Taxation and Gender Equity

CPRC Conference, Manchester

8 September, 2010

The context

- With economic crisis, countries struggling with deficits, and needing to raise tax revenues from new sources
- Increased insecurity
- Taxation a key part of the policy debate
- Major Reforms in tax policies
  - Increased reliance on indirect taxes, VAT
  - Major reform of income taxes – rates cut, bands

The issue

- What are the gender impacts of the changes in tax policies?

- Are there gender biases in the tax system?

- Has the shift to VAT increased the burden on poor women?

- How can tax reforms improve gender equity?

The research project

- An 8-country study in: Argentina, Ghana, India, Mexico, Morocco, South Africa, Uganda and UK

- Jointly coordinated with Caren Grown, American University and partners in the 8 countries

- Assessed income taxes (PIT) and indirect taxes (VAT, Excises, fuel taxes) in each country

- Presenting the findings across the countries

Gender bias in taxation, focussing on income taxes

- Explicit bias
  - Tax legislation explicit treats women and men differently
  - 3 cases found
    - Argentina where income from jointly owned assets is allocated to the husband
    - Morocco where 'dependant' includes wife, but not husband
    - India, where tax threshold is higher for women than for men

- Implicit bias
  - Where tax systems interact with gendered norms, relations and economic behaviour
    - e.g. tax credits to promote property ownership
  - Many examples
    - tax exemptions or credits for investment income in South Africa, Argentina and Ghana
    - Various work-related tax credits that apply only to formally employed

Indirect taxes

- Calculated the gendered incidence of indirect taxes: VAT, excises, fuel taxes

Methodology for Gendered Incidence

- Used income and expenditure surveys
- Observe expenditure, and calculate tax incidence
- Ideally, we need data on individual expenditure and consumption, but these do not exist

Gendered HH Typology

- Headship, but problemmatic
  - Male vs female
- Adult Sex Composition
  - F>M
  - M>F
  - F=M
- Employment
  - Male breadwinner
  - Female breadwinner
  - dual earner
  - no employment

Indirect tax incidence in Morocco

	Total tax	VAT	Excise tax	Fuel tax	Number of households
Head of household					
Male-headed	0.05565	0.04468	0.00807	0.0029	11819
Female-headed	0.05336	0.04538	0.00649	0.00148	2424
Employment categories					
Dual-earner	0.05954	0.04774	0.00871	0.00309	2742
Female-breadwinner	0.05108	0.04516	0.0045	0.00141	1114
Male-breadwinner	0.05494	0.04387	0.00826	0.0028	8726
No one employed	0.05071	0.04371	0.00498	0.00201	1661
Household composition by gender					
Adult male-majority household (HH)	0.05695	0.04454	0.00961	0.00279	3392
Adult female-majority HH	0.05376	0.04556	0.00574	0.00246	4980
Equal # females & males	0.05575	0.04418	0.00865	0.00291	5871
Total	0.05535	0.04477	0.00786	0.00271	14243

Highest Incidence of Indirect Taxes

| Incidence highest on	Total Indirect	VAT	Excises	Fuel taxes
Quintile 5	Ghana, Mexico, Uganda, Morocco	Mexico, Morocco, Uganda, UK		Argentina, Ghana, India, Morocco, South Africa, Uganda
Quintile 3-4	South Africa, UK	South Africa	Argentina, Morocco, South Africa	
Quintiles 1-2	Ghana, India	India	Ghana, India, Mexico, UK	Mexico, UK
Proportional	Argentina	Argentina, Ghana	Uganda	

Incidence by Gender-Headship

Incidence Highest on	Total Indirect Taxes	VAT	Excises	Fuel Taxes
Male-Headed Households	Argentina, Ghana, Mexico, Morocco, South Africa, Uganda, UK	Argentina, Ghana, India, Mexico, Morocco, South Africa, Uganda	Argentina, Ghana, India, Mexico, Morocco, South Africa, Uganda, UK	Argentina, Ghana, India, Morocco, South Africa, Uganda, UK
Female-Headed Households		India, Morocco	UK	Mexico

Incidence by Employment Status

Incidence Highest on	Total Indirect	VAT	Excises	Fuel taxes
Male Breadwinner HH	Argentina, Ghana, Mexico, South Africa, Uganda	Argentina, Ghana, Mexico, South Africa, Uganda	Argentina, Ghana, Mexico, Morocco, South Africa, Uganda	Ghana, Uganda, Morocco
Female Breadwinner HH				Mexico
Dual earner HH	Argentina, Morocco	Argentina, Mexico, Morocco, UK	Morocco	Argentina, Ghana, Morocco, South Africa, UK
No employed HH	UK		UK	

Gender impact greater for particular consumption categories – Food in India

Food tax incidence by family types across quintiles - India
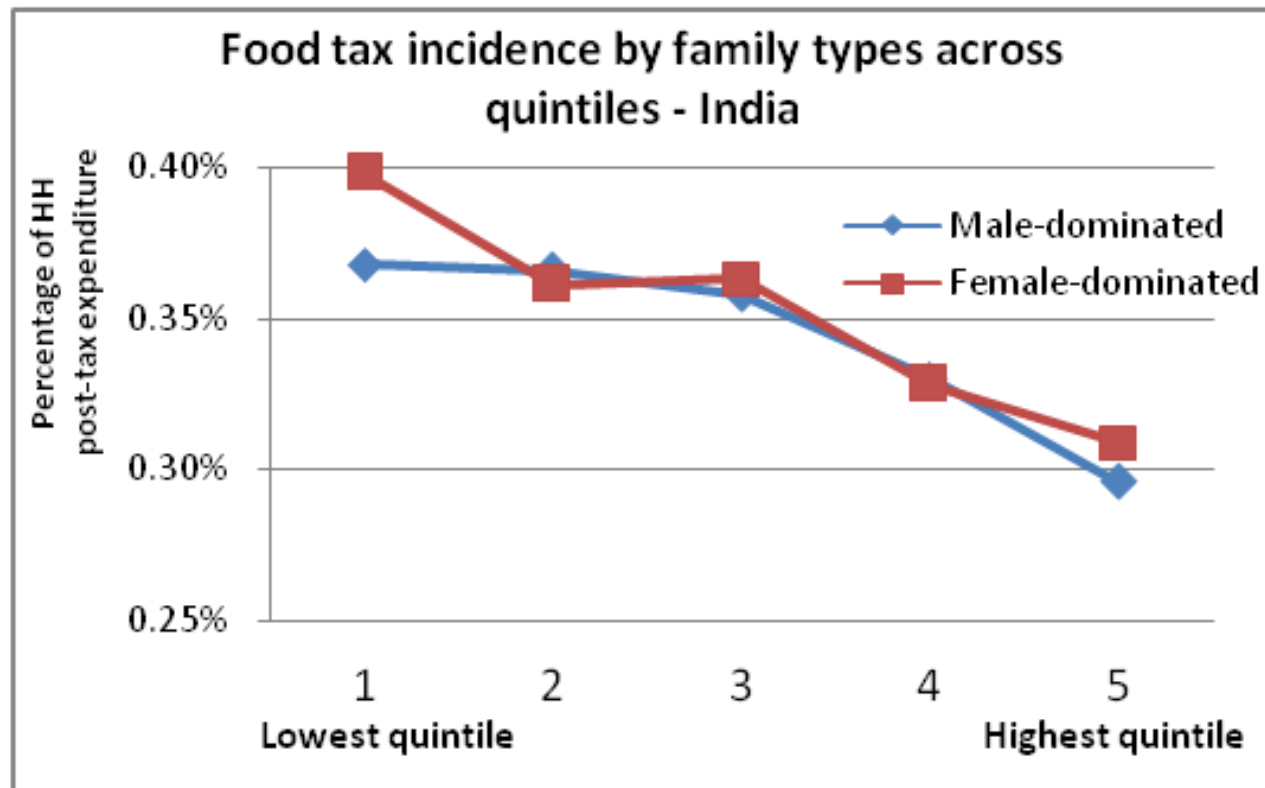
Category	Male-Breadwinner Household						Female-Breadwinner Household					
	1	2	3	4	5	Total	1	2	3	4	5	Total
Food subtotal	1.90	2.08	2.27	2.19	1.91	2.02	2.36	2.31	2.30	2.41	2.40	2.38
Basic- unprocessed food	0.97	1.15	1.15	1.02	0.76	0.90	1.35	1.29	1.19	1.14	1.01	1.09
Basic- processed food	0.47	0.54	0.62	0.71	0.65	0.64	0.60	0.60	0.62	0.69	0.79	0.73
Sugar/Confectionary	0.26	0.18	0.16	0.14	0.16	0.17	0.18	0.14	0.15	0.15	0.16	0.16
Other HH food items	0.57	0.44	0.52	0.46	0.50	0.49	0.69	0.51	0.50	0.52	0.48	0.50
Meals out	0.24	0.24	0.33	0.39	0.63	0.50	0.27	0.35	0.37	0.33	0.30	0.32
Non-alcoholic beverages	0.26	0.25	0.30	0.38	0.55	0.47	0.19	0.23	0.27	0.37	0.55	0.46
Alcoholic beverages	0.89	1.12	1.03	1.03	1.28	1.17	0.46	0.71	0.66	0.65	0.83	0.76
Alcoholic-Beer	0.67	0.86	0.92	0.61	1.12	1.05	0.73	0.96	0.79	0.85	0.88	0.87
Alcoholic-Spirits	1.29	1.20	1.04	1.13	0.93	1.04	0.89	0.78	0.61	0.49	0.51	0.54
Alcoholic-Wine					0.15	0.08	0.00	0.00	0.06	0.00	0.14	0.09
Tobacco	2.43	2.12	1.74	2.78	2.81	2.42	1.44	1.70	1.38	1.03	1.12	1.17
Clothing and footwear subtotal	1.40	1.41	1.17	1.17	0.93	1.07	1.20	1.06	1.01	0.97	0.97	0.99
Clothes and footwear- Adults	1.09	1.09	0.90	0.94	0.83	0.90	0.78	0.75	0.72	0.74	0.82	0.78
Clothes and footwear- Children	0.34	0.34	0.30	0.29	0.19	0.26	0.45	0.34	0.33	0.27	0.22	0.27
Housing, Water, Electricity, Gas Subtotal	0.20	0.23	0.33	0.27	0.27	0.27	0.16	0.18	0.16	0.13	0.31	0.23
Housing utilities	0.04	0.03	0.03	0.04	0.04	0.04	0.02	0.04	0.03	0.04	0.03	0.03
Housing general	0.19	0.23	0.34	0.27	0.28	0.28	0.18	0.19	0.17	0.12	0.31	0.24
Fuel for HH use	1.06	0.68	0.49	0.33	0.29	0.40	0.91	0.64	0.51	0.38	0.20	0.33
Furniture, HH Equipment and Maintenance	0.25	0.25	0.24	0.27	0.28	0.27	0.22	0.23	0.26	0.22	0.28	0.26
Domestic and household services	0.08				0.54	0.53	0.00	0.00	0.00	0.03	0.77	0.75
Medical expenditure	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transportation Subtotal	0.78	0.89	0.79	0.91	0.96	0.92	0.72	0.77	0.69	0.81	0.76	0.77
Transport- collective	0.87	0.93	0.79	0.81	0.84	0.83	0.96	0.79	0.70	0.81	0.76	0.77
Transport- private	0.39	0.26	0.18	0.62	0.68	0.57	0.21	0.28	0.09	0.14	0.30	0.27
Fuel for transport	1.65	1.95	2.01	1.62	3.20	2.74	0.00	1.06	0.23	1.43	1.67	1.63
Communication	0.20	0.21	0.20	0.33	0.56	0.47	0.12	0.15	0.19	0.23	0.41	0.34
Recreation	0.59	0.56	0.58	0.49	0.48	0.51	0.57	0.45	0.38	0.38	0.42	0.41
Education	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal care subtotal	0.54	0.45	0.37	0.31	0.25	0.31	0.55	0.41	0.37	0.31	0.24	0.29
Miscellaneous	0.16	0.18	0.12	0.24	0.23	0.21	0.14	0.10	0.09	0.11	0.15	0.13
TOTAL	6.39	6.17	5.69	5.73	6.60	6.28	5.09	4.95	4.67	4.87	5.34	5.10
Number of HHs in quintile	711	628	543	460	562	2903	156	357	447	512	464	1935

Other specific consumption items

- Tax incidence on utilities higher for female-type HHs, except in very low-income countries where the poor don't really consume such goods
- Children's clothing higher in some countries
- Alcohol and Tobacco – much higher incidence for male-type HHs

Making sense of the results

- Results are counter-intuitive
  - Women spend more of their incomes on consumption
  - VAT is a tax on consumption
  - Women (and poor) should bear a higher incidence
- All of the countries, except India, make use of reduced rates, and zero-rates on basic food and consumption goods
- These protect low-income HHs and women

Simulations

- How can gender-equity impact of the tax system be improved?
  - Simulations for zero-rating show major poverty and gender benefits
  - Ghana zero-rated children's clothing and showed positive gender outcomes
  - In Morocco lower VAT rates on tea, coffee and edible oils had positive gender outcomes
  - Reducing taxes on kerosene in Ghana
  - These reductions were 'funded' so that the net results were revenue neutal

South African simulations

Table 9. Effect on tax incidence and govt. revenue of VAT/zero-rating certain items

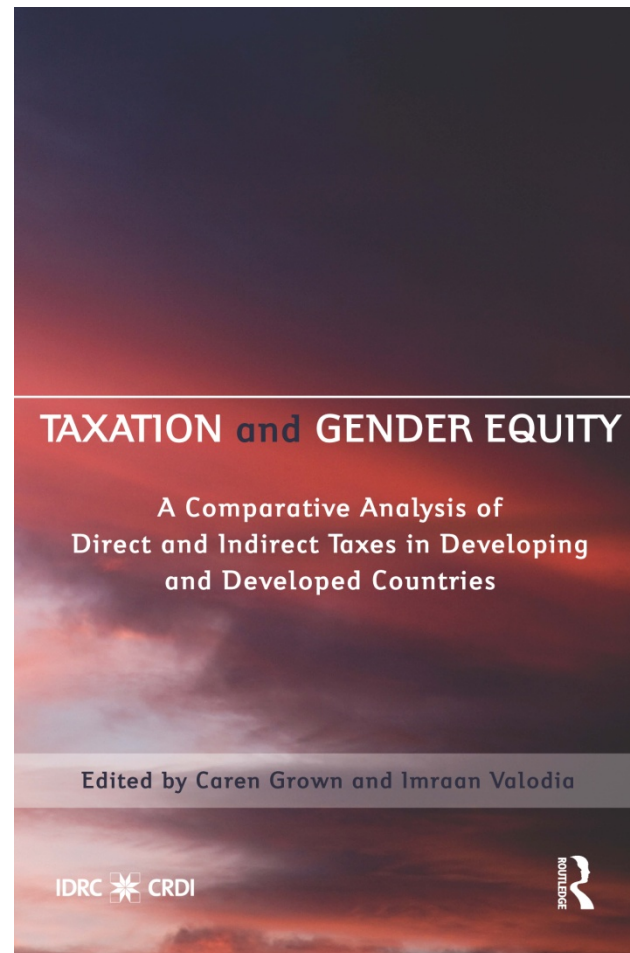|	Base incidence	Effect of VAT-rating (% change)		Effect of ZERO-rating (% change)			
	Tax incidence (% of exp)	Basic food	Paraffin	Other non-conf. food items	Children's clothing	Basic personal care items	Poultry
Male breadwinner	9.36	23.29	2.03	-20.19	-2.99	-3.21	-4.38
Female breadwinner	8.14	33.91	2.95	-24.45	-4.42	-4.18	-5.59
Dual earner	9.15	19.56	1.42	-19.02	-2.95	-2.73	-3.68
No employed	7.84	45.92	4.34	-25.89	-4.85	-4.72	-6.60
Ratio female/male % change		1.46	1.45	1.21	1.48	1.30	1.28
Q1	7.28	60.03	5.22	-26.37	-5.91	-5.77	-7.29
Q2	8.36	41.27	4.07	-25.96	-5.26	-4.78	-6.76
Q3	9.11	29.09	2.74	-24.15	-3.95	-3.95	-5.65
Q4	9.56	18.83	1.36	-21.44	-2.72	-2.93	-4.07
Q5	8.82	8.39	0.23	-14.17	-1.59	-1.59	-1.81
Ratio Q1-3/Q4-5 % change		4.79	7.57	2.15	3.51	3.21	3.35
Total	8.63	30.13	2.55	-22.25	-3.82	-3.71	-5.00
Loss/gain to fiscus per year (millions Rands, 2000 prices)		3 876	229	-4 788	-576	-618	-761

Source: Own calculations from IES 2000

Caveats

- Our results inter-HH, not intra-HH
- Sharing rule – equal splitting so no intra-HH issues explored
- Incidence on expenditure. In Mexico, incidence on income reversed some of the results
- No behavioral analysis included

Some policy issues

- Developing countries will increasingly rely on indirect taxes, so important to understand incidence by gender
- Lots has been done on income taxes but explicit bias still exists
- Lots of implicit bias. In the long term these best dealt with my policies that assist women to move into higher income groups
- Single filing probably best on gender equity grounds
- Issue of dependant care allowances: is the tax system the appropriate place to deal with these?
- Zero-rating of basic consumption goods very important, and results show that it can be done, even in low-income countries

The Book

TAXATION and GENDER EQUITY

A Comparative Analysis of
Direct and Indirect Taxes in Developing
and Developed Countries

Edited by Caren Grown and Imraan Valodia

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