



IN TAX, GENDER BLIND IS NOT GENDER NEUTRAL

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

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March on Gender
EMPOWERING THE RECOVERY
THROUGH WOMEN'S LEADERSHIP





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



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



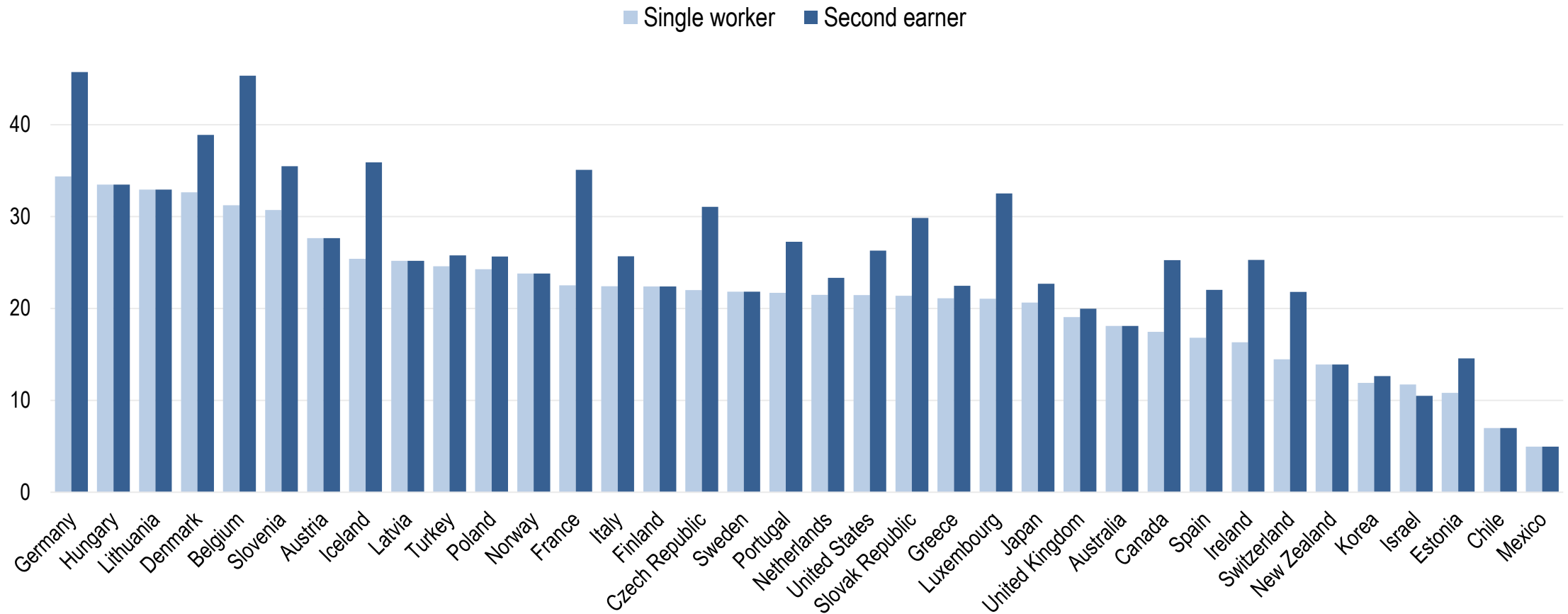
Women tend to be more tax compliant than men



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





Consumption taxes & gender

- 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



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



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>
- FTA Gender Balance Network, Advancing Gender Balance in the Workforce: A Collective Responsibility (2020)
<https://www.oecd.org/tax/forum-on-tax-administration/publications-and-products/advancing-gender-balance-in-the-workforce-a-collective-responsibility.pdf>
- Harding, M., Perez-Navarro, G. and Simon, H. (2020), In Tax, Gender Blind is not Gender Neutral: why tax policy responses to COVID-19 must consider women, OECD
<https://oecdecoscope.blog/2020/06/01/in-tax-gender-blind-is-not-gender-neutral-why-tax-policy-responses-to-covid-19-must-consider-women/>
- Forum on Tax Administration (FTA), Gender Balance Network (2019)
[Commissioner Conversations: Gender balance in tax administrations - YouTube](#)
- Milanez, A. and B. Bratta (2019), Taxation and the future of work: How tax systems influence choice of employment form, OECD Taxation Working Papers
<https://www.oecd-ilibrary.org/docserver/20f7164a-en.pdf?expires=1615988918&id=id&accname=ocid84004878&checksum=4F1046B7D56C026054FC53441540E4A7>
- Alastair, T. and O'Reilly, P. (2016), The Impact of Tax and Benefit Systems on the Workforce Participation Incentives of Women, OECD Taxation Working Papers
<https://www.oecd-ilibrary.org/docserver/d950acfc-en.pdf?expires=1615988294&id=id&accname=guest&checksum=33571355310481B48F7BFBE8DA925988>



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