



Taxation and Gender

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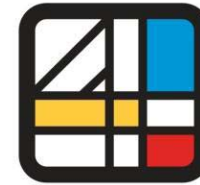
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“[...] 70% of world's poor are women. This is due to systematic discrimination they face in education, healthcare, employment and control of assets. [...] Economic policies and institutions continue to fail to take gender disparity into account, this ranges from tax and budget systems to trade regimes.”

Zebib Kaduma, UNIFEM



We must accelerate our efforts to achieve **gender equality** and the **empowerment of women** through development programmes grounded in country priorities, recognising that gender equality and women's empowerment are critical to achieving development results. Reducing gender inequality is both an end in its own right and a prerequisite for sustainable and inclusive growth. As we redouble our efforts to implement existing commitments we will:

- a. Accelerate and deepen efforts to collect, disseminate, harmonise and make full **use of data disaggregated by sex** to inform policy decisions and guide investments, ensuring in turn that public expenditures are targeted appropriately to benefit both women and men.
- b. **Integrate targets for gender equality** and women's empowerment in accountability mechanisms, grounded in international and regional commitments.
- c. Address gender equality and women's empowerment in all aspects of our **development efforts**, including peacebuilding and statebuilding.



- I. Gender and Tax – What role does it play for German Development Cooperation?
- II. Our approach in the field
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- IV. Outlook



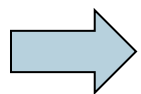
I. Gender and Tax – What role does it play for German Development Cooperation?



- Working towards gender equality is crucial for sustainable development.
- Accra, Doha (2008): development policies and programmes are designed and implemented in ways consistent with the agreed international commitments on gender equality
- Promoting gender equality is therefore a basic principle of German Development Cooperation
- Approach of German Development Cooperation.. (1) Gender Mainstreaming **and** (2) Promotion of projects to support women's empowerment



BMZ Gender Action Plan



Pro-active approach to gender issues in our projects



	Gender-Mainstreaming	Support to women's empowerment
Approach	Initial conditions for both sexes	Current conditions for women
Perspectives	The needs of both sexes are included in the planning and implementation.	Women's needs are included in the planning and implementation.
Actors	Both sexes are regarded as actors.	Women are the main actors, men are involved as change agents.
Impact	Deducible positive direct and/or indirect impact on the equalization of sexes	Deducible positive direct impact on the equalization of sexes

- Monterrey 2002, Doha 2008: mobilizing resources for development and role of DRM for sustainable development
- Tax revenues provide developing countries with a stable and predictable fiscal environment to promote growth and to finance their social and public investment needs.
- Effective tax systems will progressively reduce aid dependency.
- Taxation is seen as key factor in strengthening accountability relationships between taxpayers and the government.



www.taxcompact.net

- The German Federal Ministry for Economic Cooperation and Development (BMZ) has increased support for transparent and effective tax systems in its partner countries:
 - Support to capacity development in tax systems in more than 18 partner countries
 - BMZ has launched an initiative to intensify international cooperation with partner countries on fighting tax evasion and avoidance - the **'International Tax Compact'** (ITC).
- The work of ITC focuses on the following four areas:
 - Activities at country / regional level
 - Activities at the international level
 - Analytical work and studies
 - Networking and dialogue



II. Our approach in the field



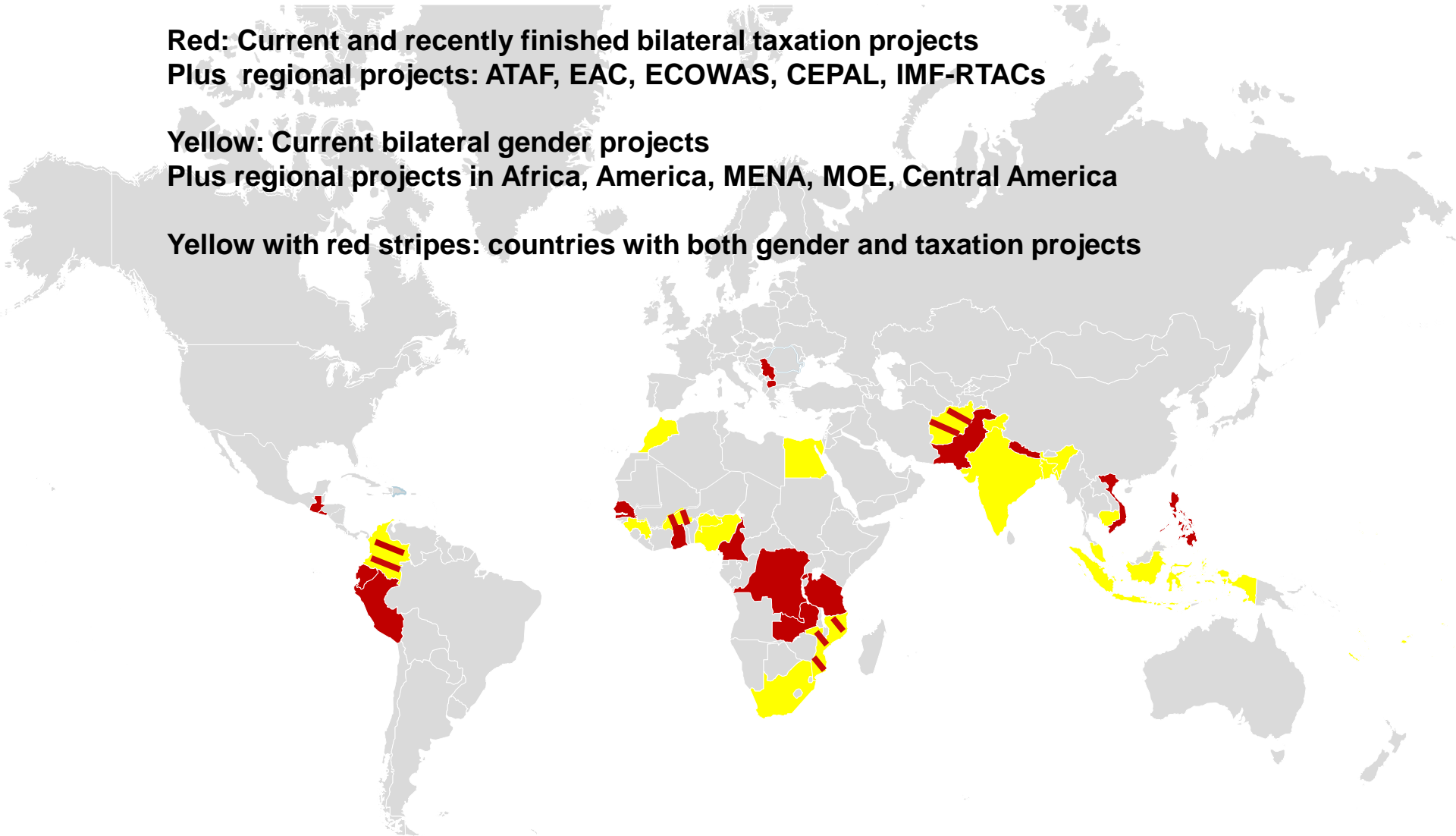
- GIZ's purpose is to promote international cooperation for sustainable development and international education work.
- As a 100% federally owned, public-benefit enterprise, we support the German Government in achieving its objectives in the field of international cooperation for sustainable development.
- Since 1 January 2011, GIZ has brought together under one roof the capacities and long-standing expertise of DED, GTZ und InWEnt.
- GIZ operates in more than 130 countries worldwide.
- GIZ employs more than 17,000 staff members across the globe – some 70% of whom are employed locally as national personnel.



Red: Current and recently finished bilateral taxation projects
Plus regional projects: ATAF, EAC, ECOWAS, CEPAL, IMF-RTACs

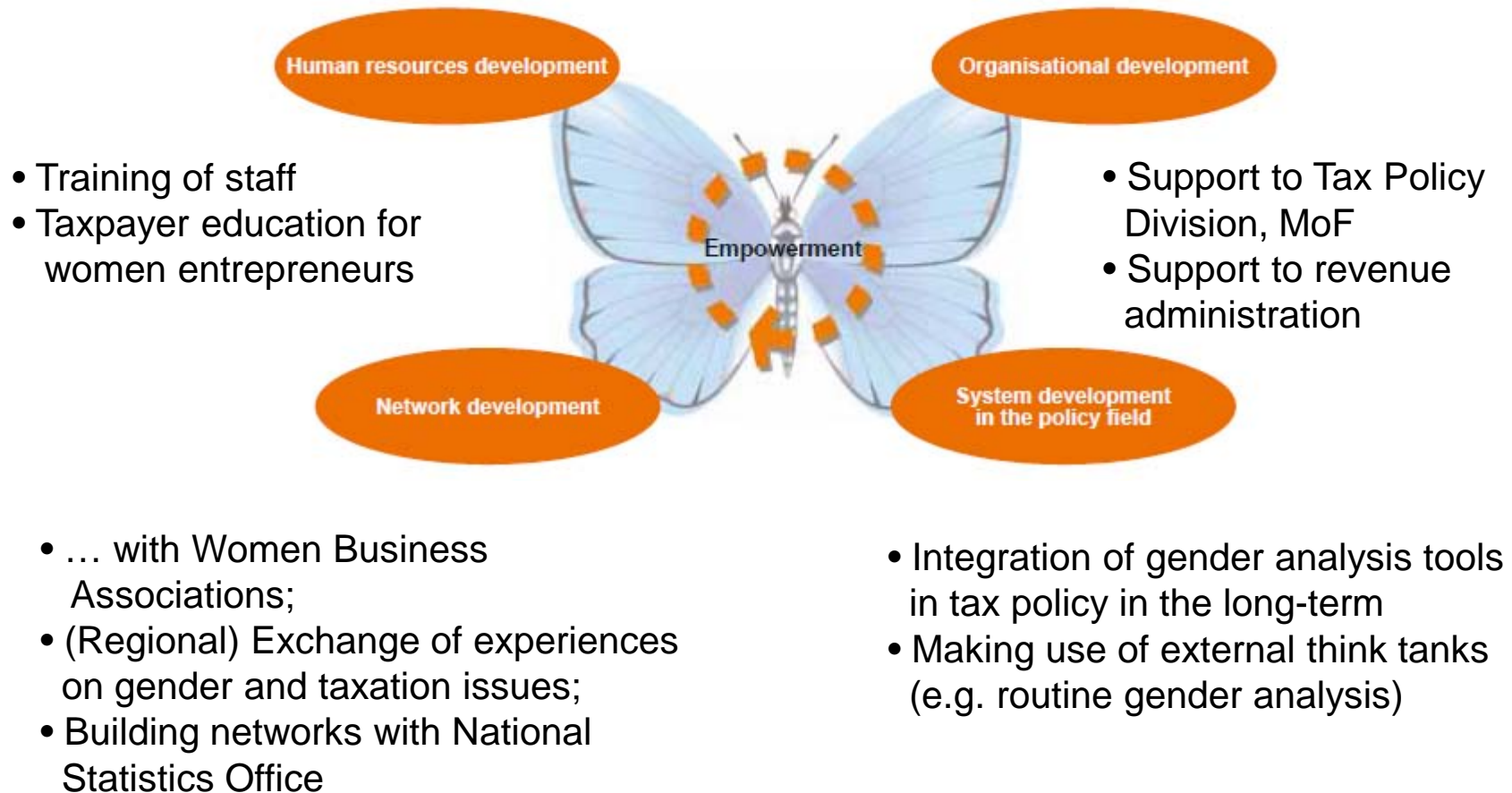
Yellow: Current bilateral gender projects
Plus regional projects in Africa, America, MENA, MOE, Central America

Yellow with red stripes: countries with both gender and taxation projects



- Basics first:
 - Governments usually prioritise in both fields (tax: e.g. admin reform; gender: education reform) => no resources to explore potential of addressing both
 - Commitment:
 - Actual interests of involved stakeholders may differ from official statements
 - Complexity:
 - Once you move beyond quick-wins (e.g. eliminating explicit gender-bias) things start getting complex
 - Limitations of tax systems to promote gender equality
- ⇒ Possibly a mix of all

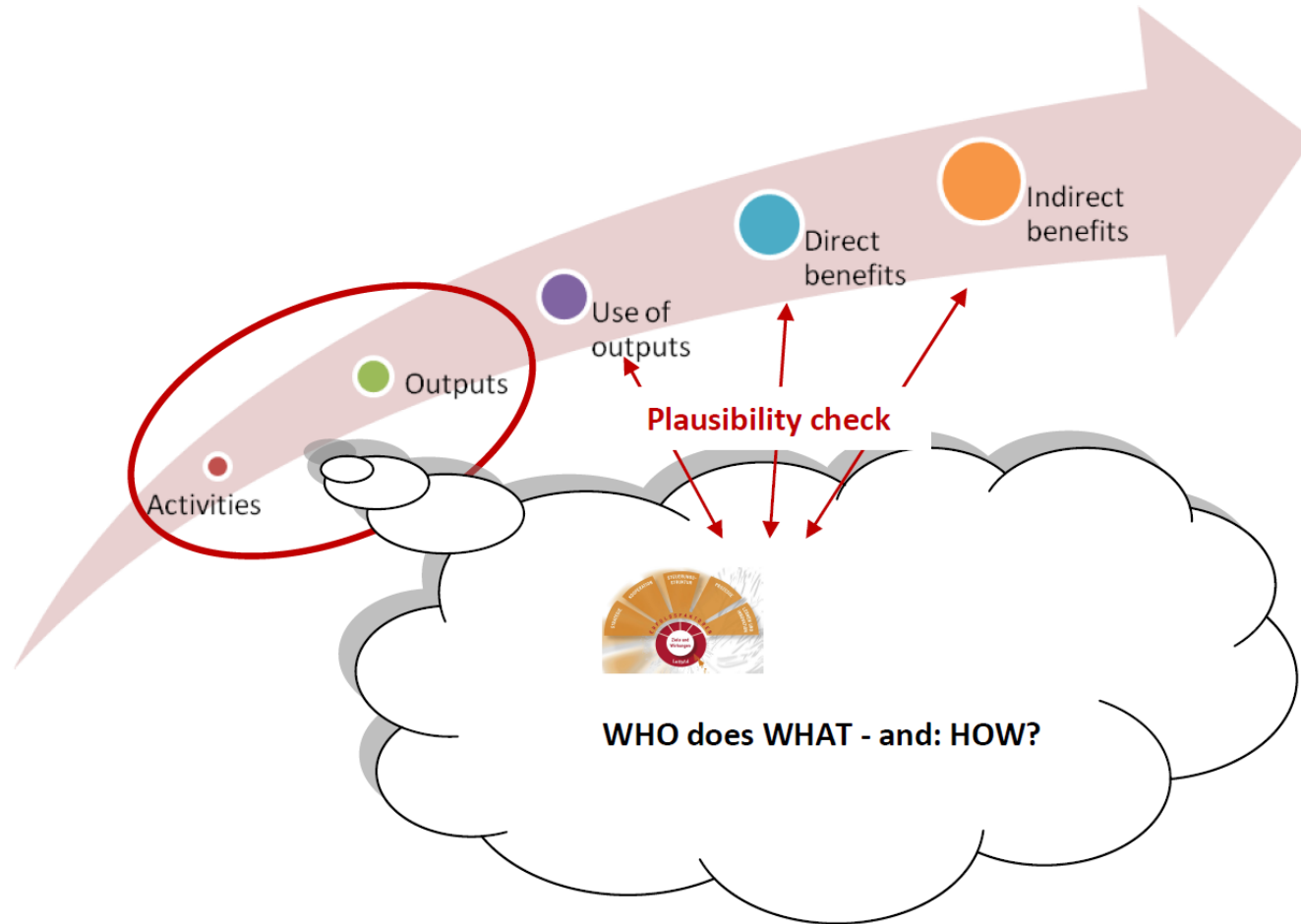
- Implications for gender-oriented tax reform :
 - Politics matters; a political economy perspective is helpful
 - Be aware of the potential complexity and identify quick wins as well as costs
 - Implementing gender-oriented tax reform requires multi-dimensional approach => **capacity development**





■ Devising intervention: a possible approach

	Strategy	Cooperation	Steering Structure	Processes	Learning & Innovation
Appraisal	Ongoing Tax reform? Gender Strategy? PRSP?	Ministries involved? Development partners (DPs)?	Existing coordination structure in place?	Core output processes?	Level of competences?
Project design	Comprehensive gender analysis to feed into existing tax modernisation programme	<ul style="list-style-type: none"> •Ministry of Finance (Tax Policy Division) •Revenue administration •Ministry of Women •Ministry of Planning •Statistical Office •Parliament •Research institutions •DPs 	<ul style="list-style-type: none"> •Establish steering committee to oversee reform 	E.g. analyse tax policy division process of legal drafting w/r to gender	<ul style="list-style-type: none"> •Establish results-based monitoring •Seek external advice (think tanks) •Reach out to civil society organisations
Implementation	Work along results chain				



- No *explicit* bias: formal gender neutrality of the PIT
- However, *implicit* bias manifested in several ways:
 1. Joint filing and labour market incentives
 - Well-known bias with higher marginal tax rate for second earner due to progressivity of income tax system
 - Strong effects immediately tangible for taxpayers as wage tax design (PIT withholding regime for employees) can discriminate heavily against second earner (even though married taxpayers can opt for more equal distribution)

	Gross monthly wage	Wage tax due	Marginal tax rate
Case 1	2,500	131	22%
	1,250	187	36%
Case 2	6,000	1051	33%
	1,250	187	36%

2. Tax breaks and allowances

- Indirect subsidies favor certain types of income and taxpayers
- Special PIT treatment for wage payments on night shifts as well as work on Sundays and holidays → over 2/3 of the beneficiaries are men (source: German micro census 2008)
- Tax allowances for capital income: final withholding tax of 25% vs. up to 45% with regard to other income types → may impact women as they benefit less (less assets, smaller share of capital income as part of their wage)
- Challenges:
 - lack of data, and hence
 - no comprehensive tax incidence analysis
 - Possibly mainstreaming of gender analysis in policy-making



III. SME taxation and gender



- German Development Cooperation started research on SME tax regimes from a governance perspective in 2011
- Despite considerable reform efforts on the ground, revenues and increased accountability probably fall short of expectations
- Complements previous and ongoing efforts of WB/IFC and others
- Questions:
 - Why don't we see more SME tax reform?
 - What are promising approaches?
 - Have previous approaches to SME taxation been too technical or narrow in scope?



- Differentiation of enterprises according to size (most often turnover):
 - Standard VAT regime for those w/ turnover above VAT threshold
 - Presumptive tax regime for those below the threshold (mostly small enterprises)
- Option to fully register for VAT
- Low book-keeping requirements
- Need for limitation to prevent misuse of presumptive tax regime



- SME in some sectors are predominantly operated by women:
 - Women's share in entrepreneurship in DC: 34%
 - e.g. Zambia: 44% trading / retailing, 31% agriculture
- Women's businesses may face challenges: access to finance, management skills, lack of education
- SME taxation may affect enterprise formation and growth, as well as investments in both physical and human capital
 - Impact on the imbalance of power between genders?
- Potential for gender mainstreaming and empowerment within the tax system (tax policy and tax administration)

Is the tax system a good instrument in promoting gender equality?

- Competing objectives of SME taxation:
 - Revenue
 - Efficiency
 - Fairness / equity
- Introducing gender-motivated incentives to the policy design of SME tax regimes may come at substantial cost (administration / collection cost) and may raise other equity issues
- Tax administration might be better placed to respond:
 - Awareness campaigns
 - Taxpayer service points



Tax policy instruments	Description
TOT	3% tax on turnover, applies to all firms with a turnover below the threshold of 200 million ZMK
Base Tax	Lump-sum payment applied in all cases when there is no sufficient information about the company, in practice up to now mostly applied to marketeers
Presumptive vehicle tax	Lump sum payment differentiated by seating capacity of the vehicle
Income tax	Applies to individuals with earnings above threshold of 12 million ZMK
VAT	Applies only to firms above the 200 million threshold



→ Firms are either subject to TOT OR Base Tax
OR Presumptive Vehicle Tax



- Almost all Zambian businesses are micro, small and medium enterprises (MSMEs).
- Most SMEs are small, home-based, self-employed individuals or family enterprises.
- Characteristics of female owned firms: less productive because (1) located in low productivity sectors, (2) lower levels of capital per worker, (3) firms are smaller and (4) managers are less educated
- Further constraints: access to finance (very low capital stock (on average 55\$)), access to land, crime and theft, corruption
- 44% of women in trading and retailing, 31% in agriculture



- Tax policy (TOT, base tax, etc.) seems to be gender-neutral as presumptive payments (e.g. a 3% sales tax) might be passed on to the consumer
- Sector-specific analysis necessary to better assess the needs of women entrepreneurs and their specific challenges
- Possible approach:
 - improve business conditions for women
 - using tax administration as ,contact point‘



IV. Conclusion



- There potentially is a role for a gender perspective on taxation
- There is a need to better understand tax incidence
- Addressing the lack of data would be a useful start
- Implementing gender-oriented tax reform can quickly become complex and, hence, requires a multi-dimensional approach → **capacity development**
- The nature of SME tax regimes suggests that gender aspects might be better addressed by tax administration rather than tax policy design (e.g. raising awareness for gender biases)