IN TAX, GENDER BLIND IS NOT GENDER NEUTRAL

How tax policy in the time of COVID-19 must consider women

Grace Perez-Navarro
Deputy Director, OECD Centre for Tax Policy & Administration

Michelle Harding
Senior Economist & Head of Unit, OECD Centre for Tax Policy & Administration

26 March 2021
Tax, gender equity and inclusive growth

• When designing tax systems, policymakers need to balance different tax policy objectives

• Equity (fairness) includes consideration of horizontal equity, vertical equity, and intergenerational equity dimensions

• Gender equity is an integral part of achieving tax design that supports inclusive growth
  – SDG 5 calls for ending all discrimination against women and promoting their full and effective participation in the economy
  – Improving gender equity can contribute to economic growth – and gender discrimination has a very real economic cost

Source: The economic cost of gender-based discrimination in social institutions, OECD Development Center (2016).
Taxes & gender: an assessment framework

**Does tax affect men & women differently?**

- Explicitly, via the tax code?
- Implicitly, via differences in underlying economic characteristics or behaviours?

**Should tax policy address gender differences? How?**

- Avoid exacerbating existing differences, i.e. reduce implicit bias?
- Compensate for differences in income levels?
- Change underlying economic & behavioral differences?

**How will this interact with other tax design considerations?**

- Revenue
- Efficiency & growth
- Simplicity in compliance & administration
- Equity
Implicit gender bias in tax systems

Labour market participation
- High taxes on second earners discourage labour participation

Under-taxation of extra hours worked
- Lower taxes on extra hours worked typically induce men to work more

Savings patterns
- Men likely benefit more from tax privileges for private pension savings

Capital & wealth ownership
- Who benefits more from lower taxes on capital income at household level?

Consumption
- Differences in behaviour may affect the distribution of income between men & women and of paid & unpaid work

Corporate taxation
- Who benefits more from lower corporate tax rates & corporate tax incentives?

Tax morale
- Women tend to be more tax compliant than men
Second earners face higher net personal average tax rates than single earners

Net Personal Average Tax Rates, 2019
Single & second earner at 67% of the AW (primary earner at AW), no children

Source: CTPA calculations based on OECD Taxing Wages (2020).
• Gender impact is harder to analyse because it is camouflaged by household consumption

• Distribution of income between men & women:
  – At first glance, consumption taxes seem to affect men more than women; women typically purchase more zero-rated VAT products (food, education, health-care) while men spend more on excisable goods (fuel, tobacco, alcohol)

• Allocative effect, i.e. distribution of paid & unpaid work:
  – Higher taxation of services that are substitutes for homework (e.g. cleaning & restaurant services) increases the value of unpaid homework
  – Especially for low-income households, it becomes more attractive to produce these services themselves than to buy them on the market, decreasing the second-earner labour supply

• A broad-based, low rate VAT can reduce gender impacts of consumption taxes

Gender-differentiated effects of corporate taxation

• Although data is limited, women typically…
  – Own fewer corporate shares & receive smaller shares of dividends & capital gains
  – Are under-represented in corporate boards & among senior managers
  – Own smaller businesses

• Who benefits more from…?
  – Reductions in the CIT rate (via post-tax distributions & bonuses)?
  – PIT deductions for dividend payments?
  – Tax incentives granted to firms & business owners?

• Problem: lack of sufficient gender-disaggregated data
Gender balance of user fees & informal taxes

• Assessing the gender impact of taxation, especially in developing countries, requires a broad approach that includes informal taxes & user fees
  – User fees (e.g. healthcare, education, water & sanitation)
  – Informal taxes (i.e., tax-like payments to state or non-state actors, outside of tax laws), such as a daily payment required to access a local market

• Funding public services through user fees & informal taxes is likely to disadvantage women to the extent that...
  – Women consume more of the specific services provided, or dominate particular sectors of the informal economy
  – The payments reinforce non-neutral societal practices (e.g. favouring male education)

• The COVID crisis has heavily affected informal workers, who are, in the majority, women

Source: ICTD (2019), Toilets not taxes: Gender inequity in Dar Es Salaam’s city markets.
What has COVID-19 changed – and what does this imply for taxation?

• The COVID crisis has exacerbated current gender inequalities:
  – Women’s labour force participation has decreased more than men’s, globally
  – Men increased their unpaid activity time; but women’s increased by more
  – The digital gender divide increased during the pandemic
    • In developing countries, the gender gap in internet users is 16.1% compared to 2.8% in developed countries
    • Use of digital devices is also key to access tax administration services

• How did the support measures for households and businesses during the pandemic affect gender equality?

• Governments need to include the impact of taxes on gender as a key policy dimension in their tax policy responses to COVID-19

Source: OECD (2020), Women at the core of the fight against COVID-19 crisis; OECD (2018), Bridging the digital gender divide.
How can governments & policymakers respond?

• First best: address the underlying gender difference at source (e.g. promote wage equality, encourage women’s labour-force participation)

• Second best: change the tax system
  – Remove explicit bias; ensure the tax system does not implicitly enhance other gender biases
  – On a case-by case basis, consider tax as one of a range of indirect policy tools to address gender imbalances?

 Governments should ensure that they consider the impact of tax policy changes on gender: gender budgeting may provide a tool for this

 Data matters: seek to fill key data gaps on women’s economic participation to develop ex-ante & ex-post assessment tools to better understand the impact of tax (& other) policies
For more information, please see

- CTPA, Tax and Gender: Releasing potential and promoting equality (2021)
  [https://www.youtube.com/watch?v=FGdXaCfEpyQ&feature=youtu.be](https://www.youtube.com/watch?v=FGdXaCfEpyQ&feature=youtu.be)


- Forum on Tax Administration (FTA), Gender Balance Network (2019)
  [Commissioner Conversations: Gender balance in tax administrations - YouTube](https://www.youtube.com/watch?v=FGdXaCfEpyQ&feature=youtu.be)


How to find us?

Contact us by e-mail: ctp.contact@oecd.org

Visit our public website: www.oecd.org/tax

Sign-up to our tax news alerts: http://oe.cd/taxnews-signup

Follow us on:

https://twitter.com/OECDtax

https://www.linkedin.com/company/organisation-eco-cooperation-development-organisation-cooperation-developpement-eco

http://www.facebook.com/theOECD

https://www.youtube.com/c/OECDTax/