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Conclusions and Recommendations

Tax systems are not gender neutral. They contain both explicit and implicit gender biases. Gender revenue analysis is an important tool for revealing and correcting this bias. 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 programmes that enhance women's empowerment.

This paper provides a preliminary review of the ways in which tax systems may be gender biased. It argues that gender revenue analysis is a fruitful tool for both analysing and correcting gender biases. It concludes with some specific recommendations through which gender revenue analysis could be advanced:

1. Support and expand existing efforts to advance and improve the collection of sex-disaggregated data in countries around the world. This should include support for tax policy units in ministries of finance to collect, process and analyse sex-disaggregated as well as other needed data, and 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 carry out 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 and gender improvements that could be garnered if a greater share of tax revenue is shifted from indirect to direct taxation which can be made more progressive. 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. Support research on gender bias in indirect taxes – such as VAT, consumption taxes and trade taxes. Gender budget analysts should examine the nature of exemptions provided under 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 revenue initiatives in a small number of developing countries where minimum data requirements can be met. These gender revenue initiatives could take the form of a gender revenue analysis report, following the model of tax expenditure reports which were adopted by many taxing 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.

6. Support further research on a typology that would match a country's level of development with the principal taxes it uses, and the principal possible gender biases inherent in these taxes, with recommendations on how to address these biases and make tax systems more gender equitable. Such a typology could be developed and expanded by policymakers and practitioners in gender budget training exercises.

This paper has focused on taxation and user fees. Further work could usefully explore the impact of local taxes, such as property taxes and licence 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.

Notes

1 At present more than 50 countries have some form of gender budget initiative (Budlender and Hewitt, 2002).
2 Gender is conceptualised as the social meanings given to biological sex differences.
3 Folbre (1995) profiles the change over the eighteenth century as housework disappeared from official view in the national accounts of the US and European countries.
4 Data for 1995 to 1999 reveals that in New Zealand women with no children spend 34 hours per week on unpaid work. This figure increases to 50 hours per week for women with one or more children. Men's unpaid labour remains constant at 23 hours per week, regardless of the presence of children in the household (United Nations, 2000).
5 See Sen (1990) and Agarwal (1995).
6 Braunstein and Folbre (2001) remark that between the seventeenth and nineteenth centuries, husbands in Great Britain and the US enjoyed explicit control rights over their wife's property and person, and over the products of her labour.
7 Notable exceptions are Australia, South Africa, Uganda, Tanzania and the United Kingdom.
8 Distinct from revenue are two other categories in government finance statistics: grants, which include foreign aid; and financing, which includes domestic and foreign loans and printing money.
9 For a description of one of the most egregious cases, see *King Leopold's Ghost* by Adam Hochschild.
10 See definition of revenue, as distinct from grants and financing, in note 8.
11 OECD, 2002.
12 Years vary; see IMF, 2002.
13 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 required.
14 The only taxes which do not distort economic decisions are those which can be imposed 'lump-sum', where no behavioural action can be taken which will avoid the tax. The standard example of a lump-sum tax is a head tax imposed per person. In Britain, Margaret Thatcher's government attempted to impose a head tax, which drew widespread popular protest and was withdrawn.
15 Targeted tax goals may be to benefit a particular group, for example those at the lower end of the income spectrum or those with children; or they may be intended to penalise socially undesirable behaviour and reward the opposite, such as environmental taxes or benefits.
16 Specifying household wellbeing requires the aggregation of individual preferences into a household utility function, a procedure which has been criticized (see Nelson, 1996; Folbre, 1997 and 1994).
17 We found no studies on the impact of PIT on marriage and divorce in developing countries. There is a large literature in the US on this topic. The US tax system imposes a marriage penalty for a two-earner couple when they marry if their earnings are close to even, but if one spouse earns very little and the other a lot, the tax burden is not very different than that for the single-earner couple. This balance has changed over time with various reforms to the income tax. Eissa and Hoynes (1998) find that recent reforms in the US tax structure, as well as an increase in secondary earners, have dramatically changed the tax and transfer consequences of marriage; however, this impact is heterogeneous across income brackets. Other research found a correlation between the marriage penalty and the number of cohabiting (as opposed to married) couples (Bartlett, 1998). When the marriage penalty rises, aggregate marriage rates fall. There is a greater impact on the timing of marriage, with couples often delaying marriage late in the year to minimise the marriage penalty. There is also some evidence that high marginal rates encourage divorce, especially on the part of women who are affected most by the marriage penalty (Whittington, Alm and Peters, 1990).
18 There is a considerable amount of economic research in the US on the effect of taxation on female labour supply; see Hausman (1979), Hayghe and Bianchi (1994), Eissa (1995a and b) and Eissa and Hoynes (2002). Edward McCaffery (2002 and 1997) discusses the major costs of entering the workforce as a US secondary earner and finds that while the incentives are quite different for lower- and middle-income families, both income groups are affected.
19 According to Apps and Rees (1999a), 'This issue is particularly important in OECD countries where the vast majority of workers earn around the median wage and the distribution is positively skewed. Under these conditions, tax systems, such as joint taxation (in Germany and the US) or EITC (in the US and proposed in the UK), have the effect of imposing higher rates on working married women and especially those married to low-earning husbands. Under system of joint income, both partners face the same marginal tax rate. However, what is missed is that two couples with same wages, non-labour incomes, demographics, and preferences

face very different rates if there is heterogeneity in the labour supply of married women. Couples in which the female partner works typically face much higher marginal tax rates.'

20 Bargain, Laisney and Moreaux (2002) suggest the lack of simple econometric technique when accounting for participation decisions and tax-benefit system is the reason for the delays in the use of collective models for policy recommendation purposes. They also compare the predictions in term of policy analysis between the unitary and the collective models. The exercise consists in assessing a current French tax reform using a unitary model estimated on data generated by the collective one. The size of errors from the unitary model, both on positive and normative conclusions, suggests that more effort should be devoted to the estimation and operationalisation of collective household models with taxation.

21 There is often also a third, voluntary pillar for people who want more money for retirement in old age.

22 Most of the work on social security and gender focuses on coverage and benefits, as opposed to tax incidence and revenue.

23 See Apps and Rees (2002) for a discussion of some of these biases. On the other hand, in the US, Armour and Pitts (2002) find that the system favours women as they face a lower marginal rate at each stage. This tax differential, which is attributed to women's longer life expectancies, is seen as a desirable feature because of empirical evidence showing that female labour supply is more elastic than male labour supply.

24 Barrientos (1998) also finds the availability of personal pension plans would not raise the pension gender gap (which is almost non-existent in Chile) and may operate to close it.

25 VATs replaced sales and turnover taxes, which are seen to create a number of producer 'distortions'.

26 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.

27 A recent theoretical paper by Emran and Stiglitz (2002) exploring selective indirect tax reform in developing countries argues that the existence of a large informal economy greatly reduces the desirability of VAT because it reduces welfare. This is the case when VAT reform involves both comprehensive rate increases, as well as when changes apply only to a subset of the commodities under the tax net.

28 We are indebted to Haroon Akram-Lodhi for this point.

29 Other issues are that the corporate tax alters three important business decisions regarding: a) legal form, i.e. whether to incorporate or to remain a privately-owned business or partnership (some countries also tax income of these business forms, but tax rate differentials generally remain, distorting some choices); b) equity financing vs. debt, since the latter reduces tax liability although it increases the risk of bankruptcy; c) dividend payments (taxable as income) and retained earnings (taxed as capital gains, generally at a lower rate).

30 This section draws heavily on the excellent paper by Palley (2001).

31 Personal correspondence with the authors.

32 Bird and Miller's (1989) study of the incidence of indirect taxes on low-income households in Jamaica is one of the few examples of a tax incidence analysis that incorporates gender variables. It divides the sample of low-income households into six expenditure groups representing low-income, medium-level low-income and higher lower-income. In addition, the analysis distinguishes coupled-headed and female-headed households and considers the age composition and dependency burdens within households.

33 CGE models are non-linear, multisectoral models which simulate the workings of a market economy. They have been used to analyse such issues as long-term growth and structural change, investment allocation, choice of development strategy, income distribution, trade policy and structural adjustment (see Robinson, 1989).