because its Constitutional Court actually intervened when the government attempted to increase its VAT rates significantly during a period of large budgetary deficits. The Court invalidated the VAT rate

increases on the basis that they violated fundamental human rights to the necessities of life.

### **VAT allowances**

Governments that are determined to ensure that no one living in or near the poverty zone will bear additional consumption costs due to the VAT use some form of cash allowances to protect ability to pay VAT. Such allowances are designed to provide all individuals with enough cash to pay the additional costs of VAT on their costs of living. By itself, this does not solve the income-adequacy problem for those with no or very low incomes, but it does provide a solution to the VAT problem.

These types of VAT allowances can be delivered in many different ways. The funds can be delivered in the form of a specific basic-needs VAT allowance, or added to existing social protection payments. It can also be delivered in the form on an advance refund based on past income returns, or as a voucher or waiver card to be used when purchasing items on a regional Basic Market Basket lists including of all necessities, including food, clothing, and household tools.

Depending on poverty levels, these methods can actually provide higher levels of low-income protection of ability to pay at a lower cost than with VAT exemptions or reduced rates. This is because general reliefs are available to everyone – including those who can afford the VAT – while targeted social protection payments added to current supports or paid as separate allowances can be delivered just to those factually at risk of increased poverty due to the VAT.<sup>128</sup>

Before choosing the specific method to be used to protect the poor and near-poor from VAT impoverishment, careful costing of each of these three policy options for low-income protection should be carried out using full details of the most recent income and expenditure results. But even in countries that lack such data, there are many precedents for wide-ranging basic necessities exemptions and scaled VAT allowances.

**Canada** offers one of the most generous. For 2016, the Government provided fully non-taxable annual allowances of up to US\$311 (Can\$421) to offset VAT on basic needs incurred by an individual living on US\$29,800 (Can\$35,000) annually. In addition, each province has long lists of exempt items and blanket exemptions for certain classes of individuals, and in some locations, ‘point of sale’ Indigenous persons access exemptions with specific VAT exemption cards.

Some countries provide these types of targeted transfers to offset VAT on specific goods or services. Fiji and other countries provide VAT vouchers specifically for use in paying for services or goods such as utilities, to selected classes of individuals identified by their income levels. Lebanon and other countries adjust social protection transfers to cover the costs of VAT on essential needs. Other countries have set up credit systems to prepay VAT on behalf of those with low incomes or in special circumstances.

### **Gender-equalizing VAT exemptions**

Most existing VAT exemptions are provided in the expectation that they will affect the population uniformly. But tailoring VAT exemptions to meet the gender-specific needs of women in need of living wages is crucial in all countries. Women cannot enter into decent paid work if they have to pay

for childcare and also pay the VAT on childcare services. Nor can they meet other care needs that emerge in most women's lives, during pregnancy, childbirth, nursing, their own occasional illnesses, and those of other family members. In addition, women with responsibility for supporting themselves and others have higher expenses for housing, transportation, health care, education, afterschool care, prepared or served foods, basic nutritional ingredients, and personal care items.

All of these costs increase when women are in paid work and do not have access to the unpaid work of other able adults to assist with care, provisioning, and other functions in their absence. With the VAT acting as a permanent add-on to these gender-specific costs, women are thus at much greater risk of themselves not being adequately provided for and of transmitting their own gender inequalities to their children, both boys and girls.<sup>129</sup>

For example, Australia, which has unusually low levels of women in paid work compared with other high-income countries, exempts all care services from VAT. This is an emerging strategy that has not yet been adequately addressed in countries at all levels of development, but it has direct consequences for the fundamental dilemma of those living on the margins of poverty – whether to increase paid work time to bring in extra income, or whether to increase untaxed unpaid work time providing their own and family childcare, food preparation, and labour within family household, self-employment, and agricultural businesses.

## **E Other Consumption Taxes**

Governments routinely use a wide range of other consumption taxes, levies, fees, ad hoc charges, and penalties to regulate taxpayer conduct and to raise additional revenues. Two categories of other consumption taxes are discussed here because of their gender effects – tariffs and other types of trade taxes, and user fees.

### **Tariffs and other trade taxes**

In a very real sense, the VAT has been designed to replace both domestic sales taxes and trade taxes. Until this replacement gained momentum, low income countries collected the largest shares of their total tax revenue from trade taxes. For example, in 1990, trade taxes produced more than twice as much revenue as the VAT in low and medium income countries, while the VAT accounted for less than half the revenue already received through the VAT in high income countries. (See tax ratios in Appendix A.) These ratios are now totally reversed, with low and medium income countries collecting 2.5 times as much revenue from the VAT as from trade taxes, and high income countries, four times as much.

This shift in the types of consumption taxes used by developing countries has accompanied and been part of the process of trade liberalization, which in turn has had an impact on women's wages and paid work. Juhn et al. found that with the reduction in import taxes and the exemption of outbound goods from the new VAT, demand and wages for unskilled women workers grew, but that demand for women's skilled work did not.<sup>130</sup> Similar results were obtained in relation to earlier studies.<sup>131</sup>

Excise taxes on luxury goods – motor vehicles, alcohol, tobacco – tend to fall more to men in developing countries, but VAT on basic necessities even when free of tariffs can still take

proportionately larger shares out of women's consumable incomes. Thus not all women are benefited by trade liberalization in terms of incomes, and substantially more women than men pay higher consumption taxes with the VAT than with earlier trade taxes and luxury taxes.

### User fees

As governments find the costs of providing public services and facilities to be too high, user fees have been used to recapture some of those outlays, and represent a form of privatization of public services. For example, tuition or school fees for educational services have gradually raised the consumer price of education, and, in high income countries, student debt for post-secondary educational services is emerging as a major factor in lifelong income and asset accumulation. In developing countries, user fees for primary and secondary education, health services, transportation, and public spaces may be modest in size, but represent another form of government levy on individuals and households.

User fees are another important component of revenue, especially at local levels and in developing countries. In assessing the appropriate use and scope of user fees to recover costs of providing government services or products, it is also useful to consider whether the structure creates any disparate impact on women. The use of fees for cost recovery purposes has been advocated as a means to strengthen revenue systems and generate a more efficient use of public services. However, their use has also been criticized for what are seen as adverse equity effects, by reducing access to certain essential services such as primary education and health care. While governments contend that the payment of small fees for such services is better than having no access to them at all, nonetheless, it is clear that the imposition of user fees has its own negative gender effects on the extent to which women are then able to utilize basic public services.<sup>132</sup>

Thus, from the perspective of taxing for gender equality, user fees fall into the same category as the VAT – as taxes that violate the fundamental principle that taxes should only be levied on those who have the ability to pay them. The alternative is to enact tax provisions that impair the optimal development of human capabilities, which itself undercuts the goal of gender-equal economic, social, political, and legal equality.

#### Box 4.3

#### Policy proposals to reduce the negative gender impact of VAT and other consumption taxes

Existing VAT (GST) taxes should be revised to reduce their negative gender effects, and alternative types of consumption taxes should be adopted to focus revenue-raising on those with the greatest ability to pay consumption taxes:

1. Consumption taxes such as the VAT (GST) are regressive by income and by gender, and thus should be repealed and replaced with progressive personal and corporate income tax revenues with sharply graduated tax rates and other types of consumption taxes affecting mainly high-income taxpayers (excises and luxury taxes).

2. Particularly where food insecurity and high levels of poverty exist, all those who are at risk of poverty should be exempt from consumption taxes of all kinds.
3. Consumption tax exemptions can be delivered in many different forms, including as broad exemptions for classes of consumable essentials, zero-rating, VAT allowances or refundable tax credits, or through special exemption cards
4. Even when VAT revenues are considered to be essential to revenue durability, they can be implemented at low single-digit levels gradually over time, and linked to delivery of social protection payments adequate to prevent the VAT from impairing the benefits of such payments or from perpetuating poverty
5. Where high VAT rates are in place, shifting to a low VAT rate and expansive low-income exemptions, combined with high personal, corporate, and other consumption taxes on high income taxpayers will produce more durable revenues
6. Because only high income taxpayers have the capacity to save after-tax incomes and acquire capital assets, VAT burdens on the 85% (or more) of net dissavers can be reduced by enacting financial transaction taxes and annual net property taxes
7. Women-owned businesses are particularly vulnerable to the negative effects of the VAT; if women register for and pay the VAT, they can lose customers or face falling profits if customers leave. Thus small businesses should be exempt from the VAT, or receive cash allowances for the cost of the VAT build into their supplies and unrecoverable from their own customers
8. Increased use of digital technology for the processing of social protection, banking, and VAT transactions means that women need long-term positive support to formalize their informal businesses – not harsh presumptive or other quick tax regimes or policies that can subject to intensified surveillance and enforcement
9. Gender-specific VAT and other consumption taxes should be repealed or zero-rated, including care costs, all unprepared, prepared, and served foods, transportation, work equipment, and items needed for personal and child care, including nursing equipment, children’s clothing, and personal hygiene items
10. Trade taxes should be reinstated where local industries require protection from competition by cheap imports
11. User fees for core public services or for privatized services such as health care, education, transportation, energy, and water should be repealed and replaced with higher personal and corporate tax rates, or by scaled fees that take the minimum essential budget and risks of poverty fully into consideration



## **V Conclusions and Recommendations**

Countries at all levels of development face similar challenges: Women everywhere face persistent income and other economic gender gaps throughout their lives, and more women than men live in poverty. At the same time, overall income inequalities are also growing in most countries, with the most serious effects of those inequalities concentrated among those with low or no incomes.

Unfortunately, national revenue systems are increasingly becoming part of this problem. Falling personal income tax rates in most countries over the last four decades have reduced both government revenues as a share of GDP and thus their budgets also exacerbate after-tax income inequalities because high income individuals have been able to accumulate capital at an accelerated rate. Corporate income tax rates continue to fall in response to inter-nation tax competition, and both personal and corporate tax revenues are further hollowed out by growing use of tax expenditures that favour high income taxpayers, integration of corporate and personal income taxes on corporate-source incomes, massive business tax benefits provided via special export zones, countries with low- or zero-rated income taxes, low levels of resource revenues, and high levels of tax avoidance by transnational corporations.

Countries at all levels of development have attempted to offset or make up for income tax rate cuts and other forms of detaxation by raising more revenues via VAT/GST systems. But without effective mechanisms to avoid taxing low income individuals into poverty or worse, VAT does not restore trade or other indirect taxes displaced by free trade agreements, and sits much more heavily on those with low incomes, particularly women. All of these effects are more pronounced in developing countries, which have never had the same levels of income and social contribution taxes received by high income countries.

Recommendations for reversing these long-term processes cannot focus on gender alone, but have to at the same time address all other dimensions of poverty, including personal characteristics associated with low incomes, such as rural, Indigenous, racialized, disability, age, education, and health factors. However, there are clear steps that will improve the gender effects and poverty levels currently associated with existing tax systems in developing countries.

### **A Institutional Changes**

1) Developing countries should be supported in meeting their Sustainable Development Goal of mobilizing domestic revenues through in-depth and long-term evaluation of the gender and poverty effects of their tax, transfer, and public investment systems not to quickly extract new taxes from those with low incomes, but through restructuring of their revenue systems for sustainable gender equality, poverty reduction, and adherence to all human rights standards.

2) Ministries of Finance, gender equality machinery, and civil society organizations need increased resources, including through ODA, to develop, manage, and provide critical feedback on progressive and gender-equal tax and expenditure systems to meet SDGs and attain gender equality.

3) Benchmark impact studies of each national/subnational fiscal structure highlighting gender, poverty, and development impacts should be conducted to bring the fully contextualized effects of existing tax systems on levels of gender equality, poverty, and development opportunities into clear view, with annual updates.

4) Transfer of new knowledge generated through taxing for gender equality should be supported by regional and international tax and civil society organizations for increased capacity building.

5) All countries should prioritize development of gender-disaggregated socioeconomic and tax/expenditure data to analyze the gender impact of specific policies and whole-country fiscal systems on individual, household, and comparative bases, particularly through microsimulation programs able to track actual gender conditions accurately.

## **B Tax System Restructuring: Personal Income Taxation (PIT)**

6) The progressivity of the total tax and social spending system should be restored, which means that durable revenues should be generated primarily from personal and corporate income taxation to the extent possible, augmented with social contribution, sales, trade, excise, property, and other tax revenues, and only when further revenues are needed, VAT/GST taxes with adequate low income protections built into each aspect of the total tax structure.

7) Personal income tax systems should be reformed to ensure that all individuals with taxable income receive personal and dependent exemptions that will fully protect the ability to pay taxes. If revenue losses from extending such exemptions to high income individuals is a concern, this can be corrected with high income surtaxes.

8) All flat PIT rates should be revised to provide very low entry-level tax rates consistent with ability to pay in each national context, and to provide gradual non-bunching steps up the rate scale to smooth the effects of rate increases while provide significantly higher PIT rates for those with the highest incomes.

9) All PIT and other tax provisions should use the individual as the taxpayer. Dependency provisions should be permitted only in relation to minor, disabled, infirm, and unemployed dependents.

10) Education, health, and care costs should be provided through public provisioning, not through tax deductions or credits that do not cover the full costs of such public services and that do not benefit those with low incomes.

11) When unemployment, sickness, disability, maternity, parenting leave, and retirement income replacement incomes are tied to employment status or social contributions, those who do not accumulate sufficient credits to maintain a dignified standard of living should be eligible for minimum guaranteed incomes.

12) Financing for Development in the form of overseas development assistance (ODA) should be increased to support government and civil society capacity-building to develop, implement, and monitor PIT changes to attain gender equality in tax, other fiscal laws, all aspects of life.

### **C Tax System Restructuring: Corporate Income Taxation (CIT)**

13) Corporate income tax competition should be addressed through regional agreements and international cooperation in which the interests of developing countries carry equal weight.

14) The use of personal corporations to avoid PIT or CIT domestically and transnationally should be prohibited, particularly in relation to the realization of personal capital gains at low tax rates.

15) Corporations and their shareholders should be taxed as separate individuals in order to restore tax rates on corporate source incomes to appropriate personal income tax rate levels.

16) Personal tax benefits in the form of shares, pensions, dividends, and stock options received from corporations should be taxed at appropriate PIT rates, the number and availability of corporate tax expenditures should be reduced, and national gender equality and other non-discrimination laws should be enforced in relation to corporate staffing.

17) National governments should be supported in bringing special economic zones within the reach of domestic labour laws, including those addressing equal pay, pay equity, employment equality, workplace injury, unemployment, sickness, maternity or parenting leave, disability, and retirement income security rights, and to integrating them into local and regional social structures.

18) Resource extraction projects should be mandated to hire, train, retain, pay, and promote women and men equally in all positions, including the provision of income security in the event of injury, unemployment, of other events in paragraph 16 above, and with particular reference to those displaced by projects or their closure. Benefit sharing agreements to secure these rights should follow the UNDP guidelines.

19) Resource revenues should be to as great an extent as possible mediated by investment trusts to protect government revenues from market price volatilities, but trustees should be required by legislation to allocate shares of estimated sustainable income to development of human as well as built capital, and to ensure that .

20) National governments should use regional agreements to impose minimum standards on transnational corporation reporting and payment of domestic taxes on all activities carried out within their national boundaries. These should be combined with national and regional agreements on financial transaction reporting and information sharing among all countries in which operations are carried out to curb transnational corporate base erosion and profit shifting (BEPS) practices.

21) Ministries of Finance and tax administrators require capacity-building funding to participate in the UN-IMF-World Bank-OECD Platform for Collaboration on Tax Matters processes concerning

the gender effects of BEPS policy issues and options, evaluation of competing policy options, development, implementation, and monitoring of suitable BEPS options.

22) National women's machineries and governments require capacity-building funding to participate optimally in the UN OHCHR International Working Group for the elaboration of an International Legally Binding Instrument on Transnational Corporations and other Business Enterprises with respect to human rights and specifically with respect to women's human rights, and for gender-equal representation in processes leading to the establishment of a UN intergovernmental tax body.

23) National and regional development funds for women's business should be established to ensure that women have access to capital, training, international markets, and financial advice tailored to their level of business background. If necessary, this can include Government-backed investment programs aimed at women entrepreneurs.

24) Women entrepreneurs operating informally should not be targeted for compliance enforcement but should be long-term training and material support to develop their business activities to whatever level they envision.

25) Women in business should have access to enhanced levels of support in recordkeeping and basic accounting procedures to enable them to be taxed on their actual incomes and claim actual losses, and that do not lock them into presumptive, simplified, or fixed rate tax regimes that overtax small operations.

26) Informal business operations should be supported without punitive surveillance measures, and exploitation of informal actors such as women engaged in informal cross-border trading should have easy access to information on their rights as traders and protected from exploitative informal fees and demands.

#### **D Tax System Restructuring: Value-added Taxes (VAT)**

27) Sex-disaggregated data collection should include systematic household income and expenditure surveys the results of which are integrated into accessible statistical reports for use in monitoring the individual and household impact by gender of consumption taxes of all kinds.

28) The gender impact of VAT/GST should be carefully monitored to ensure that the most gender-equal and effective consumption taxes are being used, including evaluation of whether sales, excise, or refundable VAT taxes are more appropriate in poverty reduction programs.

29) Civil society groups should be supported in providing input into the most workable VAT offset mechanisms for the local context, including the availability of VAT allowances, exemptions, reduced rates, or other forms of offsets.

30) The impact of VAT on women business owners should be addressed separately, and by economic sector, to ensure that business viability is not endangered by multiple unrecoverable forms of indirect taxation on, for example, agricultural inputs.

31) As a minimum, all those near poverty zones should receive adequate social protection transfers and, in addition, VAT allowances sufficient to secure ability to pay VAT/GST.

32) Social protection transfers should include sufficient funding to ensure that women in paid work can afford to obtain VAT/GST exempt care resources needed to take children to health or other appointments in meeting conditionalities attached to social protection programs.

33) VAT/GST laws should provide complete exemptions for all unprocessed, processed, prepared, and served foods, as well as for childcare, transportation, and equipment needed for paid work, in order to safeguard women from pressure to increase their work time in unpaid and thus untaxed household or business work.

34) Other consumption taxes, such as trade taxes and user fees, also have negative gender effects that should be addressed as tax systems are overhauled to ensure that in all regards, they promote gender equality.

## **Appendix A**

## Appendix B

### Simulated example of the gender effects of flat PIT rate structures

Table B.1 uses gender, employment sector, age, and income data from Fiji to demonstrate the gender effects of moving to a flat-tax rate structure. This discussion hypothesizes that the 1997 Fiji PIT tax rate table, with rates of 0%, 15%, 25%, and 35%, had been replaced with a single 20% flat rate applied to all incomes over the tax-exempt zone of \$4,500. (Fiji did not make this rate change, but sex- and age-disaggregated Fiji income data provides illustrative context.)

**Table B.1 Earned incomes by gender and age range, Fiji, 1997**

Gender and employment sector, by age	14-19	20-24	25-34	35-44	45-54	55+
Private sector: Men	\$3,350	<i>\$5,500</i>	<u>\$8,050</u>	<u>\$9,700</u>	<u>\$10,960</u>	<b>\$10,300</b>
Public sector: Men	<i>\$5,600</i>	<i>\$7,000</i>	<u>\$8,700</u>	<u>\$10,300</u>	<u>\$12,350</u>	<b>\$16,150</b>
Private sector: Women	\$2,900	\$4,350	<i>\$5,850</i>	<i>\$6,050</i>	<i>\$6,950</i>	<i>\$6,200</i>
Public sector: Women	<i>\$5,500</i>	<i>\$6,750</i>	<u>\$7,800</u>	<u>\$9,150</u>	<u>\$11,250</u>	<i>\$7,000</i>

Source: William J. House, An Exploration of the Dynamics of Fiji's Formal Sector Labour Market (Suva, Fiji: UNFPA Office, 2002), Discussion paper No. 22, sec. 4, table 11, derived from Fiji Employment Survey, 1997.

Fiji actual tax table (1997): Incomes in Fiji dollars, from \$0-\$4,500: no tax; \$4,501-\$7,000: 15%; \$7,001-\$15,000: 25%; \$15,001 and up: 35%. Income Tax (Amendment) (No. 1) Act, 1993, amending Fourth Schedule (rates). Italics: 5% increase on incomes \$4,500-\$7,000; underline: 5% tax cut on incomes \$7,001-\$15,000; bold: 15% tax cut on incomes over \$15,000.

These income figures show that shifting from a graduated personal rate structure to a flat rate affects men and women's annual earnings and potential lifetime earnings quite differently:

Men under 25 are overtaxed by 5%; over 25, men receive 5% to 15% rate cuts until they retire:

- Men age 14-24 in the high-paid public sector will pay 5% more with the flat tax.
- Only men age 20-24 in the lower-paid private sector will pay 5% more with the flat tax.
- From age 25, all men will enjoy at least a 5% rate cut for the rest of their working lives.
- From age 55, men in the high-paid public sector will begin receiving their highest lifetime earnings, and will also receive up to a 15% tax rate cut on those high earnings.

Fewer women than men under 25 are overtaxed by 5%; over 25, more women are overtaxed by 5%, fewer receive the 5% rate cuts, and none receive the 15% rate cut:

- Women age 14-24 in the high-paid public sector will pay 5% more with the flat tax.
- Women age 14-24 in the lower-paid private sector will not pay any higher taxes.
- From age 25 onward, women in the lower-paid private sector will pay 5% higher taxes for the rest of their working lives.

- From age 25 on, women in the high-paid public sector will receive a 5% tax cut for the rest of their working lives.
- From age 55, women in the high-paid public sector face sharply lower incomes that will be overtaxed by 5%.

These tax-age-gender-employment sector effects illustrate how flat rate PIT rate structures overtax those with the lowest incomes and give valuable lifelong tax reductions to those with higher incomes. Overall, flat tax systems shift taxes that should be paid by high income individuals to those with low incomes, and simultaneously cut government revenues. And they increase taxes paid by lower income individuals to the very same level – treating those at opposite ends of the income spectrum as if they were ‘alike’ for PIT purposes.

Women predominate in the low-income levels, and men predominate at middle and higher income levels in all countries. Thus flat tax systems build gender inequalities in personal income taxation through their rates. At the same time, falling revenues mean cuts to public programs, which are especially important to those with low incomes. These effects violate the tax principle that taxes should be based on ability to pay, and also violate gender equality and human rights.<sup>133</sup>



## Appendix C

### Simulated example of the gender impact of VAT on ability to pay for necessities

**Table C.1 10% VAT on non-exempt basic necessities as percentage of average individual monthly incomes, by decile and gender, 2011**

Income deciles (individuals)	Average monthly incomes of individuals in decile	VAT on non-exempt basic needs (US\$1.98) as % of monthly income	Men in decile (%)	Women in decile (%)
1	—	(US\$41.22+\$1.98=\$43.20)	34%	66%
2	\$9.63	20.6%	34%	66%
3	\$16.67	11.9%	41%	59%
4	\$23.33	8.5%	52%	48%
5	\$30.77	6.4%	59%	41%
6	\$40.00	5.0%	65%	35%
7	\$51.67	3.8%	74%	26%
8	\$65.00	3.0%	80%	20%
9	\$84.67	2.3%	74%	26%
10	\$131.67	1.5%	80%	20%
Median	\$40.00	5.0%	60%	40%

Source: Own calculations, sample developing country.\

These figures demonstrate that in low-income countries, which have high levels of poverty, even a seemingly small amount like US\$1.98 per month for VAT can take a very large share of individual incomes. Although this sample VAT provides typical exemptions for all unprepared food, medical, and education costs, some basic necessities are not exempt from VAT. In monetary terms, this US\$1.98 takes a much larger share of total income for those with the lowest 60% of incomes. Realistically, only 30% of individuals will be able to meet their basic needs in these circumstances.

These figures also illustrate how the VAT intensifies after-tax income gaps between women and men: Once women meet their basic living costs out of lower average incomes, they will have less ability to save any funds that are left over. Using the income and VAT rates in table 3 above as an example, the average income in the 9<sup>th</sup> decile is US\$84.67, which potentially leaves savings of US\$41.47 per month after paying US\$43.20 for basic needs plus VAT. Over the course of a year, total savings could come to nearly US\$500. Even if male and female incomes in this group were exactly equal (typically they are not), only 2.6% of all women fall into this income group, as compared with 7.4%

of all men. Thus there are more men than women with this degree of capacity to accumulate assets. In contrast, women in most of the lower income deciles have no capacity to accumulate savings or capital assets.

## Endnotes

<sup>1</sup> Privatization of core public services directly increases after-tax income inequalities through multiple channels: Private user fees for core services come out of pre-tax incomes; even if these charges can be deducted from taxable income, not all of these costs will be recovered from government; user fees reduce access to critical services based on income, depriving those with low or no incomes of equal opportunities to health, education, and training, and equal competition for incomes with those who can afford these services. At the same time, privatization turns public services into private property the profits of which flow to capital owners, not to the population as a whole. See, e.g., ITPI, *How Privatization Increases Inequality* (Washington D.C.: In the Public Interest, 2016).

<sup>2</sup> Of particular interest is the ILO call for universal publically funded social protection programs guaranteed to all workers in both the formal and informal economy in each country. See International Labour Organization, *Recommendation concerning National Floors of Social Protection* [R202] (Geneva: ILO, 101st ILC session, Jun. 14, 2012), art. 3.

<sup>3</sup> For detailed discussion of these human rights instruments, see International Bar Association. *Tax Abuses, Poverty and Human Rights*, International Bar Association's Human Rights Institute Task Force (Wales: Cambrian Printers, 2013), 96-102.

<sup>4</sup> For examples of the role of the Colombia Constitutional Court in relation to fiscal policy and human rights, see Mauricio Olivera, Mónica Pachón, and Guillermo E. Perry, *The Political Economy of Fiscal Reform: The Case of Colombia, 1986-2006* (Inter-American Development Bank, 2010) [Olivera et al., *Case of Colombia*].

<sup>5</sup> *Convention on the Elimination of All Forms of Discrimination against Women*, GA Res. 34/180, 34 UN GAOR Supp. (No. 46) at 193, UN Doc. A/34/46; 1249 UNTS 13; 19 I.L.M. 33 (1980) [CEDAW]; the full texts of the Beijing Declaration and the Platform for Action are found in United Nations, *Report of the Fourth World Conference on Women*, UN Doc. A/CONF.177/20 [Platform for Action].

<sup>6</sup> UN Women, *Progress of the World's Women 2015-2016: Transforming Economies, Realizing Rights* (NY: UN Women, 2015), 79, 96-97 [UN Women, *Progress*].

<sup>7</sup> economic Security 4 Women, *Lifelong Economic Wellbeing for Women: Research Report* Melbourne, Austr: eS4W, 2016), 9 [eS4W, *Research Report*].

<sup>8</sup> Wider Opportunities for Women, *The Economic Security Scorecard: Policy and Security in the States* (Washington, D.C.: WOW, 2013), 2.

<sup>9</sup> Nicole M. Fortin and Sophie Lefebvre, 'Intergenerational Income Mobility in Canada, in Miles Corak, ed., *Labour Markets, Social Institutions, and the Future of Canada's Children* (Ottawa, Statistics Canada, 1998); Julia M. Schwenkenberg, 'Selection into Occupations and the Intergenerational Socioeconomic Mobility of Daughters and Sons' (Newark, N.J.: Rutgers University, Dept. of Economics, 2015), Working paper No. 2013-006, 28-29 [Schwenkenberg, 'Intergenerational Mobility'].

<sup>10</sup> UN CEDAW, General recommendation No. 25, on article 4, paragraph 1, of the Convention on the Elimination of All Forms of Discrimination against Women, on temporary special measures (2004), par. 8.

<sup>11</sup> See, for example, Concluding Observations on the combined seventh and eighth periodic reports of Viet Nam, CEDAW/C/NVM/CO/7-8, Jul. 29, 2015, 3, par. 8(b).

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<sup>12</sup> See *Jance Faransina Mooy-Ndun v. Junus Ndoy, et al.* (Indonesian Supreme Court, 2012), discussed in Mary Jane N. Real, *CEDAW Casebook: An Analysis of Case Law in Southeast Asia* (Bangkok: UN Women, 2016), 49-51, and other cases in that volume.

<sup>13</sup> UN Women, *Progress*, 35.

<sup>14</sup> Caren Grown and Imraan Valodia, *Taxation and Gender Equity: An Eight-country Study of the Gendered Impact of Direct and Indirect Taxes* (Ottawa: IDRC, 2010) [Grown and Valodia, *Taxation and Gender Equity*].

<sup>15</sup> 'Taxation and Gender: Why Does it Matter?,' *Africa Tax Spotlight*, 5, no. 3 (2011).

<sup>16</sup> See particularly CEDAW, arts. 3-5, 11, 13, and 15.

<sup>17</sup> Platform for Action, paras. 58(a)-(d), 150, 155, 165(f), (I), (p), 179(f), 205(c), 245-349.

<sup>18</sup> United Nations Economic and Social Council, *Review and appraisal of the implementation of the Beijing Declaration*, Commission on the Status of Women, Fifty-ninth sess., E/CN.6/2015/3, Mar. 9-20, 2015, 65, par. 247.

<sup>19</sup> *Addis Ababa Action Agenda*, Third International Conference on Financing for Development (Addis Ababa, Ethiopia: 2015), endorsed by the United Nations General Assembly, Res. 69/313, Jul. 27, 2015, paras. 1, 6, 21, 30. For reaffirmation of the importance of gender equality in taxation, see UN Economic and Social Council, *Report on financing for development follow-up*, E/FFDF/2017/3, 8 June 2017, paras. 5, 9.

<sup>20</sup> United Nations General Assembly, 'Transforming our world: the 2030 Agenda for Sustainable Development, Seventieth Sess., agenda items 15 and 116, A/Res/70/1, Oct. 21, 2015; for the list of all goals, targets, and indicators, see Inter-Agency and Expert Group on Sustainable Development Goal Indicators, "Annex IV," *Report of the Inter-Agency and Expert Group on Sustainable Development Goal Indicators* (E/CN.3/2016/2/Rev.1). Key to gender equality and fiscal equality are goals 5, 5a, and 5.c.1 (attain gender equality, economic equality, and tracking allocations), goals 1, 2 (end poverty and hunger), and 17 (domestic revenue mobilization).

<sup>21</sup> United Nations, *Paris Agreement*, Twenty-first sess., Framework Convention on Climate Change, CN.63/2016; Treaties XXVII.7.d, in force Oct. 11, 2016, preamble and arts. 7.5 and 11.2.

<sup>22</sup> *Blok v. Netherlands*, Communication No. 36/2012, U.N. Doc. CEDAW/C/57/D/36/2012 (Mar. 24, 2014).

<sup>23</sup> Report of the Inquiry Concerning Canada, U.N. Doc. CEDAW/C/OP.8/CAN/1 (Mar. 30, 2015).

<sup>24</sup> Concluding observations, Switzerland, U.N. Doc. CEDAW/C/CHE/CO/4-5 (2016), paras. 40-41.

<sup>25</sup> This policy series was launched in 2005 with the publication of *Economic Policy Reforms: Going for Growth: Structural Policy Indicators and Priorities in OECD Countries* (Paris: OECD, 2005), 25-28, with specific recommendations for each OECD member country.

<sup>26</sup> The other 50 countries refrained from such offsets. For details, see Isabel Ortiz, Matthew Cummins, Jeronim Capaldo, and Kalaivani Karunanethy, *The decade of Adjustment: A Review of Austerity Trends 2010-2020 in 187 Countries* (New York: Colombia Univ. South Centre, 2015), 2, Annex 1-45-48 tabulates annual changes in revenues as shares of GDP projected through 2020).

<sup>27</sup> *Ibid.*, 3.

<sup>28</sup> Over time, the OECD *Going for Growth* list of recommendations solidified and became more generalized. The 2017 edition proposes for the first time that growth be made more inclusive; 13-15.

<sup>29</sup> See, e.g., OECD, *Growing Unequal? Income Distribution and Poverty in OECD Countries*

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(Paris: OECD, 2008).

<sup>30</sup> OECD, *Growing Income Inequality in OECD Countries: What Drives it and How Can Policy Tackle it?* (Paris: OECD Forum, 2011), 10-11, first raised the issue by considering whether rich men marrying rich women was a driver of overall increases in rich-poor income inequalities.

<sup>31</sup> OECD, *Divided We Stand: Why Inequality Keeps Rising* (Paris: OECD, 2011); OECD, *Gender and Taxation: Why Care about Taxation and Gender Equality?* (Paris: OECD, 2010) [OECD: *Gender and Taxation*]; Isabelle Joumard et al., *Less Income Inequality and More Growth—Are They Compatible? Part 3. Income Redistribution via Taxes and Transfers Across OECD Countries* (Paris: OECD, 2012), Working paper No. 926, <http://dx.doi.org/10.1787/5k9h296b1zjf-en>.

<sup>32</sup> For example, UN Women, *The Global Economic Crisis and Gender Equality* (New York: UN Women, 2014), 54-56, documented the number of countries post-2010 that combined cuts to wage bills and pension funds with increased reliance on consumption taxes for revenue.

<sup>33</sup>

<sup>34</sup> Of great significance is the 2014 report of the United Nations Special Rapporteur on Extreme Poverty and Human Rights on her Mozambique mission, in which she squarely recast the connection between taxation and gender equality in terms of fundamental human rights. Magdalena Sepúlveda Carmona, *Report of the Special Rapporteur on Extreme Poverty and Human Rights. Mission to Mozambique* (2014), <http://ssrn.com/abstract=2502982>.

<sup>35</sup> See, for example, Petrice R. Flowers, 'Gender Equality and Women's Employment,' in *Refugees, Women, and Weapons: International Norm Adoption and Compliance in Japan* (Stanford CA: Stanford University Press, 2009), 162-164, which provides a detail account of how the CEDAW Committee addressed the negative effects of Japanese tax laws on women's paid work efforts through a series of periodic reports.

<sup>36</sup> Rhonda Sharp, 'Moving Forward: Multiple Strategies and Guiding Goals,' in *Gender Budget Initiatives: Strategies, Concepts and Experiences* (New York: UNIFEM, 2002).

<sup>37</sup> See, for example, *Busan Partnership for Effective Development Co-operation* (Busan, Korea: 4<sup>th</sup> High Level Forum on Aid Effectiveness, 2011), which includes gender equality in its framework.

<sup>38</sup> OECD/UNDP, *Making Development Co-operation More Effective: 2016 Progress Report* (Paris: OECD Publishing, 2016), Indicator 8: Gender Equality, 112-114; 145-146, table A.8.

<sup>39</sup> For the expanded approach to implementing the SDGs in relation to gender equality, see UN ESC, *FfD follow-up, paras. 5, 9*.

<sup>40</sup> Ibid.

<sup>41</sup> Cottarelli, *Revenue Mobilization in Developing Countries* (Washington D.C.: IMF, 2011), 16, figure 7.

<sup>42</sup> See KPMG, *Individual Income Tax and Social Security Rate Survey* (Amsterdam: KPMG IES, 2012).

<sup>43</sup> A neoclassic application of these policy criteria can be found in Canada, *Report of the Royal Commission on Taxation* (Ottawa: Queen's Printer, 1966) [Canada, Carter Commission].

<sup>44</sup> eS4W, *Research Report*.

<sup>45</sup> These are Benin, Brunei Darussalam, Burkina Faso, Cambodia, Republic of Congo, Fiji, Guinea, Indonesia, Iraq, the Lao People's Democratic Republic, Malaysia, Morocco, Niger, Philippines, Togo, and Tunisia. World Bank Group, *Women, Business, and the Law 2016* (Washington D.C.: World Bank, 2015), 16-17 [World Bank Group, *Women and Law*].

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<sup>46</sup> Kathleen A. Lahey and Pham Thu Hien, *Gender Equality and Taxation in Vietnam: Issues and Recommendations* (Hanoi: UN Women, 2016), 34 [Lahey and Hien, *Gender and Taxation, Vietnam*].

<sup>47</sup> Israel, Singapore, and Spain. See World Bank Group, *Women and Law*, 17.

<sup>48</sup> Guoqiang Ma, 'China's Current Tax Expenditure System: Issues and Policy Options,' eds. Hana Polackova Brix, Christian M.A. Valenduc, and Zhicheng Li Swift, *Tax Expenditures—Shedding Light on Government Spending through the Tax System: Lessons from Developed and Transition Economies* (Washington, D.C.: World Bank, 2004), 190-202, 196 [Brix et al., *Tax Expenditures*].

<sup>49</sup> Fiji Revenue and Customs Authority, Residents Tax Rates 2001-2016, <http://www.frca.org.fj/residents-tax-rates-2001-2012>.

<sup>50</sup> Josala Voreqe Bainimarama, Prime Minister, Fiji, 'A Win for the 99 Percent,' [http://www.huffingtonpost.com/josaia-voreqe-bainimarama/fiji-economy-growth\\_b\\_1145757.html](http://www.huffingtonpost.com/josaia-voreqe-bainimarama/fiji-economy-growth_b_1145757.html).

<sup>51</sup> Income Tax (Amendment) Decree 2012 (Decree No. 6 of 2012), to amend the Income Tax Act (Cap. 201), Fourth Schedule amended, Table A. Each rate applies only to the relevant 'slice' of income, or income bracket; e.g., only income from \$8,501 to \$12,000 is taxed at the 7% rate; any income from \$12,001 to \$27,225 is taxed at 18%; total tax equals the total amount calculated for each bracket.

<sup>52</sup> This high-income country example is used because of the limited availability of and access to full datasets and microsimulation software for low income countries. The federal Netherlands rates were adapted to fit into the Canadian dual federal-provincial rate structure using the Statistics Canada SPSD/M software. The adapted rates range from 8% for the lowest incomes to 33.1% and then to 42% by the Can\$97,300 income level. The actual 2016 Canadian federal rates ranged from 15% for the lowest incomes to 20.5%, 26%, 29, and then to 33% for incomes over \$200,000.

<sup>53</sup> Government of Thailand, *National Review: Implementation of the Beijing Declaration and Platform* (Bangkok: 2014), 4-5, [https://sustainabledevelopment.un.org/content/documents/13208Thailand\\_review\\_Beijing20.pdf](https://sustainabledevelopment.un.org/content/documents/13208Thailand_review_Beijing20.pdf)

<sup>54</sup> World Economic Forum, *Global Gender Gap Report 2014* (Geneva: WEF, 2014), Appendix F, 79.

<sup>55</sup> See, for example, Alberto Arenas de Mesa and Veronica Montecinos, 'The Privatization of Social Security and Women's Welfare: Gender Effects of the Chilean Reform,' *Latin American Research Review*, 34, 3 (1999): 7-37.

<sup>56</sup> OECD, *OECD Economic Surveys: Germany 2016* (Paris: OECD Publishing, 2016).

<sup>57</sup> Emma Samman, Elizabeth Presler-Marshall, and Nicola Jones, *Women's Work: Mothers, Children, and the Global Childcare Crisis* (London: Overseas Development Institute, 2016), 26 [Samman et al., *Childcare Crisis*].

<sup>58</sup> *Ibid.*, 32, box 10, derived from Kelly Bidwell and Loïc Watine, *Exploring Early Education Programs in Peri-urban Settings in Africa: Final Report* (Innovations for Poverty Action, 2014), 17-18, figure 14, who warn that the data are based on self-reported data prone to underestimation in survey.

<sup>59</sup> Maxine Molyneux, 'Mothers at the Service of the new Poverty Agenda: Progres/Oportunidades, Mexico's Conditional Transfer Programme,' *Social Policy and Administration*, 40, 4 (2006): 425-449, 439-440.

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<sup>60</sup> Susan Martínez-Restrepo, Juan C. Mejía, and Erika Enríquez, 'Eliciting Women's willingness to take a Job. Evidence from Displaced and Extremely Poor Women in Cali, Colombia,' (2016), repository.fedesarrollo.org.co.

<sup>61</sup> Lahey and Hien, *Gender and Taxation, Vietnam*, 43-44.

<sup>62</sup> UNICEF, Tajikistan Early Childhood Education Curriculum Approved (Geneva: UNICEF, 2013), outlines the beginnings of a solution in the form of expansion of early childhood education programs for ages 4 and 5.

<sup>63</sup> Samman et al, *Childcare Crisis*, 56, box 23.

<sup>64</sup> For discussion of the challenges in fully individualizing this type of analysis, see Howard Reed, 'The Gender Impact of Austerity in the UK under the Conservative-Liberal Democrat Coalition Government, 2010-15, in Hannah Bargawi, Giovanni Cozzi, and Susan Himmelweit, eds., *Economics and Austerity in Europe: Gendered Impacts and Sustainable Alternatives* (London, UK: Routledge, 2016), 113-133. For an example of how custom coding can be used to simulate the impact of full individualization of total tax/transfer systems, see Kathleen A. Lahey, 'Uncovering Women in Taxation: The Gender Impact of Detaxation, Tax Expenditures, and Joint Tax/Benefit Units,' *Osgoode Hall Law Journal*, 52, 2 (2015), 427-459.

<sup>65</sup> World Bank Group, *Enterprise Surveys: Data*, <http://www.enterprisesurveys.org/data/exploretopics/gender#2>.

<sup>66</sup> Ibid.

<sup>67</sup> For an overview of how these dynamics worked their way through the Swedish, UK, and US tax systems, see Sven Steinmo, *Taxation and Democracy: Swedish, British, and American Approaches to Financing the Modern State* (New Haven: Yale Univ. Press, 1996), 22-30.

<sup>68</sup> The 1993 figure was reported by the Center for Economic and Social Rights. The 2003-2016 changes are reported in Kyle Pomerleau and Emily Potosky, *Corporate Income Tax Rates around the World, 2016* (Washington DC: Tax Foundation, 2016), 7, figure 2. When CIT rates are weighted by country GDP, this report calculated that the weighted average CIT fell from 34.1% to 29.5% in the last ten years.

<sup>69</sup> Ibid., 8, fig. 3.

<sup>70</sup> For an example of how this has occurred in the context of Canadian provincial taxation, see Lahey, *Gender and Taxation, Alberta*, 66.

<sup>71</sup> Women Empowerment through Business Member Organizations, *Viet Nam's Landscape* (ITC), 2,

[http://www.itcilo.org/en/the-centre/programmes/employers-activities/hidden-folder/resources/Women%20Empowerment\\_Country%20fact-sheet\\_Vietnam\\_2015.pdf](http://www.itcilo.org/en/the-centre/programmes/employers-activities/hidden-folder/resources/Women%20Empowerment_Country%20fact-sheet_Vietnam_2015.pdf).

<sup>72</sup> UN Women, *Toward Gender Equality in Viet Nam: Making Inclusive Growth Work for Women* (Hanoi: UN Women, 2016), 52, table 12.

<sup>73</sup> Ibid., 66.

<sup>74</sup> See, e.g., Aimee Hampel-Milagrosa, et al., *Gender related Obstacles to Vietnamese Women Entrepreneurs: Technical Report* (Vienna: UNIDO, 2010), 43, table 8.

<sup>75</sup> Rose-Marie Avin and Linda Paul Kinney, 'Trends in Female Entrepreneurship in Vietnam' (Accra: Feminist Economics Conference, 2014), 18-23.

<sup>76</sup> Peer Stein, Oya Pinar Ardic, and Martin Hommes, *Closing the Credit Gap for Formal and Informal Micro, Small, and Medium Enterprises* (Washington, DC : International Finance Corporation, 2013), 12-13; Ethan Kapstein and Rene Kim, *The Social and Economic Impact of*

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*Standard Chartered in Ghana* (Standard Chartered, 2010).

<sup>77</sup> World Bank Group, 'Vietnam 2015 Country Profile,' *Enterprise Surveys*, 12, Appendix, <http://www.enterprisesurveys.org/~media/GIAWB/EnterpriseSurveys/Documents/Profiles/English/Vietnam-2015.pdf>.

<sup>78</sup> Johnson B. Rukundo, 'Productivity and Informality in Rwanda: Evidence from the Food Processing Sector,' ed. Herman Musahara, *Inclusive Growth and Development Issues in Eastern and Southern Africa* (Ethiopia: OSSREA, 2016), 175-192, 186 [Rukundo, 'Informality in Rwanda'].

<sup>79</sup> Siobhan Austen, Terese Jefferson, and Rachel Ong, 'The Gender Gap in Financial Security: What we know and don't know about Australian Households,' *Feminist Economics*, 20:3 (2014), 25-52.

<sup>80</sup> Australian Taxation Office, 'Individuals: Table 3, selected items, by taxable income, age, gender, and taxable status, 2012-13 income,' Taxation statistics 2012-13, <https://data.gov.au/dataset/taxation-statistics-2012-13/resource/7ca3602e-4597-4e15-a30e-35580c93292d>. Similar imbalances are seen in relation to franked (tax paid) dividend credits: 49% of taxpayers claiming credits were women, but as a group, they only received 43% of the dollar value of the total amounts of credits.

<sup>81</sup> OECD, *Options for Low Income Countries' Effective and Efficient use of Tax Incentives for Investment* (Paris: OECD, n.d.), 6, figure 1 [OECD, *LIC Tax Incentives*].

<sup>82</sup> *Ibid.*, 8. This report pointed out that in a 2010 UN business survey of companies active in the Sub-Saharan Africa region, tax incentives were ranked as the 11th out of 12 factors influencing their investment decisions (8-9).

<sup>83</sup> Minister of Finance, *Tax Expenditures* (Egypt: OECD-MENA), 10-11, 13, <http://www.oecd.org/mena/competitiveness/38880857.pdf>.

<sup>84</sup> For example, Belgium reported tax expenditures worth 33.8% of total CIT revenue actually received in 2000, most of which came from tax exemptions for special processing centres, followed by notional foreign tax credits. Christian Valenduc, 'From Tax Expenditure Reporting to Tax Policy Analysis: Some Experience from Belgium,' 85, figs. 4.4 and 4.5, in Brixi et al., *Tax Expenditures*.

<sup>85</sup> World Bank Group, *Enterprise Surveys: Data*, <http://www.enterprisesurveys.org/data/exploretopics/gender#2>.

<sup>86</sup> Rachel Sharpe, *Making Tax Work for Women's Rights* (London: ActionAid, 2016), 6.

<sup>87</sup> Sheba Tejani, 'The Gender Dimension of Special Economic Zones, 247-281, 247, 252, 255, eds. Thomas Farole and Gokhan Akinci, *Special Economic Zones: Progress, Emerging Challenges, and Future Directions* (Washington D.C.: World Bank, 2011) [Farole and Akinci, *Special Zones*].

<sup>88</sup> *Ibid.*, 263, 266-7, 253; and see the example of the Philippines, 270.

<sup>89</sup> Mustafizul Hye Shakir and Thomas Farole, 'The Thin End of the Wedge: Unlocking Comparative Advantage through EPZs in Bangladesh,' in Farole and Akinci, *Special Zones*, 25-46, 37.

<sup>90</sup> Michael Engman, 'Success and Stasis in Honduras' Free Zones,' in Farole and Akinci, *Special Zones*, 47-68, 50.

<sup>91</sup> Luis Vilella, Andrea Lemgruber, and Michael Jorratt, 'Tax Expenditure Budgets: Concepts and Challenges for Implementation' (Inter-American Development Bank, 2010), Working paper No.



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IDB-WP-179, referred to in Carlo Cottarelli, *Revenue Mobilization in Developing Countries* (Washington D.C.: IMF, 2011), 35.

<sup>92</sup> OECD, *LIC Tax Incentives*, 7-8.

<sup>93</sup> Government of Viet Nam, Decree 85/2015-ND-CP, article 11.2(b), instructions on implementation of regulation regarding female employees.

<sup>94</sup> Andreas Kotsadam and Anja Tolonen, 'African Mining, Gender, and Local Employment,' *World Development*, 83 (2016): 325-339, 326 [Kotsadam and Tolonen, 'African Mining and Gender'].

<sup>95</sup> Augustina Adusah-Karikari, 'Black Gold in Ghana: Changing Livelihoods for Women in Communities affected by Oil Production,' *Extractive Industries and Society*, 2 (2015), 24-32, 27-28.

<sup>96</sup> Kotsadam and Tolonen, 'African Mining and Gender,' 331, 335.

<sup>97</sup> Michaela Pfeiffer, Francesca Viliani, and Carlos Dora, eds., *Managing the Public Health Impacts of Natural Resource Extraction Activities* (Geneva: World Health Organization, 2010), 10-11.

<sup>98</sup> See Monica Costa, 'Gender Analysis of Revenue-raising Instruments in Resource Rich and Fragile States: The Case of the Petroleum Fund in Timor-Leste,' in *Contemporary Issues for Heterodox Economics, Proceedings*, ed. Lynne Chester, Michael Johnson, and Peter Kriesler (Sydney: Seventh Australian Society of Heterodox Economists Conference, Dec. 8-9, 2008), 54-65.

<sup>99</sup> Michael Ross, 'Oil and Patriarchy' (Los Angeles, Calif.: University at California-Los Angeles Dept. of Political Science, 2006).

<sup>100</sup> Paul Segal, *How to Spend It: Resource Wealth and the Distribution of Resource Rents* (London: LSE, 2011),

<http://www2.lse.ac.uk/government/research/resgroups/kuwait/documents/Segal.pdf>, 27-28.

<sup>101</sup> Herman Gibb and Keri Grace O'Leary, 'Mercury Exposure and Health Impacts among Individuals in the Artisanal and Small-scale Gold Mining Community: A Comprehensive Review,' *Environmental Health Perspectives* 122, 7 (2014): 667.

<sup>102</sup> Degol Hailu and Chinpihoi Kipgen, 'The Gender Gap in Extractive Dependent Countries, Our Perspectives,' UNDP, July 28, 2015,

<http://www.undp.org/content/undp/en/home/blog/2015/7/28/The-gender-gap-in-extractive-dependent-countries.html>.

<sup>103</sup> UNEP, UN Women, PBSO, and UNDP, *Women and Natural Resources* (New York: UN, 2013). For resource revenue benefit sharing options, see Andrew Bauer, Uyanga Gankhuyag, Sofi Halling, David Manley, and Varsha Venugopal, *Natural Resource Revenue Sharing* (Natural Resource Governance Institute, 2016).

<sup>104</sup> Alex Cobham and Petr Janský, *Global Distribution of Revenue Loss from Tax Avoidance: Re-estimation and Country Results* (UNU-WIDER, World Institute for Development Economic Research, 2017), Working paper No. 55, using reestimated IMF and national revenue data.

<sup>105</sup> Ernesto Crivelli, Ruud De Mooij, and Michael Keen, 'Base Erosion, Profit Shifting, and Developing Countries,' *FinanzArchiv: Public Finance Analysis* 72, 3 (2016): 268-301, using IMF revenue data.

<sup>106</sup> Cobham and Janský (2017), 19, fig. 7.

<sup>107</sup> For an overview of tax shifting methods, see Michael Keen, et al., *Spillovers in International*

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*Corporate Taxation* (Washington D.C.: IMF, 2014), 11, box 1.

<sup>108</sup> Richard Rubin, 'US Companies are Stashing \$2.1 Trillion Overseas to Avoid Taxes,' Bloomberg, Mar. 4, 2015,

<https://www.bloomberg.com/news/articles/2015-03-04/u-s-companies-are-stashing-2-1-trillion-overseas-to-avoid-taxes> (based on SEC filings).

<sup>109</sup> Tanzania Revenue Authority, *Review of Informal Sector for Taxation Purposes* (Dar Es Salaam: TRA, 2011), 13.

<sup>110</sup> EY, *Worldwide Personal Tax Guide, 2013-2014* (London: Ernst and Young), 710.

<sup>111</sup> Deloitte, *African Business Tax Guide*, 54, 153, 190, 231, 386.

<sup>112</sup> Jacqueline Coolidge and Faith Yilmaz, *Small Business Tax Regimes* (Washington D.C.: World Bank), 2016), 4-6.

<sup>113</sup> Erica Carroll, *Taxing Ghana's Informal Sector: The Experience of Women* (London: Christian Aid, 2011).

<sup>114</sup> Samuel Jibao, Wilson Prichard, and Vanessa van den Boogaard, *Informal Taxation in Post-Conflict Sierra Leone* (Brighton UK: Institute of Development Studies, 2017), 13, table 2.

<sup>115</sup> *Ibid.*, 12, table 1.

<sup>116</sup> S. Olabisi Yusuff, 'Gender Dimensions of Informal Cross Border Trade in West-African Sub-Region (ECOWAS) Borders,' *International Letters of Social and Humanistic Sciences*, 29 (2014): 19-33.

<sup>117</sup> OECD, *Tax Policy Reform and Economic Growth* (Paris: OECD Publishing, 2010), Tax Policy Studies No. 20, <http://dx.doi.org/10.1787/9789264091085-en>.

<sup>118</sup> Ehtisham Ahmad, Michael Best, and Caroline Pöschl, '*Financing Social Policy in the Presence of Informality*, (London: LSE Asia Research Centre, 2012), Working Paper. See also Santiago Levy, *Good Intentions, Bad Outcomes* (Washington, DC: Brookings Institution Press, 2008), who argues that replacing social security contributions and reducing PIT rates, both of which are paid out of workers' wages, with VAT to fund public services and social protection programs, could simultaneously increase the rate of GDP growth, reduce inequality, and improve benefits for workers.

<sup>119</sup> See, for example Nora Lustig, Carola Pessino, and John Scott, 'The impact of Taxes and Social Spending on Inequality and Poverty in Argentina, Bolivia, Brazil, Mexico, Peru, and Uruguay,' *Public Finance Review*, 42, no. 3 (2014): 287-303, which compared the impact of the relative composition of revenues, incidence of taxes and benefits, and Gini ratings.

<sup>120</sup> As measured by changes in market income and after-tax/transfer Gini coefficients; see OECD.Stat, *Income Distribution and Poverty*, <http://stats.oecd.org/Index.aspx?DataSetCode=IDD>.

<sup>121</sup> Colombia Constitutional Court (2003). *Constitutional Review Judgment C-776-03*, per Espinosa, J., paras. 4.5.6 and 4.5.3.2.1,

<http://www.corteconstitucional.gov.co/relatoria/2003/C-776-03.htm>. For details of the revenue and political processes, see Olivera et al., *Case of Colombia*, 20-24

<sup>122</sup> Haroon Akram-Lodhi and Irene van Staveren, *A Gender Analysis of the impact of Indirect Taxes on Small and Medium Enterprises in Vietnam* (Netherlands: Institute for Social Studies, 2003), 18-20.

<sup>123</sup> *Ibid.*, 20-21.

<sup>124</sup> *Addis Ababa Action Agenda*, Third International Conference on Financing for Development (Addis Ababa, Ethiopia: 2015), endorsed by the United Nations General Assembly, Res. 69/313, Jul.

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27, 2015, par. 22.

<sup>125</sup> Daniel F. Runde and Conor M. Savoy, *Domestic Resource Mobilization: Tax System Reform* (Washington DC: CSIS, 2016), 6, and note 17.

<sup>126</sup> Norio Usui, *Tax Reforms toward Fiscal Consolidation* (Manila, Phil.: Asian Development Bank, 2011). The consultant used simulation methods to evaluate the impact of this proposed revenue shift on the allocation of the total after-tax load.

<sup>127</sup> Glenn Jenkins and Rup Khadka, *Tax Reform in Singapore, International Tax Program* (Cambridge MA: Harvard Law School, Institute for International Development, 1998), vol. 644, 6.

<sup>128</sup> OECD, *Gender and Taxation*, 98-103.

<sup>129</sup> Schwenkenberg, 'Intergenerational Mobility.'

<sup>130</sup> Chinhui Juhn, Gergely Ujhelyi, and Carolina Villegas-Sanchez. 'Trade Liberalization and Gender Inequality,' *American Economic Review*, 103, no. 3 (2013): 269-273.

<sup>131</sup> Rizwana Siddiqui, 'Modeling Gender effects of Pakistan's Trade Liberalization,' *Feminist Economics*, 15, no 3 (2009): 287-321.

<sup>132</sup> Manuela De Allegri, Valéry Ridde, Valérie R. Louis, Malabika Sarker, Justin Tiendrebéogo, Maurice Yé, Olaf Müller, and Albrecht Jahn, 'Determinants of Utilisation of Maternal Care Services after the Reduction of User Fees: A case study from rural Burkina Faso,' *Health Policy*, 99, no. 3 (2011): 210-218.

<sup>133</sup> Shifting from graduated PIT rates to a flat 10% PIT rate in one Canadian province in 1999 was found to allocate 71% of the after-tax benefits of that rate shift to male taxpayers and 29% to women, increasing gender gaps in after-tax incomes for over fifteen years before graduated rates were restored. Kathleen A. Lahey, *The Alberta Disadvantage: Gender, Taxation, and Income Inequality* (Edmonton: Parkland Institute, 2015), 36, table 8.