Introduction

Considering revenue collection and taxation as a strategy in work for women’s rights and poverty alleviation is important for several reasons. In many countries around the world, the majority of the population - and a majority of women - are poor, and adequate financing of public services is a pressing issue. Moreover, since taxes are governments’ principal own-source revenues, tax policy is at the heart of the public debate on what services government should provide and who should pay for them, including the share paid by women and men as consumers, workers, and employers.

Both men and women need to be part of the debate that determines expenditure and revenue priorities. Finally, different forms of taxation, and the complexities of taxation systems, frequently include a number of gender biases. For example, consumption taxes may be biased against poor women who spend a larger proportion of their incomes on consumption goods. It is thus important to understand and eliminate these biases for both gender and social equity.

Although efforts to integrate a gender perspective into the processes of public budgeting have existed for almost 20 years, few of these have examined the revenue side of the budget. In 1984, the Australian government introduced the first ‘gender budget’ exercise, which led ultimately to a gender review of all federal, state, and territorial government expenditures and some elements of revenue. The South Africa Women’s Budget Project also considered the gender dimensions of revenue in 1998 and 2000. These efforts show that assessing taxation and revenue from a gender perspective is not easy. Nonetheless, as gender-responsive budgeting takes hold, scholars and practitioners are beginning to devise tools and methodologies to tackle the revenue side of the budget.

This paper is intended to provide information to assist in the analysis of potential gender bias in tax systems and the design of gender-sensitive revenue measures. The following sections provide an overview of issues of taxation in developed and developing countries, outline some basic concepts of tax, review the gender dimensions of specific types of taxes, and conclude with recommendations to improve gender equity in tax policy and suggestions areas for future research.
Tax Systems of Developed and Developing Countries

The tax systems of developed and developing countries include the same basic tax categories: direct taxes on income and wealth; indirect taxes on consumption; property taxes; and trade taxes. The most common direct taxes are the personal income tax, the corporate income tax, and wealth or inheritance taxes. The most common indirect taxes are the value-added tax (VAT) and selected sales and excise taxes. Property taxes may be imposed on real property such as land and housing, or on personal property such as cars and boats. Trade taxes may take the form of import or export duties. Table 1 below describes the principal components of total government revenue: tax revenue; non-tax revenue; and capital revenue.

The distribution of tax authority between national, provincial, and local governments differs in each country. There are at least two aspects of how taxation is distributed across the levels. First is who has authority to impose and collect it. Second is to which levels the money collected gets distributed. Usually broad-based taxes such as income and VAT taxes are assigned to the central government, while geographically specific taxes such as the property tax are local revenue tools. By spreading tax revenues across different tax instruments, ideally the fiscal system can better withstand economic fluctuations and can minimize the tax burden on any particular group of taxpayers or sectors of the economy.

A frequently used measure of the effectiveness of a country’s tax system, and/or its tax competitiveness relative to other countries, is the ratio of total tax revenue to Gross Domestic Product (GDP). This ratio varies widely among both developed and developing countries. Sweden, for example, had a tax/GDP ratio of 51% in 2002, whereas Australia and the US both had ratios of 30% and 29%, respectively in 2001. Among developing countries, there is a wide range: 7.8% in Bangladesh; 8.3% in India; 10% in Nigeria; 23.2% in South Africa; 26.6% in Jamaica; 31% in Barbados; and 32.2% in Botswana.

Stewart (2002) has noted that the tax/GDP ratio, while not wrong, is limited and not necessarily the most appropriate measure of a country’s financial well being because it fails to include the non-monetary economy and women’s unpaid contributions to the community. Nor does it account for non-tax sources of public funding such as ownership of state enterprises or natural resources. Although this criticism has merit, the indicator can still be useful to gender equality advocates. Elson (2005), for instance, argues that low values of this ratio are an indicator of gender bias, reflecting inadequate revenue to fund services that are important to women.

<table>
<thead>
<tr>
<th>Tax Revenue</th>
<th>Non-tax Revenue</th>
<th>Capital Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income taxes (individual and corporate)</td>
<td>Income from public enterprises and property</td>
<td>Sale of fixed capital assets</td>
</tr>
<tr>
<td>Payroll/Social Security taxes</td>
<td>Administrative fees and charges</td>
<td></td>
</tr>
<tr>
<td>Taxes on Goods and Services (VAT, sales, excise)</td>
<td>Interest receipts</td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>Other non-tax revenue</td>
<td></td>
</tr>
<tr>
<td>Trade taxes (import duties, export duties)</td>
<td>Other taxes</td>
<td></td>
</tr>
</tbody>
</table>

Table 1: Components of Government Revenue (Source: IMF 2002)
The following box provides a summary of the tax system in one country, Argentina, and its tax/GDP ratio.

**Box 1: Tax System Example - Argentina**

The Argentine tax system includes an income tax and various social security contributions, a VAT and a series of excise taxes, and trade taxes. These resources average 17%-18% of GDP. Provincial governments collect an additional 3% of GDP in own sales tax (a gross receipts tax, or GRT) and property and stamp taxes. There is a high degree of expenditure decentralization, financed through a complex system of revenue sharing and transfers.

Source: Cuevas 1990

---

The structure of tax revenue varies with the level of national income. In low-income countries, about two-thirds of tax revenue is raised through indirect taxes, including trade taxes (such as tariffs on imports), excise taxes (such as taxes on alcohol and cigarettes) and broad-based taxes on goods and services, such as a general sales tax or a value-added tax (VAT). In high-income countries, indirect taxes account for only about one-third of tax revenue. The other two-thirds comes from direct taxes. In low-income countries, income tax accounts for just over a quarter of tax revenue, while in high-income countries, it accounts for over a third of tax revenue.

**Principles of Tax Systems**

This section discusses three public finance concepts used in tax policy analysis: equity, efficiency, and ease of administration. To some extent, all three concepts depend on underlying assumptions and normative values and there is no unanimity regarding their practical application, but they are important terms in evaluating tax systems.

**Equity**

Equity in taxation expresses the idea that taxes should be ‘fair,’ and is a concept used in all tax policy analysis. However, it should be noted that equity/fairness is a normative, value-based concept and its interpretation differs across individuals, countries, cultures and time. Since it depends on one’s particular perspective, as well as the specific circumstances being considered, the concept is difficult to apply in practice.

Tax equity is commonly discussed according to four definitions of ‘fairness.’ These definitions are also normative, and sometimes conflict, so they too are difficult to apply in practice. However, they are a common reference point for discussion. Horizontal equity posits that taxpayers who are equally economically situated should be treated equally for tax purposes. Vertical equity posits that taxpayers who are not identical from an economic standpoint, but are differently situated, should be treated differently for tax purposes.

The limits in application of these principles can be seen in the following examples:

**Horizontal Equity:** Two households both earning 60,000 rupees per month would be considered to be the same for tax purposes. But if one household earns this income through the labour of one wage earner and the other from two wage earners, are they ‘the same’?

**Vertical Equity:** Of two individuals with income of 50,000 pesos, one saves part of her income for retirement, while the other spends all of her income on consumption. The former will pay more taxes as she earns interest on her savings, while the latter may consume more government services since she is without private retirement savings. Is this ‘fair’?

Two common measures are used for evaluating equity or fairness in the tax system. One measure is the ability-to-pay principle, whereby those with more income should bear a larger share of the tax burden than those with less. An alternative measure commonly used for user charges and local taxation is that of benefits-received, according to which it is fair to assess taxpayers in proportion to the benefits they receive from public services. From this perspective, those receiving the same benefits should pay the same, and those receiving higher/lower levels of benefits should pay more/less.

The most commonly accepted idea of fairness in taxation is that taxes should be progressive — those with lower incomes should bear a lower share of the tax burden than those with more. Progressive taxes are designed so that those with lower income pay a lower percentage of their income in taxes than those with more. Taxes that take a greater proportion of income from the poor than from the rich are said to be regressive. Income taxes can be made progressive by a structure of increasing marginal tax rates applied to higher brackets of income and/or through allowable credits and deductions and no-tax thresholds, which reduce the tax burdens of the poor. Consumption taxes are generally regressive, since the poor spend more
of their income on consumption than the rich. Consumption taxes can be made less regressive through targeted exemptions, or lower rates for goods purchased primarily by the poor, and/or through special taxes or higher rates on luxury consumption items primarily purchased by the rich.

Gender equity in tax policy can be examined from several perspectives. First, according to the principles of horizontal and vertical equity, to the extent that women as a group or on average are situated similarly to men in terms of economic roles, behaviour or income, they should be treated similarly by the tax system; to the extent that they are situated differently, they should be treated differently. It is important to recognize that since gender interacts with race, ethnicity, and geography, the concept of horizontal gender equity should be further extended along these lines. Secondly, since the vast majority of women in the developing world are poor, tax policies that address vertical equity and ability-to-pay will also improve tax equity for most women.

The Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) contains a set of principles that are relevant to this discussion of gender equity in tax policy. Although the Convention does not contain any explicit reference to taxation, Articles 1, 2, 5, 13, 15, and 16 contain general principles of substantive equality that can be brought to bear on tax policy, including that marital status is not an acceptable basis for any distinctions, exclusions or restrictions which impair women’s equality with men, which is especially relevant to personal income tax rules (Elson 2005). Taken together, these articles imply that women must be treated equally to men in tax law and tax reforms should aim to be CEDAW compliant in those countries that have ratified the Convention.

Some tax reforms are superior to others from the perspective of promoting gender equality. If a government wants to raise more revenue, raising the rate of income tax generally can do more to achieve substantive equality between women and men than raising the rate of VAT or reducing the number of VAT exemptions. If a government wants to reduce tax payments, exempting more basic items from VAT generally does more to achieve substantive equality between women and men than reducing the rate of VAT, and both are generally better than reducing the income tax rate.

Efficiency and Neutrality

Taxes ‘cost’ individuals and businesses through the loss of income that is transferred to government. If the income is ‘recouped’ by the same individual/business through public services, there is no net cost to the individual.

However, orthodox public finance theory holds that all taxation, except lump-sum taxes,8 imposes an ‘efficiency cost’ on society because individuals and businesses change what would otherwise have been ‘optimal’ decisions about labor, investment and production. These non-‘optimal’ decisions reduce overall economic output and growth. According to the theory, when taxes reduce social welfare — whether directly or indirectly — by more than the amount of revenues they produce, they are considered to be ‘inefficient.’ Orthodox economists argue that good tax policy should aim to produce the desired revenue and/or social goals of redistribution, environmental protection, etc., while minimizing what they claim are distortions to the economic decisions of individuals and businesses, and therefore the ‘cost’ to society. Orthodox economists contend that distortions are impossible to eliminate completely, but a good tax system will seek to minimize them.

Feminist economists have especially criticized the orthodox notion of efficiency. Diane Elson (1999), for instance, argues that efficiency is too often conceptualized and measured in ways that focus only on market-oriented production and ignore other important economic and social objectives. She argues for an alternative approach to the one described above, one that defines efficient not in terms of ‘distortions’ but in terms of collectively agreed upon social and economic objectives that encompass human welfare. This broader notion of efficiency would recognize not only that taxes affect individual decisions about behavior and income but would also seek not to jeopardize broader social and economic welfare.

Recognizing that taxes have an impact on individual behavior, many economists and tax lawyers often argue for tax neutrality by which they mean that the tax system should not provide incentives for one type of behavior over any other type of behavior. Some feminists also support this view. Claire Young (2000), for instance, argues that choices — such as those to marry or remain single — should not be made in response to any preferential tax treatment. Elson (2005) concurs with this view for income taxes, but
she also points out that some types of socially desirable
behaviour – especially behaviour that has external and
public effects – could be encouraged through some types
of taxes. Consumption taxes, for instance, could
courage health-promoting behaviour by taxing cigarettes
and alcohol more than fresh fruits and vegetables.

The Equity-Efficiency Trade-off

Traditional public finance theory suggests that
policymakers should design taxes to raise needed
revenues while addressing equity concerns and mini-
mizing economic inefficiency. Since equity and effi-
ciency are themselves normative principles, and often
require a normative decision to determine the primacy
of one over the other, the ‘trade-off’ between the two
is a political decision and is at the heart of fiscal policy
debates in many countries. As noted above, there are
different notions of equity and efficiency that play out in
these debates. There is also disagreement about the
size and very existence of the trade-off.

Each country must determine through its political
processes and within its own social and economic
context how it defines these terms and their relative
priority. And regardless of the answers, each country
faces difficult tax policy decisions in seeking to raise
revenues to support public services. The government
can reduce the amount of targeted revenue in order to
keep the tax burden low, but this in turn reduces the
level and quality of public services that can be provided.
An alternative is to collect the needed revenues by
imposing a higher burden on wealthier taxpayers and/or
on businesses, but this risks political opposition or the
loss of the high income tax base due to relocation,
especially in conditions of liberalized open markets. A
third alternative is to increase tax rates on all taxpayers,
including those with low income, but this leads to an
increased burden on the poor. The role of good tax
policy is to make sure that political decision-makers and
the public have full information about these crucial
decisions, so that they can be made in a democratic and
transparent manner. It is important that the voices of
gender equality are heard in these discussions.

Ease of Tax Administration

The third ‘E’ of tax policy is that taxation should be easy
and relatively inexpensive to administer. Administration of
a tax system must be funded from public revenue, reducing
the amount of revenue available for other public services.
In developed countries, the cost of collecting taxes has
been estimated at one percent of tax revenues, and in
developing counties, at possibly twice this. There may also
be compliance costs to taxpayers in time and effort. To
reduce the overall cost, the structure of the tax system
should take into account the conditions of the country and
its ability to administer and enforce the tax code. For many
developing countries with conditions of low literacy, poor
infrastructure, and weak civil service, consideration of the
ease of administration is a particularly important factor in
the design of tax policy.

Achieving greater administrative simplicity is a goal for
many governments and external experts who advise on tax
reform programs. Simple tax systems are easier to
administer and may secure greater compliance from
taxpayers. The rules are also likely to be more transparent.
But, it also needs to be recognized that the way tax is
collected, as well as the design of tax policy, will influence
both perceptions of fairness and efficiency of the system.
For instance, greater simplicity might conflict with the goal
of greater equity as was illustrated by the case of the
British Poll Tax (see box below).

Box 2: The Ill-Fated UK Poll Tax

Former British Prime Minister, Margaret Thatcher,
implemented a Poll Tax that replaced a local
property tax that had become unpopular. The Poll
Tax was levied on each person in a household at a
fixed rate, which made it easy to administer.
However, most of the population regarded the tax as
unfair. Households containing several high earners
with large property found their tax liability much
lower under a poll tax while low-income households
with little property found their bills much higher. As
a result, people refused to comply, did not register
on the electoral register, and evaded the census
enumerator. As a result, the Poll Tax was ultimately
repealed and replaced by a fairer property tax.

Tax Reforms and Fiscal Decentralization

Both developing and developed countries have engaged
in periodic tax reform and fiscal decentralization efforts
over the last several decades. Post World War II
reforms, which recognized a strong role for the state,
included tariff protection for domestic industries (high
import taxes), input subsidies, and favorable domestic
tax regimes through concessions to business for
investment. Natural resource sectors and agriculture
were taxed relatively heavily through export taxes.

Today’s reforms have changed this emphasis. In
developing and transition economies, tax reform is
frequently driven by international agencies such as the
World Bank and the IMF, seeking to address countries’
budget deficits and to open markets to globalization. Their recommendations have resulted in the following reforms in most countries: a) simplification – eliminating minor taxes and consolidating others so as to reduce the number and complexity of taxes; b) base-broadening – bringing various forms of in-kind income into the base of the income tax and reducing special credits and exemptions; c) rate reduction and harmonization in personal and corporate taxes – reducing top marginal tax rates and making these consistent across personal and corporate income taxes, and reducing the number of applicable tax rates and/or tax brackets; d) the creation of a single-rate, broad-based VAT that is relatively simple to administer; e) the reduction or elimination of import duties and export tariffs.

In the US, Western Europe, and Australia, the emphasis of tax reform has been on reducing tax rates, and especially on providing tax relief to the rich and to businesses on the argument that this will stimulate investment and production (‘supply side economics’). Developed countries rely heavily on income taxes, so tax reform has emphasized simplifying personal income tax rate structures, lowering top marginal rates, and bringing personal and corporate top marginal rates in line.

In both developing and developed countries, there is concern that tax reform has adversely affected the poor both from the tax and the expenditure side. In developing countries, the increased reliance on indirect taxation such as the VAT has raised concerns about regressivity. Since low-income households generally spend a higher proportion of their income than high-income households, single rates can result in poor families paying a larger share of their income in sales tax than rich families. The standard response by governments is to take steps to exempt or zero-rate key commodities that the poor consume, such as food and fuel.

In developed countries there is evidence of an increase in the tax burden of the lower and lower-middle income groups and a reduction in the tax burden of the highest income groups. In both developing and developed countries, reductions in overall tax revenues have resulted in a ‘fiscal squeeze’ which can mean the reduction of needed public services with adverse effects in the short-term on the poor and low-income and in the long-term on overall social and economic development.

Tax reform has also posed two specific issues with explicit gender implications. First, the emphasis on tax simplification in both income and consumption taxes has led to policy recommendations to limit deductions and exemptions. Such limits have equity implications from both a class and a gender perspective. In the personal income tax, the restriction of certain deductions and exemptions that provide tax relief to women – for example childcare deductions, dependant exemptions, or deductions for insurance and pension contributions – may create gender inequity. In Japan, reform of the personal income tax in 1989 exacerbated gender inequality. Shibata (1994) found that changes to the rate and deduction structure discouraged married women to enter paid employment. In consumption taxes, the elimination of exemptions on goods and services that are primarily consumed by women or are of primary importance to women could create gender bias. And in both types of taxes, base broadening, which imposes a higher burden on the poor, will also create higher burdens for women who are disproportionately poor in developed countries, and primarily poor in developing countries.

However, the process of tax reform can be used to reduce or eliminate gender inequities. Smith (2000) analyzed the gender implications of South Africa’s efforts to reform direct and indirect taxes. In 1994, a commission was appointed to review the tax system and make recommendations for improvement. The Katz Commission, as it was known, placed great emphasis on equity as a key principle, along with a concern for poverty and income inequality. Some of the changes that have taken place since 1994 eliminate formal discrimination based on gender, including introduction of a unified income tax rate structure for individuals; the removal of the distinction between married and unmarried households; and introduction of tax relief for low and middle income taxpayers through adjustments to tax rates and income brackets.

Smith (2000) points out, however, that these changes have not eliminated all forms of discrimination against women in South Africa. The new
system discriminates against households with only one income earner, who pay over four times as much income tax as households with two income earners and the same income and number of dependants as the one-earner household, which is problematic given South Africa’s current demographic structure. Gender bias also continues to exist in the way that tax deductions are permitted in the new system. The allowance for travel and accommodation are biased toward men. Although reforms in the personal income tax closed some of the most egregious gaps between women and men, it did not close gaps between rich and poor individuals and rich and poor households. Since women in South Africa predominate in informal employment or work in low-paid formal sector jobs, relatively few women have benefited from a more progressive income tax system. More recent reforms seeking to give relief to low-income individual earners may, however, correct these biases.

**Fiscal Decentralization**

An emphasis on fiscal decentralization has been part of tax policy reform in developing and former socialist countries in the last few decades. The theory of fiscal federalism allocates expenditure responsibilities and tax authority between the various levels of government: national, provincial/state, and local/municipal levels. The national government has expenditure responsibility for services that cannot be provided locally, such as defence; basic public institutions, infrastructure, and services that address redistributional goals, such as equalizing a basic level of development across regions; and ‘merit goods’ which the society deems should be provided to all citizens. Lower levels of government have responsibility for locally provided services. The theory of fiscal decentralization argues that citizens in a particular region or location can decide their own specific preferences for government services as indicated by their willingness to pay for those services through local taxes and fees.

Decentralization can have serious equity implications if expenditure responsibilities are devolved to lower levels of government that lack revenue instruments to support these responsibilities and if no money from national government or elsewhere follows. In many local areas of developing countries there is practically no tax base at all. In others, taxation of local bases such as property or agriculture has no relation to the taxpayer’s ability to pay, creating an unfair tax burden on the poor and especially on poor women. In addition, a range of charges can occur at the local level, which is often inequitable between and within localities.

In most systems of intergovernmental fiscal relations, there is sharing across levels of government for some services, such as health and education, but other services are a distinctly local responsibility, such as sanitation, parks and playgrounds, etc. Mid- and local-level governments can receive grants or transfers from tax revenues collected nationally, and/or they may be authorized to apply a separate local tax rate to a tax base also used by the national government. Sub-national levels of government are also expected to rely on own-source revenues. Property taxes and user fees, charges for services or products provided by the government, are the most common local source of revenue. But in order to cover costs, user fees are often set so high as to create a burden on the poor and/or to limit access to basic necessities such as water.

In the past two decades, user financing of basic social services became common practice in many developing countries, and user fees have become an alternative to tax-based financing for public services. A critical debate in developing countries centres on whether user charges should be imposed on basic public services like water, electricity, health and education. User fees that are more commonly accepted are for selected locally provided optional services such as public transportation and parks and recreation.

Proponents of user fees argue that governments need revenues and charging users for services is an efficient way to raise money for these services. They also argue that user charges may be an effective method of reducing consumption of scarce resources. This argument is based on the idea that user fees allow governments to impose the cost of services on the citizens who use them and allow market forces to set an economically efficient level of services. Additionally, proponents argue that user fees are especially appropriate when state or local governments provide services that also are provided by the private sector, particularly if they are not core government services.

Opponents of user fees argue that there is growing evidence of the equity losses: reduced utilization of services and negative effects on well being and health resulting from the introduction of user fees. In most cases user fees have the unintended effect of decreasing access to basic services (education and health, in particular) by the poor. Opponents also claim that user fees for health and education do not appear to generate adequate revenue to support even basic provision of these services. National user fee systems have generated an average of only around 5% of total recurrent health system expenditures, gross of administrative costs. The cost recovery levels for health services range from 0.5% in Burkina Faso (1981) and Guinea...

**Gender Biases by Type of Tax: Explicit and Implicit Bias**

Because tax systems evolve over time and reflect prevailing social and cultural norms that often discriminate against women, most tax systems contain gender bias. Stotsky (1997a) presents a useful conceptual framework for understanding this bias – both in its explicit and implicit forms. Table 2 shows the possible types of gender bias for four principal taxes: personal income tax; corporate income tax; commodity taxes; and trade taxes.

<table>
<thead>
<tr>
<th>Table 2: Types of Gender Bias by Tax (Source: Stotsky 1997a)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Explicit</strong></td>
</tr>
<tr>
<td>I. Personal Income Tax</td>
</tr>
<tr>
<td>A. Separate Filing</td>
</tr>
<tr>
<td>i. Allocation of non-labour and/or family business income</td>
</tr>
<tr>
<td>ii. Allocation of tax preferences</td>
</tr>
<tr>
<td>iii. Rate structure</td>
</tr>
<tr>
<td>B. Joint Filing</td>
</tr>
<tr>
<td>i. Allocation of tax preferences</td>
</tr>
<tr>
<td>ii. Responsibility for filing</td>
</tr>
<tr>
<td>iii. ‘Marriage tax’ (marginal rates)</td>
</tr>
<tr>
<td>II. Corporate Income Tax</td>
</tr>
<tr>
<td>III. Commodity Taxes</td>
</tr>
<tr>
<td>A. VAT or broad-based sales</td>
</tr>
<tr>
<td>B. Excise or selective sales</td>
</tr>
<tr>
<td>IV. Trade Taxes</td>
</tr>
<tr>
<td>A. Import duties</td>
</tr>
<tr>
<td>B. Export taxes</td>
</tr>
</tbody>
</table>

Explicit bias is found in specific provisions of the law that treat men and women differently. Explicit biases are relatively easy to identify since they depend largely on the language used in the tax code or tax regulations. They are more common in personal income tax arrangements than in other forms of taxation in both developed and developing countries. Implicit gender bias – different impacts on men and women because of different social arrangements and economic behaviour – may be found in personal income tax systems if they have joint filing requirements that tax secondary-earner incomes (primarily women’s) at a higher marginal tax rate, thus affecting women’s labour supply and other decisions. Implicit bias may also be found in other taxes such as consumption taxes, trade taxes, and corporate taxes to the extent that they impact female and male taxpayers differently and in the way that payments are linked to the receipt of benefits under social insurance programs.

Although the concept of implicit and explicit bias is useful in identifying sources of gender inequality, it may not always work as a guide to policy. Elson (2005), for instance, points out that Stotsky’s concept of bias implies that it consists of treating men and women differently.
and that a non-biased system would treat them the same. However, in order to achieve substantive equality, different groups in society may require different treatment. There may be situations, therefore, where different treatment may not necessarily be biased treatment.

**Personal Income Taxes and Gender Bias**

In developed countries, the Personal Income Tax (PIT) raises desired revenues from a broad tax base with reasonably low rates. Its base of wage and non-wage income grows with the economy and keeps up with inflation. In countries with high literacy rates, the PIT is also fairly easy to administer. It can be used to address equity and redistribution goals through a progressive tax rate structure, with marginal rates which impose a lesser burden (or guarantee a minimum income) at the lower end of the income scale, and a gradually greater one at higher ends, following principals of vertical equity and ability-to-pay.

In developing countries, however, the PIT is often a more limited tax mechanism for several reasons: a) high rates of poverty mean that the personal income tax base is weak and narrow, and there are greater needs for redistribution; b) steep progressivity in marginal tax rates may unfairly burden those employed in the formal sector, and/or create incentives for tax evasion and corruption by the small wealthy elite; c) high rates of illiteracy and a weak civil service infrastructure make the tax difficult to administer and enforce.

The appropriate unit for personal income taxes has been a subject of some debate in both developed and developing countries. The tax unit is the unit over which the income tax base is aggregated. In principle, the definition of the unit can vary for different types of income, although in practice, the assessment unit is usually either the individual or a married couple.10

**Individual filing** refers to a system in which each person liable for income tax files an individual return. Although this system recognizes married women as individual taxpayers, it may still be subject to several forms of explicit bias against women. Stotsky (1997a) identifies three forms of explicit biases against married women in individual filing:

- Allocation of tax exemptions and allowances to husbands but not to wives, as in Jordan (although husbands may request that exemptions be granted to wives and married women may receive exemptions if they are the sole earner).11
- Attribution of married women’s non-labour income to husbands. Many countries have rules in which profits, rents, dividends and interest are regarded as the income of the husband and are included on his tax return, even if in fact they belong to the wife. In many countries, such as Tanzania, the profits of family businesses are regarded as the income of the husband, irrespective of the wife’s roles in the business.
- Higher tax rates for married women than for other taxpayers (unmarried women, and married and unmarried men), as for example in South Africa, in the early 1990s (Smith, 2000:10).

Some forms of implicit bias exist against married women in individual filing systems, where for instance, they do not face higher marginal tax rates on the income they earn, but do so on their non-labour income if that is attributed to their husbands. Even if there is complete individual filing of all income, there can still be an implicit bias against women deriving from the treatment of tax allowances or tax credits.

**Joint filing** refers to a system in which the personal income of a married couple, from whatever source, is aggregated in a joint tax return. Joint filing was common in the industrialized countries although in recent years many have moved to individual filing. Joint filing is less common in developing countries because different types of income (e.g., wage income and property income) are subject to different tax rules.

Stotsky (1997a) identifies two kinds of explicit bias against women in joint filing:

- In those systems where husbands have sole responsibility for filing and wives have no separate existence as taxpayers, as was the case in France until 1983 and the UK until 1990.
- In those systems that allocate tax exemptions and allowances to husbands but not to wives - for example, allowances for married men for the expenses to support a household, but not for married women, or allowances that married men may claim for children but not married women.

Explicit discrimination is less frequently found in joint filing than in individual filing systems, since the taxpaying unit is the couple. In other words, it is not possible to have explicit bias in the tax rates for men and women.

There is more frequently implicit bias against women in joint filing systems. Wives tend to face a higher marginal tax rate on their income than their husbands because they usually earn less than their husbands, but their incomes are taxed at a
rate on the aggregate of their own and their husband’s income. This tends to put them in higher tax bracket than they would be if only their own income was considered. This is often referred to as the ‘marriage tax’ on women. Most economists consider the marriage tax as a disincentive for women to participate in the labour market, because of the low after-tax earnings she will obtain. This disincentive does not exist in situations of individual filing.

**Commodity Taxes (VAT, Sales, Excise)**

Economists have argued for centuries that taxation should be imposed on consumption not income, in order to avoid the disincentives to paid labour, investment and savings that income taxes create. However, commodity taxes impose a greater tax burden on the poor than on the rich because the poor spend most or all of their income in basic consumption. Commodity taxes also alter the relative prices of taxed and untaxed goods and thus alter individual and household decisions about consumption, and business decisions about investment and production. Commodity taxes generally seek to apply the lowest rate possible to the broadest possible tax base, with minimal exemptions.

The value-added tax (VAT) has become the predominant form of commodity taxation in many developed and developing countries. By April, 2001, 123 countries had some form of VAT; 27 countries in sub-Saharan Africa had a VAT, compared to only four in 1989 (Ebrill et al. 2001 Table 1.1). The most populous countries without central VATs are India and the US. Developing countries that have adopted a VAT have relatively higher GDPs per capita and rely somewhat less on international trade than countries without a VAT.

There is broad agreement among public finance experts on which goods to tax under the VAT. Economists distinguish between ‘merit goods,’ which are socially desirable goods that have positive effects on the consumer and others; ‘demerit goods,’ which are those that have adverse effects on consumers and others; basic necessities, which are essential for survival; and luxuries. It is justifiable to tax merit goods and basic necessities at a lower rate than demerit goods and luxuries. In many VAT systems, preferential treatment is therefore applied to goods and services that are considered necessities and merit goods, such as food and medical care, so as to minimize the burden on the poor, and to goods and services that for administrative reasons are difficult to tax, such as financial services (see Box 3 on Trinidad and Tobago for an example). Tax preferences can also be given to certain purchasers or producers, such as non-profit institutions or the government. Most countries with a VAT exempt agriculture, because a large share of the agricultural sector is informal and most of the poor are active in that sector (Le 2003).

**Box 3: Case Study on Trinidad and Tobago**

Trinidad and Tobago incorporated in its VAT regime numerous zero and reduced rates and exemptions that were intended to make the system less regressive than the previous purchase tax. Zero rates were granted to basic goods, in addition to exports, and exemptions included health-related services, most of education, rental of residential property, bus and postal services. Even with these poverty-relief features, the VAT is seen as a successful revenue-raising tool.

Source: Le 2003

**Gender Bias in Commodity Taxes**

Commodity taxes such as VAT alter relative prices between taxed and untaxed goods. Gender biases in such taxes tend to be implicit rather than explicit. Elson (1999) and others point out that gender biases can result from women’s differential consumption patterns. Although the exact nature of these patterns must be discerned in a specific consumption context, generally it has been found that women tend to consume goods and services that benefit family health, education, and nutrition, while males consume more of their income on personal items. Thus, women may bear a disproportionately larger burden of indirect taxation. At the same time, Ingrid Palmer (1995) argues that the exemption of a range of essentials can turn a VAT into a modestly progressive tax. Since men and women partly purchase and produce different goods and services, she suggests that VAT-exemptions can be used as a policy instrument to advance gender equity.

Commodity taxes also alter relative prices between the paid and the unpaid care economy and in so doing affect the distribution of work between them.
This distribution has clear gender implications, although no study has yet addressed this question.

**Trade Taxes**

Taxes on foreign trade take the form of import and/or export duties. They are similar to broad-based domestic consumption and excise taxes but typically apply to a broader range of commodities than excises and have different rates. Trade taxes (import tariffs and export taxes) have been important policy instruments for resource allocation purposes (i.e., protection for import-competing sectors), and for revenues. Developing countries have historically relied heavily on trade taxes because other tax bases and tax administration capability are weak, and trade taxes are relatively easy to assess and enforce.

However, the relative weight of trade taxes has declined over the last two decades because of trade liberalization policies. In contrast to economic theory which predicts that revenue losses can be recouped from the domestic tax system, the evidence shows that middle- and low-income countries that have reduced trade taxes have not recovered those revenues from other sources. Middle-income countries have recouped between 45 and 60 cents for each dollar of lost trade tax revenue, while low-income countries (which are the most dependent on trade taxes) have recouped at best no more than 30 cents of each lost dollar (Baunsgaard and Keen 2005). Trade taxes, therefore, continue to be an important source of revenue for the governments of low-income developing countries.

The South Africa Women’s Budget Initiative examined the gender dimensions of customs and excise taxes in that country. Goldman (2000) identifies three ways in which tariffs affect women: as workers in sectors of the economy where goods are imported and exported (e.g., clothing and agriculture), as consumers of imported goods (e.g., medicines), and as traders in export goods. In South Africa, women predominate in labour-intensive industries, such as clothing and textiles, which were hard hit by import tariff reductions. The reduction of import tariffs on basic goods such as clothing and food resulted in lower prices would be a benefit for poor women. These benefits, however, must be weighed against the job loss in the affected industries and the spillover effects to the overall economy. Stephanie Seguino has pointed out that tariff cuts that lead to job losses can lead to a decline in wages in the non-protected sectors as workers from the protected sector seek employment.16 Further, depending on the spillover effects, economic downturns can set in, causing widespread job losses, and cuts in public expenditures. This area is relatively understudied and more analysis needs to be done to understand the gender dimensions of trade taxes.

**Conclusions**

Tax systems are not gender neutral. They contain both explicit and implicit gender biases. Analyzing taxation through a gender lens can reveal these biases and be a stimulus to reform. Such analysis can advance the commitment made by governments in the 1995 Platform for Action following the UN World Conference on Women to incorporate a gender perspective in budgetary processes as a means of supporting gender equality and development programs that enhance women’s empowerment.

There are several steps to advance gender revenue analysis:

1) Support and expand existing efforts to improve the collection of sex-disaggregated data in countries around the world. Tax policy units in Ministries of Finance can be supported in their collection, processing and analysis of sex-disaggregated as well as other needed data, and can produce tax analysis reports. Tax administrators might also consider collecting information on filers by sex. Gender budget analysts and activists could create a list of standard data that should be collected in order to do adequate gender analysis in their particular country.

2) Support a legal review of tax law in developing countries, to identify explicit bias and formulate recommendations for change. Within countries, or at a more aggregate level, gender budget initiatives should consider developing a list of areas of the tax code with potential gender bias to be examined and corrected.

3) Support research on the equity improvements that could be attained if a greater share of tax revenue is shifted from indirect taxation to more progressive direct taxes. These studies should focus on the distributional consequences, as well as on administrative and implementation aspects of personal and corporate income taxes. For those countries where personal income taxes represent a larger share of total tax revenue, gender budget advocates should look at potential biases in individual and joint filing, as well as biases in the structure of exemptions, deductions, and allowances.

4) Conduct research on gender bias in indirect taxes – such as in VAT, consumption taxes or trade taxes. Gender budget analysts should examine the nature of
exemptions provided under the VAT and whether these exclude small taxpayers and food and basic necessities that contribute to human capital development, including health and education.

5) Introduce pilot gender-aware revenue initiatives in a small number of developing countries where minimum data requirements can be met. These gender-aware revenue initiatives could take the form of a Gender Revenue Analysis Report, following the model of Tax Expenditure Reports that were adopted by many tax jurisdictions during the 1980s. In these reports, the limits of data and assumptions for each type of analysis are clearly explained but the issues are identified and quantified to the extent possible in order to inform public decision-making.

This paper has focused on taxation and user fees. Further work could usefully explore the impact of local taxes, such as property taxes and license fees, on gender equity. Further work is also needed on the gender impacts of foreign assistance, since many very poor countries depend for a large share of their revenue on foreign assistance. Finally, another important focus for research could be gender analysis of government financing options, including domestic and foreign borrowing.

Appendix 1: Tax Terminology and Concepts

**Excise Tax:**
A type of sales tax on certain commodities, for instance, alcohol and cigarettes, excise taxes may be either a unit tax, based on a fixed price per unit of product (such as 10 cents per gallon of gasoline) or an ad valorem tax based on a fixed percentage of the selling price. Excise taxes are usually regressive, placing a heavier tax burden on the poor than on the rich.

**Fiscal Federalism:**
The theory of fiscal federalism allocates expenditure responsibilities and tax authority between the various levels of government: national, provincial/state, and local/municipal. The national government has expenditure responsibility for services that cannot be provided locally, such as defence, basic public institutions, infrastructure, and services that address redistributional objectives, such as equalizing a basic level of development across regions, and ‘merit goods,’ those goods and services where the social benefits exceed the private benefits. Lower levels of government have responsibility for locally provided services and the authority to raise revenue through property taxes, user fees for public services, and sometimes retail sales taxes.

**Fiscal Policy:**
The overall policy for government spending and taxation to achieve a government’s economic goals, fiscal policy can be used to influence the level of consumption and investment in an economy and to change the incentives faced by households and firms in order to encourage or discourage certain types of economic behaviour.

**Marginal Tax Rate:**
The tax rate paid on the last unit of one’s income. In a graduated tax system (which most countries use), this rate will be equal to or higher than the tax rate paid on an individual’s entire income, since the tax rate is lower for the first units of income than for subsequent units of income. Wives tend to face higher marginal rates on their incomes than do men because they usually earn less than their husbands and their income is taxed at a rate determined by the total of their own and their husband’s income. This puts them in a higher
Appendix 1: Tax Terminology and Concepts, continued

tax bracket than they would be if only their own income was considered.

**Tax Administration:**

A country’s tax system must be consistent with its level of administrative capacity. Developing countries especially suffer from inadequate tax administration resources, the lack of both quantity and quality of civil service workers, low public sector salaries, and high levels of corruption. Thus, tax administration considerations are an especially critical issue for the design of tax systems in developing countries. There may be gender bias in tax administration if women, in their taxable activities, are more vulnerable to sexual harassment, bribes, or other behaviours.

**Tax Base:**

A country’s overall economic base, to which its various taxes can be applied, is its land, labour, capital, mineral resources, and level of production and consumption. Some countries have unique resources such as oil, and/or diversified economies, while others have a very narrow tax base, with only minimal economic resources or activities on which to draw for own-source revenues. For any specific tax, the tax base covers the resources to which the tax rate is applied. For the same amount of revenue desired, if the tax base is broad, the rate can be lower than if the base is narrow. A tax on a base of economic activities or assets that is more common to one sex than the other may result in gender bias.

**Tax Burden:**

Tax burden is defined as the ratio of the tax payment to taxpayers’ disposable income. Tax burden analysis is a critical tool for tax policy in order to evaluate the fairness, as well as the social and economic impact, of tax alternatives. Tax burden can be calculated from data from tax returns by various categories such as income class, sector of the economy, individual vs. business, among others. Since the sex of the filer is not captured on tax forms, gender tax burden analysis can be done by using assumptions based on demographic censuses and household surveys, or by matching sample tax information to other data captured by sex, such as social security information.

**Tax Incidence:**

Tax incidence measures tax payments according to who is paying the tax by law. This is defined as the statutory incidence of the tax. However, the statutory taxpayer can, sometimes, recover her/his tax payment by ‘passing on’ the cost of the tax to others. In the case of a business taxpayer, the business may recover taxes paid by passing on the cost of the tax in lower wages to workers or in higher prices of its products charged to consumers. In this way, the true incidence of the tax may fall on others. True tax incidence is difficult to calculate, so estimates are generally not part of formal tax analysis. However, consideration of tax incidence is important for tax policy.

**Tax Incentives/Tax Expenditures:**

Many developing countries seeking to encourage business development and capital investment encounter pressure to provide tax incentives or exemptions, especially when they are competing for foreign direct investment. The evidence from years of local and national development efforts in both developed and developing countries show limited if any gains from such incentives. Socio-economic-political factors such as basic infrastructure, stable government, sound fiscal condition, available labour force, low social conflict, etc. are generally more decisive in influencing business investment decisions. In practice, however, decisions around tax incentives are often driven by political pressure.
Appendix 2: Additional Resources

There are numerous tax-related websites, many of them with links to other websites. A useful gateway site is (http://www.taxman.nl) which provides exhaustive links to the official Finance Ministry, Treasury, Tax Administration and Customs Administration sites of most countries in the world as well as links to international organizations and international tax consulting firms.

Other useful tax-related sites include:

**Educational institutions and academic programs:**

- Harvard Institute for International Development (http://www.hiid.harvard.edu)
- The University of Bath, Diploma/MSc in Fiscal Studies (http://www.bath.ac.uk)
- The University of Bath, Institute for International Policy Analysis - IFIPA (http://www.bath.ac.uk/ifipa/home.htm)
- The University of Bath, Center for Public Economics (http://www.bath.ac.uk/cpe)

**International organizations and related tax sites:**

- International Monetary Fund’s (http://www.imf.org) ‘Government Finance Statistics’ and ‘International Financial Statistics’ contain information on tax revenue at the central or federal government level. The coverage of provincial government is limited and local government is even more limited.
- The Bank’s ‘World Development Indicators’ provides data on total central revenue and on tariff rates. Tariff data are also available from the WTO.
- OECD Centre for Tax Policy and Administration (http://www.oecd.org/statsportal)
- The World Trade Organization (http://www.wto.org)
- The World Customs Organization (http://www.wcoomd.org)
- International Fiscal Association (http://www.ifa.nl)
- International Bureau of Fiscal Documentation (http://www.ibfd.nl) has information on tax bases, treaties, rates, and major compliance and administrative provisions, country by country.
- CIAT (http://www.ciat.org) (Centro Interamericano de Administradores Tributarios or Inter-American Center of Tax Administrators)

**A selection of national government tax-related sites:**

- Argentina: Ministry of Economy and Public Works and Services (http://www.mecon.gov.ar/)
- Australia: Department of Finance and Administration (http://www.dofa.gov.au)
- Australia: Australian Taxation Office (ATO) (http://www.ato.gov.au/)
- Canada: Finance Canada (http://www.fin.gc.ca/fin-eng.html)
- Canada: Revenue Canada / Revenue Canada (http://www.cra-arc.gc.ca)
- Croatia: Ministry of Finance (http://www.mfin.hr)
- Finland: Valtioneuvosto (http://www.valtioneuvosto.fi/vn/liston/base.lsp?k=en)
- India: Ministry of Finance (http://www.finmin.nic.in)
- Indonesia: Ministry of Finance (http://www.finans.gov.id)
- Ireland: The Revenue Commissioners (http://www.revenue.ie)
- Italy: Ministero delle Finanze (http://www.finanz.e.it)
- Malaysia: Bahagian Analisa Cukai (http://www.treasury.gov.my)
Women’s Rights and Economic Change

Appendix 2: Additional Resources, continued

- Netherlands: Ministerie van Financiën website (http://www.minfin.nl)
- New Zealand: Treasury (http://www.treasury.govt.nz)
- Philippines: Bureau of Internal Revenue (http://www.bir.gov.ph)
- Singapore: Inland Revenue Authority (IRAS) (http://www.iras.gov.sg)
- South Korea: Inland Revenue Authority (IRAS) (http://www.customs.go.kr)
- Spain: Inland Revenue Authority (IRAS) (http://www.lrfp.net/fragenc.htm)

NGO sites with information on taxation

- Center on Budget and Policy Priorities (http://www.cbpp.org)
- Institute for Democracy in South Africa (http://www.idasa.org.za)

Endnotes:

1 This brief is adapted from a longer paper written by Kathleen Barnett and Caren Grown, published by the Commonwealth Secretariat as Economic Paper 62 in 2004. It also draws on a monograph prepared by Diane Elson for UNIFEM entitled ‘Monitoring Government Budgets for Compliance with CEDAW.’

2 Notable exceptions are Australia, South Africa, Uganda, Tanzania and the United Kingdom.

3 Governments determine the amount of revenue that they need to fund public services and collect revenue from a number of sources, including direct and indirect taxes, fees for services, fees from government licenses and mineral rights, interest on financial assets, and income from sales of government assets, including privatizations.

4 See definition of revenue, as distinct from grants and financing, in endnote 3.

5 A low tax/GDP ratio may reflect an inadequate tax system and/or weak tax administration, or there may be other substantial non-tax sources of income, such as petroleum in Nigeria; or it may be the result of conscious policy such as in South Africa where a national tax/GDP target was set in 1996 at no more than 25%.

6 OECD 2002.

7 Years vary; see IMF 2002.

8 Lump sum taxes are those where people pay the same amount irrespective of labour force participation and earnings. They are favoured by economics theorists but regarded by many people as being unfair – see Box 2.

9 The problem can be illustrated by comparing two households of two adults and two children. The first household consists of a husband who earns 2,000 rand/month, a wife who earns 1,000 rand/month, and two children. The second household consists of an employed woman who earns 3,000 rand/month, her non-earning mother, and her two children. Both households have the same total income but by the tax rules in operation in 1999/2000 the first household pays 850 rand while the second household pays over four times as much income tax (Smith 2000).

10 Some developing countries have a tax unit based on the extended family that is the typical social unit. In some countries with large Hindu populations, as in India, the ‘Hindu undivided family’ is the filing unit (Stotsky 1997a). The Hindu undivided family consists of all male Hindus descended in the male line from a common ancestor, their wives, and unmarried daughters; responsibility for filing for the family is vested in the eldest male member. Several countries have provisions in their tax code for multiple wives, and Nigeria’s tax code provides more generous tax treatment for the first wife than for succeeding wives.

11 In Singapore, a married women with a child can claim a basic child tax allowance and is also entitled to additional allowances “if she has elected to be charged tax in her own name and has passed at least three subjects at one sitting at the examinations for the General Certificate of Education or has obtained an equivalent or higher educational qualification,” (International Bureau of Fiscal Documentation (1995), cited in Stotsky (1997a, p. 1919)). These allowances are also available to widows, divorcees and married women living separately from their husbands. The allowances depend on the number of children and are a percentage of their mother’s earned income. The allowances are designed to promote higher fertility of educated women, which is why they are given to women rather than men.

12 Of course, if the husband is the lower-earning spouse, it is he who pays the marriage tax, but such cases are the exception.

13 VATs replaced sales and turnover taxes, which are seen to create a number of producer ‘distortions.’

14 Ebrill et al. 2001; note that VATs in these countries show considerable diversity in the range of inputs for which tax offsetting is available and the range of economic activity (the base) to which the tax applies.

15 It is often argued that the regressive effects of VAT can be reduced by channeling the revenue raised to poor households in the form of public services. This point deserves serious consideration. However, there is no direct link between poor people paying VAT and getting better public services.

16 Personal correspondence with the authors.

17 Orthodox advice to countries undergoing tax reforms generally emphasizes, first, base broadening through limiting or eliminating exemptions, and second, the establishment of low/moderate and uniform marginal rates.

18 Name, and possibly other information such as a tax identification number or social security number, is required on a tax form, but sex is not.

19 This Appendix has been adapted from the World Bank (2005).
The Association for Women’s Rights in Development is an international membership organization connecting, informing and mobilizing people and organizations committed to achieving gender equality, sustainable development and women’s human rights. A dynamic network of women and men, AWID members are researchers, academics, students, educators, activists, business people, policy-makers, development practitioners, funders and others, half of whom are located in the global South and Eastern Europe.