

Gender, Taxation and Inequality: An Overview

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4th International Tax Dialogue Global Conference
December, 2011



Outline

- What is meant by “gender bias in tax systems?”
- Evidence from recent comprehensive case studies.
- What should be the policy response—varying views.

TYPES OF GENDER BIAS IN TAX SYSTEMS

A typology

- **Explicit Bias**

- Specific provisions of tax law treating men and women differently
- Intentional
- Quite easy to identify
- Largely disappeared everywhere

- **Implicit Bias**

- “...provisions of the law...that because of typical social arrangements and economic behavior...[can] have *different implications* for men [and] women...” (Stotsky, 1997)
- Intentional or inadvertent
- Perception of implicit bias and judgment of impact will vary over time and cultures

What taxes are at issue?

- **Traditional focus—the personal income tax**
 - Explicit or implicit bias
 - Issue mainly focused around the filing unit
 - Bias can arise with either joint or individual filing
- **More recently—indirect (consumption) taxes**
 - Implicit bias only
 - Incidence of taxes as between genders—particularly for poorer households
 - Much more difficult to study

Bias in the PIT

- Some issues
 - Allocation of non-labor income between spouses
 - Allocation of family business income
 - Allocation of tax preferences and deductions
 - Rate structure – differences no longer seen in individual filing but complex problem with joint filing
- Traditional progressive view seeks neutral, non-discriminatory impacts
- Economic efficiency arguments focus on disincentives to participate in labor force for some earners (“secondary worker effects”)
- Gender analysis tends to go beyond these...

Evolution: 30 years of growing recognition

- EC—1984: study asks whether tax systems neutral re. women's labor force participation? 1985: A Committee of European Parliament calls for mandatory individual filing
- France—1983: eliminated rule husband must sign return
- Netherlands—1984: ceased granting a higher allowance to married men, versus married women
- UK—1990: all taxpayers to file individually on all income; 1993: “married man's allowance” made transferable to wife

Evolution (cont)...

- India—1956: Hindu Succession Act eliminates restrictions on female ownership and inheritance, thus also from the tax system, which recognizes the Hindu Undivided Family; 2001: affirmative steps to favor women taken in PIT by granting them a higher individual allowance
- South Africa—1994: All explicit gender differentials in tax law removed; 1995, 2002: studies call for greater awareness of *implicit* gender impacts

Issues: some complex examples...

- US—no explicit gender bias, but complex filing unit rules and progressive rates mean
 - (1) clearly more advantageous to one-earner than two-earner couples (the “marriage penalty”)
 - (2) ambiguous result re. married versus equivalent single taxpayers
 - (3) more advantageous to *one-earner married* couple with children than to single head-of-household with children
- Singapore—
 - system provided a greater personal allowance to a married woman filing individually if she had attained certain educational qualification;
 - widows, separated women also entitled, with amount determined by number of dependent children

RECENT EIGHT-COUNTRY ANALYSIS

“Taxation and Gender Equity” ed. Grown and Valodia (2010)

Coverage

- Studies for: UK, Uganda, Ghana, Mexico, South Africa, India, Argentina, Morocco
- Assessments of PIT *and Incidence of Indirect Taxes*
 - Latter covers new ground

Overall results and conclusions (1)

- **PIT—3 cases of *explicit differentiation* still found in studies:**

- Argentina—income from joint property filed by husband
- Morocco—dependents' benefit goes to men
- India—exemption limits *higher* for women

- ***---Implicit issues also found, e.g.:***

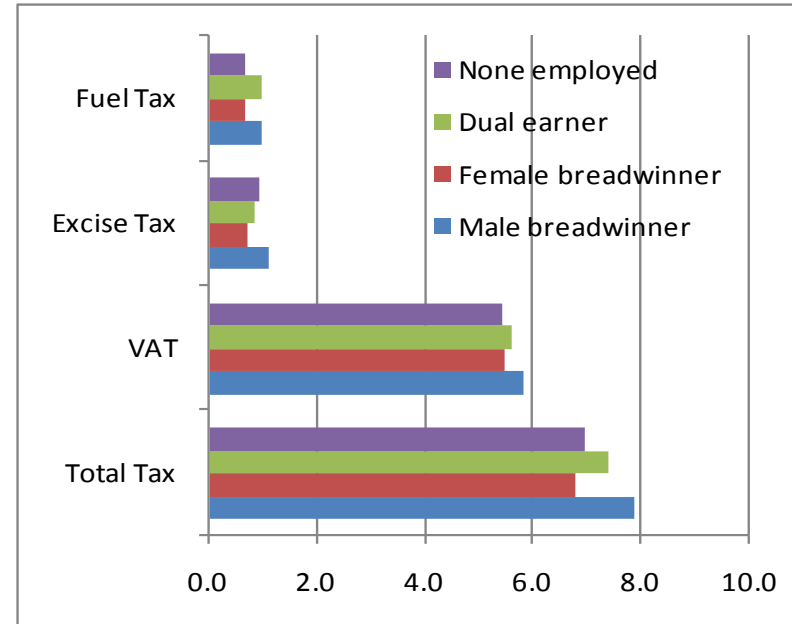
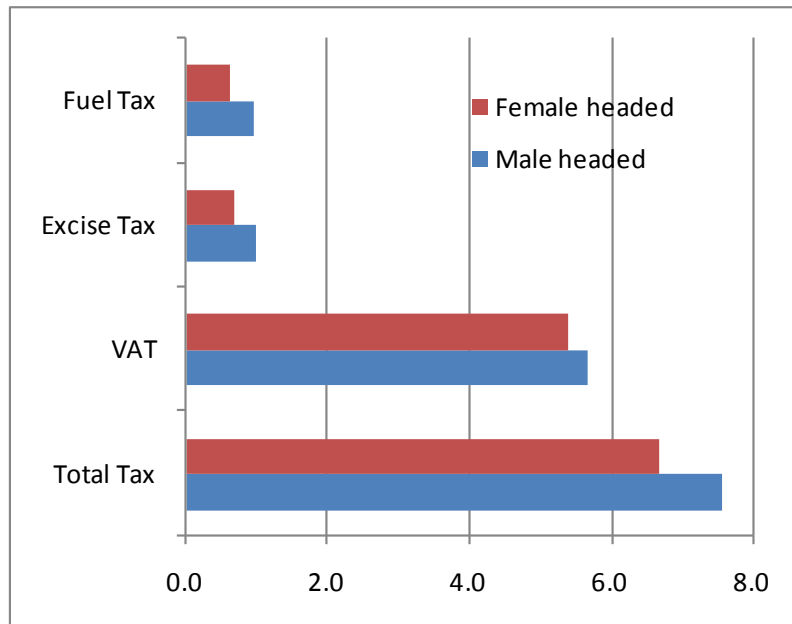
- almost all countries had deductions and benefits for those in formal work—which more heavily benefit men;
- in several single-headed households face higher tax burden (more women);
- final monthly withholding on wages—women's income more irregularly spaced

Overall results and conclusions (2)

- **Indirect taxes**—no *explicit* bias in transactions-based taxes
 - Analysis proceeds based upon *incidence*—
 - Choice of coverage of goods, and relative rates thereon
 - Assesses differential expenditure patterns by men and women (merit goods vs. “demerit” goods); differentiate types of households
 - Results using authors’ methodology: total indirect taxes fell more heavily on male-headed households in almost all countries
 - Other than India (which had not fully adopted VAT!)
 - Results largely dependent upon: (1) nature of VAT exemptions and zero-rating; (2) high excise taxes

An example--Ghana

- Average 7.3 percent of total household expenses go to indirect taxes
- Burden of (1) VAT is higher, as compared to (2) excise duties and (3) taxes on fuel, but...
- Tax incidence is marginally higher for male headed households as compared to female headed households for all 3 types of tax



POLICY RESPONSES?

Questions...

- Should (or should not) implicit impact of taxes by gender be accounted?
- If yes, how?
 - Complexity regarding goals (e.g., in filing units); difficulty in balancing many different family scenarios with one tax system
 - More fundamentally: can/should consuming units be matched to taxed units?
 - Individual filing but household consumption
 - Intra-household consumption breakdowns

Appropriate goals...

- Debate between
 - Neutrality, and
 - Gender affirmative action through the tax system

...and best means...

- How best to achieve either goal, when efficiency is taken into account
 - More effective to raise the money efficiently and use targeted expenditure programs for women?
 - All women, or poor women?
 - Answer to former may depend upon availability and feasibility of instruments; latter on social judgments

A final example of complexity of the issues

- Mexico: 1995 study showed 84 percent of unpaid work in home/caregiving done by women
 - Some but not all of whom also work outside the home...many in the informal sector
 - Some single, some married...
- VAT zero-rating in Mexico
 - Approximately two-thirds of benefit shown to go to those in top 40 percent of income distribution (nearly 25 percent to top decile)...