Gender and Economic Policy Discussion Forum
Taxation Policies through a Gender and Equity Lens

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HIGHLIGHTS / KEY POINTS

- Taxation policies work on the principle of equity and fairness though the meanings of these concepts vary across individuals, countries and cultures.
- Tax policies are not just influenced by political processes but also by preconceived mindsets about what the objectives of taxation policies should be.
- Up until 2012-2013 India was one of the few countries that followed affirmative action for women through its taxation policies. However, this has now been done away with.
- As per the 2001 Census, 27% of the total population in India pays income tax. Of the total population of women in the country, only 0.27% pays income tax.
- Policy makers must bear in mind the varied impact of tax policies on gender relations and the degree to which they may reinforce existing gender inequalities or the role they play in transforming these inequalities.

Introduction

The Gender and Economic Policy (GEP) Discussion Forum on Taxation Policies through a Gender Lens held on 15th January 2014 discussed the prevalent biases against women in taxation policies. The discussion aimed at bringing out these biases, highlighting the need for a gender perspective in future budgets as well as making policy suggestions to achieve this. The speakers for the forum were Dr Ritu Dewan from the University of Mumbai and Ms Yamini Mihsra from UN Women. The discussion was chaired by Dr Pronab Sen from the International Growth Centre.

Taxation policies work on the principles of equity and fairness. These concepts and their meanings may differ across various individuals, countries and cultures. According to Bahl and Bird, 'Tax policy is usually heavily shaped by past decisions and frequently overtaken by current events. Economic, administrative, political and social realities have always shaped tax policy decisions and constrained what could be done.'[1] Tax policies function with the objective of raising sufficient revenues to fund the government's expenditure for public schemes and policies. According to Diane Elson[2], countries that are unable to do so increase the burden of unpaid care shouldered by women. This is because raising tax revenue helps governments spend more on social programmes that then benefit women. An additional point to be made here is that not only must policy makers bear in mind the need to raise funds but also must consider the varied impact of tax policies on gender relations and the degree to which they may reinforce existing gender inequalities or the role they may play in transforming existing gender inequalities.

Yamini Mishra brought to light the four 'stylized facts about gender differences in economic activity' that may be utilized in understanding the impact of taxation on both men and women as have been stated by Barnett and Grown[3]. These are as follows-

i) ***Gender differences in paid employment which includes both the formal as well as informal sectors.*** It has been noted that women's labour force participation rates are lower than men's even though women contribute more time in total paid and unpaid work. With paid employment, several gender differences are important to note; first that women's labour is often discontinuous as they enter and leave the labour market more frequently than men. Hence their participation is likely to be part time or seasonal. Secondly, as a result of this, women often tend to earn less than men. Third, women's labour is more often than not, concentrated in the informal sector which puts them outside the tax net. The above then results in women not bearing a large share of the personal income or direct tax burden in most countries.

ii) ***Women's work in the unpaid care economy.*** According to Elson, care work which is voluntary and unpaid work done primarily by women involves vital services which enable the paid economy to function smoothly. The issue of whether and how to value unpaid work remains under debate as it affects notions of income and consequently the interpretation of who bears the burden of taxes.

iii) ***Gender differences in consumption expenditure.*** This pertains to gender relations and bargaining power among household members which then has an impact on the types of expenditure households make, the amount and type of savings. It is suggested that women not only allocate their time differently than men but also that there is a difference in their expenditure. For instance, women as opposed to men, tend to spend a higher proportion of their income on goods such as food, education and health care.

iv) ***Gender differences in property rights and asset ownership.*** Social norms dictate that businesses are owned by male family members although women supply the labour. In India, the tax system is also used to provide incentives to increase and promote female property ownership. This can be seen in the case of Stamp Duty which varies from state to state for women and men at 6% and 8% respectively in Delhi for example, along with an additional 30% rebate for women.

The past decade has seen an increase in viewing government policies and programs through a gender lens, at least in principle. Gender budgets[4] can also be seen as being institutionalized, though its extent remains to be seen. Policies and budgets have often been seen as being gender neutral and hence end up being gender blind instead. Up until 2012-2013 India was one of the few countries that followed affirmative action for women through its taxation policies. However, this too has now been done away with. In addition to this, these taxation policies bore no benefit for women from low income households. Research indicates that indirect taxes currently place an unfair burden on women, especially those in low income households. Hence, to bring about any reform in taxation policies, a gendered and not a gender blind approach is needed.

Before discussing the biases in taxation, we must also mention The Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) which was adopted in 1979 by the UN General Assembly. While CEDAW does not explicitly have sections pertaining to taxation, scholars[5] argue that the 'Convention's general principles of non-discrimination and substantive equality can be brought to bear upon taxation.' Through various Articles stressing the importance and need for abolishing discrimination, stereotyped roles for men and women and promoting equality between men and women, CEDAW may be seen as indirectly also stressing the equal treatment of women in tax laws. In addition to this, the need for promoting substantive instead of formal equality including egalitarian family relations is also emphasized.

A brief mention must also be made here about the relevance and importance in discussing Gender Responsive Budgeting while assessing the impact of taxation policies on women. GRB has been seen as a valuable tool in bringing about gender equity as it aims at reprioritizing resource allocations bearing in mind the varied impact of taxation and other policies on considerations of gender and equity.

The following sections will look at both income tax as well as indirect taxes and examine the explicit and implicit biases in these taxes. In addition to this, a detailed study of GRB will also be undertaken.

Direct Taxes

Personal Income taxes

According to Ritu Dewan,[6] 'The most explicit form of gender bias exists in Personal Income Taxes as it can be applicable on either an individual or a family basis.' It has widely been argued that joint taxation remains biased against women. This is because under joint taxation, the spouse with the lower income (usually the woman) ends up paying a higher amount of tax. Joint filing of taxation has been seen by Janet Stotsky as having two kinds of explicit bias against women[7]: first, 'there is a bias against wives if it is the husbands who have the responsibility for filing tax return and the wife has no separate existence as a tax payer.' Secondly, she argues, 'there is explicit bias against wives if certain tax allowances and exemptions are available only to the husband. For example, allowances for married men for the expenses of supporting a household, but not for married women.' However, Stotsky also states that the 'explicit discrimination is less frequently found in joint filing than in individual filing systems, since the taxpaying unit is the couple.'

In India, joint filing of taxes is under the Hindu Undivided Family (HUF) and is applicable to Hindus, Sikhs, Jains as well as Buddhists. 'Under the HUF system, the eldest male has the power to file returns for the entire extended family, which consists of other men, their wives and also unmarried women. The perception of the HUF as a social unit not only ignores but also negates issues of social relationships and dependency in a patriarchal society.'[8]

From the point of view of gender equity, therefore, 'individual taxation is preferred because the economic benefit of working depends on how much a woman earns and not the fact of her location in the patriarchal marital structure' while both have their share of disadvantages.

Stotsky[9] also identifies three forms of explicit bias against women in individual filing: first, is the 'allocation of tax exemptions and allowances to husbands, not to wives.' Secondly, is the 'attribution of the non labour income of the wife to the husband. 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 accrue to his wife. In many countries the profits of the family businesses are regarded as the income of the husband, irrespective of the wives' role in the business.' This holds true in the case of Tanzania. Lastly, there are instances in which there are 'higher tax rates for married women than for other tax payers (such as) unmarried women, married and unmarried men.' This used to be the case in South Africa in the early 1990's but was done away with when the new constitution was enforced.

Apart from income tax, direct taxes also include wealth tax, gift tax as well as property tax. Dewan states that these three taxes have strong gender connotations as most 'gifts received on certain occasions such as marriage are exempt from tax.'[10] This, she argues clearly shows the tacit acceptability of dowry at the time of marriage.

Indirect Taxes

While discussing indirect taxes, Value Added Tax (VAT)[11] is the most important especially in India. VAT has been ruled as being not only anti women but also anti poor. This is because 'these sections typically spend a larger proportion of their income on basic consumption of goods. Hence, low earners pay a higher average tax rate.' In addition to this, commodity taxes, it had been argued, 'alter the relative prices of the taxed and untaxed goods and hence transform individual and household decisions about consumption as well as production and investment decisions.'

Stotsky also argues that while taxes on goods and services tend to not show an explicit gender bias, they do tend to be implicitly biased.

Gender Responsive Budgeting

While assessing the gendered impact of taxation policies, Gender Responsive Budgeting (GRB) must also be noted since the budgetary process and hence taxation policies have varied impacts on men and women. It has been argued that while changes in tax policy and design promote gender equity, it is only one of the ways in which this can be done. This is especially the case since a majority of women in developing countries work in the informal sector and their income often doesn't come into the tax net. It is in this context that gender budgeting or gender responsive budgeting becomes important.

Budgets are often seen as being gender neutral and hence end up being gender blind. A gender responsive budget (GRB) is not a separate budget for women but rather 'stresses on reprioritization rather than an increase in overall public expenditure and the reorientation of programmes within the sector rather than changes in the overall amount allocated to a particular sector.' [12]

It is argued that one of the central areas of focus of a gender sensitive budget is to ensure the visibility of unpaid care work in the fiscal policy measures. Hence, GRB 'applies a gender lens to budgetary resource allocation, providing more visibility to women's unpaid work.'

The first gender sensitive budget was introduced in Australia in 1984. Thereafter South Africa saw the Gender Budgeting Initiative in 1995 which was a joint effort of parliamentarians as well as NGOs. In the case of India, there was a reference to gender budgeting and the introduction of 'a specific Gender Budgeting Statement as part of the union budget since 2005-06.'[13] The exercise, argue Mishra and Bhumika Jhamb, has the potential of instilling gender consciousness across all policies, programmes and schemes. This statement does the task of 'capturing the total quantum of resources allocated to women across the different departments and ministries that report in the statement.'

An analysis of the 2001-02 union budget with a focus on women's empowerment suggests that while schemes targeting women have been initiated, tracking the resources allocated for these schemes proves to be a difficult task. In addition to this, while 'allocations to the Department of Women and Child Development have increased by 25% the total allocations for the 14 women specific schemes located in other departments and ministries increased by only 11.8%.'[14] Hence, it may be stated that far from mainstreaming, gender concerns continue to primarily remain the responsibility of the Department of Women and Child Development.

Further efforts were made by way of introducing Gender Budgets and creating an independent Ministry of Women and Child Development in 2006. While both are seen as positive steps, it is noted that 'the creation of this ministry has not resulted in a significant increase in allocations for children and women compared to when it was a department.'[15]

Mishra then states the five step framework on the GRB which challenges the traditional method of policy making.[16] First, it lays the foundation for explicitly recognizing disadvantages women face by a situation analysis of men and women in a particular sector. Second, is an assessment of the extent to which the sector's policy addresses gender issues and gaps. This also scrutinizes the match and mismatch between the policies and women's needs. Third, is to assess the adequacy of budget allocations to implement gender sensitive policies and programmes identified. The next step entails monitoring whether the money was spent as planned, what was delivered and to whom. Lastly, is the assessment of the impact of the policy or programmes through a gender lens.

While in the last decade through the medium of union and state budgets viewing government programmes and policies through a gender lens has become well entrenched[17], there are challenges that remain. These challenges as well as recommendations will be discussed in the section below.

Conclusion and Recommendations

While discussing taxation policies we must remember that tax policies are influenced not only by political processes but also by preconceived mindsets about what the objectives of taxation policies should be. A paradox is noted in Indian policy making wherein on the one hand there have been several steps towards GRB and on the other 'budgetary allocations for promoting gender equality and women's empowerment has registered a decline.'[18]

It is also helpful to bear in mind which women we talk about when we aim for taxation reforms. Since a majority of women in developing countries work in the informal sector, indirect taxes have a greater impact as opposed to income tax. We must also assess how much money and how many schemes benefit the most marginalized women. In addition to this, Mishra also argues that 'unless the larger macroeconomic framework respects women's rights, GRB will just result in minor tinkering with the system.'

In order to rectify gender inequalities in the tax system, policy makers must have two main objectives[19]-

i) to improve the distributional impact of the tax system by reducing the gender inequalities it fosters among and within households

ii) to use the tax system to induce behavioural changes in order to transform existing gender inequalities.

Imraan Valodia also states certain limitations of tax policies in achieving gender equality[20]. First, it is argued that the tax system should be designed in a manner so as to raise maximum revenue for public expenditure which can then be channeled into social protection, public infrastructure and programmes that meet the needs of the poor and other disadvantaged groups. However, this doesn't have the potential to achieve substantial gender equality outcomes. Where tax systems place an undue burden on women and other disadvantaged groups, it is by no means certain that expenditure programmes can successfully correct these burdens. Secondly, as has been mentioned earlier, a majority of women especially in developing countries work either in the informal sector or in the formal sector where their income does not fall in the tax net. Due to this, using income tax allowances to achieve social goals impacts only on a small proportion of women. In such cases, it is argued that removing tax deductions for financially dependent adults and children and targeting them through the expenditure side of the budget may prove to be more beneficial. Hence we can conclude that tax policies must be complemented by other policy instruments as well.

While tax policies can promote gender equality, it is only one set of policy instruments available and to be effective, must be used along with other policy programmes. Policy makers must therefore also consider the equity dimensions of taxation. Such considerations need to move beyond formal equality to substantive equality by adopting a conceptual framework aimed at transforming existing inequalities. This effectively means that whether taxes reinforce or challenge existing gender inequalities and how to design tax instruments so that such inequalities are overcome must be considered.

In addition to standard concerns over distributional impacts of tax policies on income groups and other forms of social stratification, distributional impacts between men and women especially in the informal sector need to be carefully evaluated. Policy makers must also consider the impact of taxation policies and tax reforms on both paid and unpaid work and the interdependence of these two spheres of the economy.

In the Indian context it has been suggested that there should be an increase in Personal Income Taxes (PIT) exemption limits especially for female headed households and for those with dependents. An introduction of child care exemptions under PIT is also suggested. The abolition of HUF as basis for filing tax returns is also recommended. It has also been stated[21] that granting tax exemptions to self help groups, women's co-operatives and also women managed NGOs would benefit women significantly.

Endnotes

[1]. Valodia, Imraan. 'Conclusion and Policy Recommendations'. Taxation and Gender Equity, Ed. Caren Grown and Imraan Valodia, Routledge 2010.

[2]. Ibid

[3]. Grown, Caren. 'Tax and Gender Equality: A Conceptual Framework'. Taxation and Gender Equity, Ed. Caren Grown and Imraan Valodia, Routledge 2010.

[4]. Gender budgets aim at examining budgetary resources through a gender lens. Rather than being a separate budget for women, it is an analysis of government budgets to establish a gender specific impact and translate gender commitments into budgetary commitments. Gender budgeting lays stress on reprioritization instead of an increase in the overall public expenditure in particular, the reorientation of programs within a sector rather than changes in the overall amount allocated to a particular sector.

[5]. Elson, Diane. 'Budgeting for Women's Rights'. 2006. Retrieved from http://www.unifem.org/materials/item_detaild658.html?ProductID=44

[6]. Dewan, Ritu. 'Indian Taxation Systems and Policies: A Gendered Perspective.' In Search of Economic Alternatives for Gender and Social Justice: Voices from India, Ed. Christa Wichterich, WIDE 2010

[7]. Elson, 77

[8]. Dewan, 27

[9]. Elson, 78

[10]. Dewan, 28

[11]. According to Caren Grown and Hitomi Komatsu, Value Added Tax is a tax on consumption. It may be defined as a broad based tax levied on sales up to and including at least the manufacturing stage, with systematic offsetting charged on commodities purchased as inputs. VAT is often preferred by economists as it constitutes a tax on consumption. While widely considered a progressive method of taxation, VAT in fact tends to be regressive in nature. This is because it impacts people with lower incomes more severely as they spend a higher proportion of their income on basic consumption goods that those with higher incomes. Hence, it has been considered anti women and anti poor as they spend a higher proportion of their income on paying taxes on these goods.

England is one of the few countries in the world to have an expenditure tax system with an explicit gender content. VAT was removed from female sanitary products because it was seen as being unfair to tax these gender specific necessities.

In India, VAT was first introduced in 2005 and replaced the General Sales Tax Laws. VAT is collected by the States in India, while PIT is collected by the Central Government.

It has been noted, however, that VAT may also be beneficial for women only if it affects the tradables and non tradables they create as both employees and owners. In addition to this, higher VAT on alcohol, for instance, would lead to lesser wastage of the family income by the male members. An example of this may be seen in the case of the anti-arrack movement by women Andhra Pradesh.

[12]. Gender Budgeting in India, UNIFEM, New Delhi, 2005

[13]. Menon Sen, Kalyani and K Seeta Prabhu. 'The Budget: A Quick Look through a Gender Lens'. Economic and Political Weekly, Vol 36, Issue No 14-15, April 7, 2001

[14]. Jhamb, Bhumika and Yamini Mishra. 'An Assessment of UPA-I through a Gender Budgeting Lens'. Economic and Political Weekly, Vol XLIV NO 35 (August 29, 2009)

[15]. Mishra, Yamini. 'Gender Responsive Budgeting as a Tool for Alternative Economic Planning'. In Search of Economic Alternatives for Gender and Social Justice: Voices from India, Ed. Christa Wichterich, WIDE 2010

[16]. Jhamb, Bhumika, Yamini Mishra and Navanita Sinha. 'The Paradox of Gender Responsive Budgeting'. Economic and Political Weekly, VOL XLVIII NO 20 (May 18, 2013)

[17]. Das, Dakshita. 'Gender Issues for the Fourteenth Finance Commission'. Economic and Political Weekly, VOL XLVIII No 51 (December 21, 2013)

[18]. Jhamb, Bhumika, Yamini Mishra and Navanita Sinha, 38

[19]. Valodia, 304

[20]. Ibid, 302

[21]. Dewan, 30

[22]. Up until 2012-2013 India was one of the few countries that followed affirmative action for women through its taxation policies. This was expected to be reintroduced in the 2013-14 budget in order to act as an incentive to increase female employment in the formal sector. However, the budget has instead absolved the State of any responsibility whatsoever of incorporating employment in its current strategy by insisting that women undertake their own economic empowerment through 'assisted' self-employment, while men do so by 'skill' enhancement.

References:

1. Das, Dakshita. 'Gender Issues for the Fourteenth Finance Commission'. Economic and Political Weekly, VOL XLVIII No 51 (December 21, 2013)

2. Dewan, Ritu. 'Indian Taxation Systems and Policies: A Gendered Perspective.' In Search of Economic Alternatives for Gender and Social Justice: Voices from India, Ed. Christa Wichterich, WIDE 2010

3. Elson, Diane. 'Budgeting for Women's Rights'. 2006. Retrieved from http://www.unifem.org/materials/item_detaild658.html?ProductID=44

4. Grown, Caren. 'Tax and Gender Equality: A Conceptual Framework'. Taxation and Gender Equity, Ed. Caren Grown and Imraan Valodia, Routledge 2010.

5. Jhamb, Bhumika and Yamini Mishra. 'An Assessment of UPA-I through a Gender Budgeting Lens'. Economic and Political Weekly, Vol XLIV NO 35 (August 29, 2009)

6. Jhamb, Bhumika, Yamini Mishra and Navanita Sinha. 'The Paradox of Gender Responsive Budgeting'. Economic and Political Weekly, VOL XLVIII NO 20 (May 18, 2013)

7. Menon Sen, Kalyani and K Seeta Prabhu. 'The Budget: A Quick Look through a Gender Lens'. Economic and Political Weekly, Vol 36, Issue No 14-15, April 7, 2001

8. Mishra, Yamini. 'Gender Responsive Budgeting as a Tool for Alternative Economic Planning'. In Search of Economic Alternatives for Gender and Social Justice: Voices from India, Ed. Christa Wichterich, WIDE 2010

9. Valodia, Imraan. 'Conclusion and Policy Recommendations'. Taxation and Gender Equity, Ed. Caren Grown and Imraan Valodia, Routledge 2010.

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