



# Tax and Gender in Developing Countries: What are the Issues?

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## Why is taxation relevant for gender?<sup>1</sup>

The recent increased interest in taxation in the developing world has been accompanied by an interest in the gender implications of tax systems. There is some literature on gender and taxation in general, but very little on developing countries. The literature is motivated by an observation that tax structures are not neutral, and are often biased against the interests of women. However, overall, the biases most commonly found in rich countries, which relate to personal income taxes, are not very significant in developing countries because so few people, particularly women, pay personal income taxes. Moreover, how tax reforms affect men and women will depend partly upon incidence patterns of the overall tax regime that the reforms replace. Further, and most importantly, the effects of tax policies on men and women depend upon policies in other

arenas – most closely with budgeting and expenditure, but also with employment, education, and social and cultural norms.<sup>2</sup>

Thus, advances in gender equality depend upon policy changes in several areas – and taxation is only one part of the bigger picture. Nevertheless, the gender lens highlights potential opportunities for improving substantive equality for women, and has proved to be useful in raising some important questions for further research.

Before looking in more detail at the gender dimensions of taxation, it is useful to list the four main economic domains or areas in which feminist-inspired researchers have identified significant material gender inequalities.<sup>3</sup>

a) **Unpaid care.** Throughout the world women bear a disproportionate share of the responsibility for looking after the household, and caring for children and dependents. In some countries they are also in charge of subsistence production, such as food production.

<sup>1</sup> This summary brief draws upon Barnett, K. and Grown, C. (2004) *Gender Impact of Government Revenue Collection: The Case of Taxation*, London: Commonwealth Secretariat; Birchall, J. and Fontana, M. (2015) *The Gender Dimensions of Expenditure and Revenue Policy and Systems*, BRIDGE, Brighton: Institute of Development Studies.

<sup>2</sup> There is a large literature on the gender implications of public expenditure, including gendered analysis of budgets. It is beyond the scope of this brief to cover the key issues from that literature here

<sup>3</sup> Barnett, K. and Grown, C. (2004) *Gender Impact of Government Revenue Collection: The Case of Taxation*, London: Commonwealth Secretariat.

These responsibilities are usually in addition to any income-generating employment that women might engage in. The burden of unpaid care greatly constrains women's time, restricting their participation in social, economic and political life, in addition to reducing their wellbeing and health outcomes. Taxes matter here to the extent that the overall level of taxation impacts on the level of public spending on certain kinds of services that will otherwise have to be provided by women in the home.

b) **Paid employment.** In developing countries women are less likely to be in the labour force, and, when they are, more likely to be in the informal sector. As a recent UN Women report shows, less than a quarter of the women in the Middle East and North Africa region, and around one-third of the women in South Asia, are part of the working population. These already low labour force participation rates drop significantly during women's childrearing years.<sup>4</sup> In addition, women everywhere earn less than men once age and education are taken into account. Moreover, women's employment is largely in the informal economy, in underpaid, precarious and frequently risky jobs. For example, in sub-Saharan Africa only 11 per cent of women in the labour force are part of the formal sector, as compared to 17 per cent of men. Thus, policies for taxation of the informal economy are important to understand gender effects.

c) **Household decisions about savings and consumption.** There is substantial evidence showing that women tend to spend more of the income under their control on goods that contribute to the social reproduction of labour, including healthcare, education, food, and care of children and the elderly. Changes in the price of these goods (due to tax policies) can lead to a reduction

in consumption, substitution of better quality goods by inferior ones, or to domestic production of these goods within the household by women (thus increasing the burden of unpaid care).<sup>5</sup>

d) **Property and asset ownership.** In many developing countries women do not hold formal title to assets and property. This gender gap is particularly acute in the case of land.<sup>6</sup> Lack of ownership affects women's capacity to earn a livelihood and cope with adverse events (e.g. widowhood). The tax implications of such land and asset ownership patterns are unclear. However lowering tax rates for women-owned or jointly-owned real estate or assets might provide an incentive to register property in women's names, thus increasing their control over assets to some extent.

Thus, in the four domains outlined above there are substantial differences between men and women in terms of access to resources, power and responsibilities, and economic opportunities, which are underpinned by social and political institutions. Tax regimes can dampen or exacerbate these differences, depending upon the context.

## Where is gender relevant in taxation?

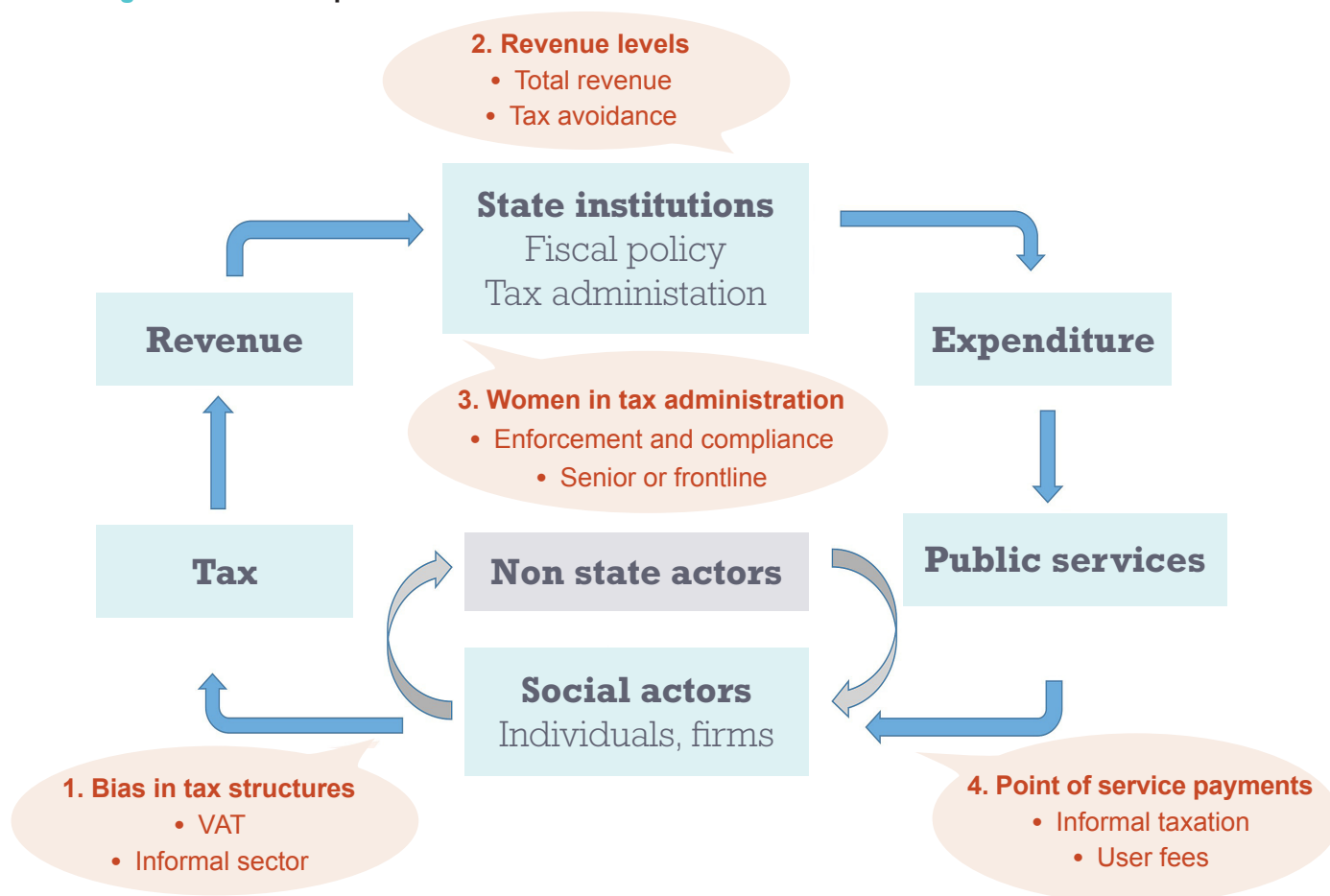
Where then are gender concerns likely to be salient in taxation? Reviewing the literature, there are four broad arguments for understanding gendered effects of taxation arrangements. I label them: 1) bias in tax structures; 2) revenue levels; 3) women in tax administration; and 4) point of service payments. Figure 1 explains where these issues arise in the activity chain from public policymaking through revenue-raising, to public spending and public service delivery. The rest of the paper is organised around these themes.

<sup>4</sup> UN Women (2015) *Progress of the world's women 2015-2016: Transforming economies, realizing rights*, UN Women.

<sup>5</sup> The literature notes that decisions about consumption and savings depend upon the relative bargaining power between women and men within households: taxes are one factor, among others, that indirectly influence bargaining power.

<sup>6</sup> Agarwal, B. (1995) *A Field of One's Own: Gender and Land Rights in South Asia*, Cambridge: Cambridge University Press

Figure 1 Gender implications in taxation



## 1. Bias in tax structures

The question raised most frequently in the literature is whether the structure of taxation – the rules about who has to pay tax and at what rates – is biased against women. Some literature distinguishes *explicit* and *implicit* forms of bias. *Explicit bias* is when provisions in the tax system explicitly treat men and women differently. For example, systems of joint filing by married couples for income tax, which were once widespread, can result in married women paying a higher marginal rate of income tax than if they filed separately.<sup>7</sup> *Implicit bias* is present when tax structures appear to treat men and women equally, but actually have an unequal impact. Thus, taxes that are imposed on goods bought mostly by women for their domestic work– for

example, paraffin for cooking – embody an implicit bias against women.<sup>8</sup> Equally, the excise taxes that most governments levy on cigarettes and alcohol embody an implicit bias against men, because in most societies men are the primary purchasers and users of these goods.

We know more about the gender implications of taxation in industrialised countries, especially personal income tax provisions that unfairly burden women or discourage or disadvantage female labour force participation. In fact many governments have taken steps to eliminate this explicit gender discrimination. There is also some evidence from developing countries that personal income tax provisions are often biased against women.<sup>9</sup> The real world implications are, however, limited: the proportion of women who are in formal

<sup>7</sup> Caparo, C. (2014) *Taxing Men and Women: why gender is crucial for a fair tax system*, London: Christian Aid.

<sup>8</sup> Stotsky, J. (1997) 'Gender bias in Tax Systems', *Tax Notes International*, June 9.

<sup>9</sup> Grown, C. and Valodia, I. (2010) *Taxation and Gender Equity*, London: Routledge.

employment and earn enough to be liable for personal income tax is typically very small. Very few women are thus adversely affected.

The tax structure issue that has received the most attention is the potential gender impact of indirect taxation, particularly Value Added Tax (VAT). VAT is the focus of concern for several reasons. It is a new tax in most developing countries. It has, moreover, become a significant source of government revenue, and is likely to become even more important. Because it has been promoted in particular by international institutions such as the International Monetary Fund, social activists have placed it under special scrutiny.

The concern is that the burden of VAT might fall disproportionately on women, as women are primarily responsible for household purchases. The logic of the argument, however, is typically not spelled out, and the underlying assumptions are not clear. Whether in practice VAT or other indirect taxes are biased for or against women depends upon the choice of goods and services covered by the tax, and the different consumption patterns of men and women (the latter is difficult to ascertain as consumption occurs within households). So, for example, a recent eight-country study examining the incidence of indirect taxes found that in fact male-headed households bore the highest incidence of indirect taxes in four countries.<sup>10</sup> Further, contrary to conventional wisdom, overall tax incidence fell most heavily on the richest and middle-income quintiles, whereas women typically are disproportionately represented in households in the lowest quintile.<sup>11</sup> The reason for this was that in most of the countries studied VAT was well designed, and some basic consumption goods were subject to reduced or zero rates. However, when analysed by type of good, the research found that taxes

on utilities seem to fall disproportionately on female majority households, perhaps because women spend more on utilities to save time from household tasks (e.g. collecting water).<sup>12</sup>

Overall, assessing the gender impact of VAT is complex for at least three reasons:

- Most studies have to calculate VAT impact through data (consumption or income) that is primarily at the household level, and not segregated by gender. In addition, consumption data assumes that the same goods consumed incur the same VAT, no matter where they are sourced from and whether VAT was paid on them or not.
- In practice, VAT has often substituted for both: (a) some kind of broad sales tax, and (b) import duties. We cannot assess the impact of VAT on the gender distribution of welfare without knowing the distributional effects of the taxes it replaced.
- We also have to take into account the possible effects of VAT on total government revenue, total government spending, and the relative gender impact of spending. If VAT increases government revenue, and that increased revenue is disproportionately spent on women, then the net impact might be positive.

Of greater relevance for gender and taxation in developing countries is the issue of taxation of the informal economy, and, closely related, local government and market taxation. Market taxes can disproportionately target women in places where most market trade is carried out by women.<sup>13</sup> This is the case in low-income areas of rural Africa, where market taxes are the most important source of local government revenue. Similarly, rates of presumptive taxes used for taxation of the informal economy usually differ by sector (e.g. for hairdressing separately from taxi services), and

<sup>10</sup> Note that most studies on VAT incidence, because of the absence of income data, use women-headed, or women-dominated households as proxies for gender.

<sup>11</sup> The only exception was India, where the lowest quintile had the highest overall tax incidence. Ibid.

<sup>12</sup> Ibid.

<sup>13</sup> Market taxes include fees levied on markets – e.g. roadblocks for entry on market days.

sectors dominated by women may inadvertently result in differential effective tax rates. In some cases, visible businesses, such as market trading, might in practice be paying more due to stricter enforcement than invisible businesses such as home-based manufacturing, and this has gender implications depending upon whether either is dominated by women. Whether or not there is differential gender impact will have to be examined on a case-by-case basis, keeping the overall revenue structure and expenditure in mind.

Formal tax rates are one thing. Their gender impact might be affected by two other issues – enforcement and compliance. With respect to the first, actual tax enforcement may differ according to the gender of the taxpayer, particularly at the level of local government. The existing evidence is mixed. On the one hand, women are more vulnerable to harassment, including being at risk of sexual exploitation. On the other hand, there is some evidence to show that women (and the less privileged, e.g. elderly) can receive more respectful treatment, or in cases be informally exempt from taxes (e.g. widows). The second issue relates to tax compliance attitudes and behaviour. If women are simply more disposed than men to pay the taxes they are told they owe, then they will tend to be a little worse off than men under any tax structure. Some research on industrialised countries suggests that women tend to be more tax-compliant than men, both in attitudes and in actual behaviour. However, we have very little information about differences between the tax behaviour of men and women for developing countries, and the data we do have relates to attitudes rather than actual behaviour. Overall, we do not have disaggregated administrative data on the taxpaying behaviour by gender for most tax types.

## 2. Revenue levels

Recently, feminist scholars analysing taxation have been making the broad argument that states need to raise more taxes from those who can pay them (especially large transnational corporations and elites), in order to resource public services (of greater relevance to women) at adequate levels.<sup>14</sup> Central to this argument is that the fact that women provide the bulk of unpaid care in developing countries. Unpaid care includes housework, water and firewood collection, and caring for children and the elderly, which is necessary for societies to function. Women often bear the double burden of providing care as well as generating income. To alleviate this burden, public services such as health and education are critical for women. Poorly-resourced public services mean that 'women and girls have to fill the gap through their unpaid or low paid care work'.<sup>15</sup> The case made is a broad and general one, and raises questions about the level of revenue collection and spending priorities. However, the claim that additional government revenue would reduce the burden on women of providing unpaid care is clearly optimistic and incomplete. It depends on how the additional revenue is spent – for example, on health care or on military equipment? There appear to be no cross-country studies that show that additional revenue raised through taxation of extractives or transnationals is spent on social welfare, including health or education. The obvious implication is that for revenue increases to improve the substantive position of women, accountability and gender-oriented budgeting is critical. There is a relatively large literature on the subject, but the basic point is that the gender implications for tax policies (beyond raising more revenue) are not clear.

<sup>14</sup> Elson, D. (2015) Why gender equality requires more tax revenue, at <http://www.taxjustice.net/2015/05/05/why-gender-equality-requires-more-tax-revenue/>; GIZ (2015) Why care about gender and tax equality?, at <http://www.oecd.org/dac/gender-development/44896295.pdf>; UNDP (2010) Taxation, Gender Equality and Policy Reduction Policy Brief No. 1, at <http://www.undp.org/content/dam/undp/library/gender/Gender%20and%20Poverty%20Reduction/Taxation%20English.pdf>.

<sup>15</sup> Donald, K. and Moussie, R. (2016) *Redistributing unpaid care work – why tax matters for women's rights*, IDS Policy Briefing 109: 3

### 3. Women in tax administration

A few authors have shown some interest in the question of whether the performance of tax administrations might be affected by the gender composition of their staff. There are in fact two separate questions of relevance. One is whether the general performance of tax administrations might be improved if there were more women in their ranks – and/or in senior positions. The other is whether those improvements might be especially beneficial to female taxpayers.

We know little about these issues. Little information seems to be publicly available on the gender distribution of the staff of tax administrations in developing countries. Casual observation suggests that: they are predominantly male; the proportion of females is increasing; women are more commonly found in lower than in higher ranks; and the female proportion varies considerably according to location – and is likely to be particularly low in South and West Asia. It seems likely that women are employed mainly in office positions, especially in jobs where they have little direct face-to-face contact with taxpayers. This would have an implication for the argument about whether the employment of women in tax collection is likely to help reduce levels of corruption. Significant corruption takes place in face-to-face interactions between tax collectors and taxpayers. If women are rarely employed in posts that involve face-to-face interactions, their opportunities to be corrupt would anyway be reduced. However, it is at least plausible that women employees are less likely than men to be corrupt because they are less likely to be members of the informal social networks that support corruption. The issue is clearly important. Corruption is a significant problem in tax collection in many countries, and a major source of non-compliance on the part of

taxpayers and lack of trust in government. The issue needs further investigation.

We have little evidence about the impact of the gender composition of tax administrations on taxpayers. In some situations at least, female taxpayers are vulnerable to discrimination, intimidation and extortion by male tax collectors, because they often lack awareness of their tax obligations and are less well connected. This may help explain why in developing countries taxpayer surveys suggest that women, in some cases, are less inclined than men to meet their tax obligations willingly.

### 4. Point of service payments

Payments made directly at the point of accessing services can be of two kinds – user fees and informal taxes.<sup>16</sup> These are not taxes in a strictly formal sense. But it would be wrong to exclude them from this discussion. To the extent that they are the price paid by citizens for accessing services provided on a more or less monopoly basis by government organisations (or non-state actors), then they are substantively very much like taxes – and in effect substitute for formal taxes. It seems likely that funding public services (formal or informal) through user fees and informal taxes will tend on average to disadvantage women.

User fees are a case in point. With an increase in the number of countries adopting fiscal decentralisation, local governments are increasingly expected to rely on own-source revenue for providing services, and user fees are a common source of such revenue. However, user fees can be regressive, and often discriminate against women and girls when imposed on basic public goods such as health, education, water and sanitation. So, for example, there is a reduced utilisation of health and education by girls when households are expected to pay for them. This issue, in practice, might be one of the more important gender dimensions of taxation.

<sup>16</sup> Clearly, not all informal taxes are to provide local-level services. Some are just to finance guns and gunmen. For a fuller discussion of informal taxation, see Prichard, W. and van den Boogaard, V. (2016) *What Have We Learned About Informal Taxation In sub-Saharan Africa*, ICTD Summary Brief 2, Brighton: Institute of Development Studies.

Informal taxes are ‘tax-like payments, made to both state and non-state actors, which are outside of statutory tax laws’.<sup>17</sup> They are imposed by non-state actors who might be providing local-level services (including security in the form of protection rackets) in contexts where the state is absent; or where state actors can extract additional informal rents due to peculiarities of the regulations (e.g. street traders making payments to the police for occupying pavements). Again, these have implications to the extent that women consume more of the specific services provided, or dominate particular sectors of the informal economy.<sup>18</sup> An emerging but difficult-to-study theme relating to how women experience taxes is the prevalence of transactional sex as a means of tax payment or tax minimisation in some contexts.<sup>19</sup> We know little about how informal taxation affects women differently, although some research is underway on this issue.

## Conclusions

To date, people exploring the issue of gender and taxation have tended to approach it with a First World lens, notably in looking for clear gender biases in the collection of personal income tax, or indirect taxation such as the new consumption tax, VAT. However, in developing countries these are not the key issues where taxation impacts gender. Gender biases that exist in the structure of personal income taxes in low-income countries have very limited relevance because few women pay personal income taxes at all: women are very unlikely to be employed in the formal sector and receive incomes above the minimum threshold for personal income tax. The evidence on the gender effects of introducing VAT is limited and disputed, and will depend heavily on the actual VAT policies in place. But the fact that often basic consumption items are either zero-rated or

low-rated for VAT purposes in many developing countries suggests that concerns about major adverse effects on women seem misplaced, especially without an attempt to compare the distributional effects of the taxes VAT replaced.

However, the fact that researchers and campaigners have so far focused on these issues does not mean the absence of significant gender issues that require further investigation. It seems very likely that in some respects existing taxation systems **are** biased against women, due to the particular position of women in the household and the economy in developing countries. Further research is required in the following areas.

- First and foremost are the implications of the informalisation of work, the burden of unpaid care, and the prevalence of women in particular sectors of the informal economy. Specifically, local governments, under pressure to raise own-source revenue, may focus taxes on sectors dominated by women (e.g. markets). The livelihoods of poor women are significantly affected by local taxes, informal taxes and user fees.
- Second, and related, is the theme of the consequences of the gender composition of the tax administration. Will a greater number of women improve the performance of tax administrations, and is it likely to benefit women taxpayers?
- Third, while it has been argued in this paper that simply increasing revenue levels through closing loopholes and exemptions does not predict how the increased revenue will be used, an important research question is whether governments are responsive to such advocacy by international activist groups, and under what conditions does advocacy work on both sides – increasing revenue as well as devoting increases to social welfare.

<sup>17</sup> Ibid.

<sup>18</sup> ICTD is emerging as a leader in conducting surveys to capture the distribution of the informal tax burden.

<sup>19</sup> For example, in Liberia 37% of respondents had experienced sexual-based violence at border crossings and 15% had been raped or coerced to have sex in exchange for favours, Higgins, K. (2011) *Gender Dimensions of Trade Facilitation and Logistics*, Washington DC: The World Bank. This raises issues about whether sex is coercive or perceived as an option (when desperate), and one’s subjective view of whether this can be a legitimate means of taxing (and paying).

- Fourth, informal taxation is a significant issue that may differentially affect women, and we need more evidence on the scale and nature of such informal payments.
- Fifth, women tend to perceive tax rates and administration as a greater burden than men do, and are usually less confident in dealing with tax officials. Combined with low levels of economic literacy prevalent in the informal economy, this impacts their ability to understand, engage with and benefit from revenue systems.<sup>20</sup> Research on women's tax awareness and capacity to engage with tax officials seems an important first step in facilitating better bargaining between women and tax systems.
- Finally, and most urgently, the research agenda on gender and taxation is severely constrained by the unavailability of gender-disaggregated data, not only within the tax system, but also in other important spheres such as employment, firm, asset and land ownership, and income data. Without concerted efforts to collect and make available gender-disaggregated data, our knowledge on these issues will remain limited.

Besides these important research themes, there

is an additional question. If we are interested in the gender dimensions of taxation, should we focus only on the adverse effects of taxation on women? What about exploring the possibility of actively using the taxation system to promote equality by advancing the position of women? A good example could be the case of property taxes. Positive discrimination in favour of women, by reducing the tax liability for property that is formally registered as being owned by women, might be a way to give women greater actual property rights. Another potential area is preferential tax treatment, for a limited period of time, for small businesses that are newly registered with the tax authority and formally owned by women.<sup>21</sup> More broadly, governments should consider increasing the voice of women within taxation systems through mainstreaming gender in tax policymaking, as well as strengthening gender equity within tax administrations. A focus on these potentially more fruitful avenues can provide useful insights into understanding how taxation affects gender, and how it might be used to achieve substantive equality for women.

<sup>20</sup> Carroll, E. (2011) Taxing Ghana's Informal Sector: The Experience of Women, Christian Aid Occasional Paper No. 7, London: Christian Aid.

<sup>21</sup> Although both these mechanisms can be abused (registration in a woman's name without giving her control), it may marginally increase a woman's bargaining power in some situations.

## Credits

This ICTD Summary Briefing was written by **Anuradha Joshi**. Dr. Joshi is a senior research fellow and leads the Governance cluster at the Institute of Development Studies. Her work focuses on policy processes and institutional analysis of development. Her current research interests focus on gender and taxation, taxation of the informal sector, collective action, social accountability and service delivery. This brief was produced as one of six research synthesis pieces at the end of the ICTD's first five-year funding period, supported with UK aid from the UK Government and by the Norwegian Government; however the views expressed do not necessarily reflect the UK and Norwegian Governments' official policies. Readers are encouraged to quote and reproduce material from the series. In return, ICTD requests due acknowledgment and quotes to be referenced as above.

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