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Think tax is gender neutral? Think again

Why countries need to put women at the heart of their tax regimes

Take any global measure, and in all likelihood it will point towards the same fact: women are disadvantaged relative to men. Women do much greater amounts of unpaid care – caring for children and the elderly, fetching water and household chores – across the world, all of which provide crucial support for economies to thrive. Women's unpaid care work is conservatively valued at 13 per cent of global GDP. Women are frequently not paid equally for work of equal value, and are increasingly employed in precarious, informal work. One in every three women will experience physical or sexual violence during their lifetime. The situation is more difficult for women living in poverty who face discrimination based on intersectional facets of their identity such as race, ethnicity, marital status, or their status as a migrant.

National governments are responsible for ensuring that women are accorded their human rights and addressing gender inequality. One key way to do this is by providing more, better-quality public services. Shelters, for instance, protect women from domestic violence. The provision of piped water means they no longer need to make frequent – and often dangerous – trips to the local well.

International conventions guarantee equal rights for women, and reiterate the duty of states to end discrimination against them. The Sustainable Development Goals (SDGs), the UN's development agenda for 2030, commit to 'achieving gender equality and empowering all women and girls', 'giving women equal rights to economic resources', and 'recognising and valuing unpaid care and domestic work through the provision of public services'.

Financing public services depends a great deal on tax policy. Tax is the largest and most sustainable source of government revenue. However, inequities in *how* and from *whom* taxes are raised can be antithetical to the goal of promoting gender equality.

Going by the numbers

Different methods of raising taxes have diverse distributional effects. The tax mix – broadly composed of direct and indirect taxes – that a state chooses to adopt has substantial gender implications. Direct taxes on personal and corporate income, wealth, property and inheritance are progressive, since they reflect the taxpayer's *ability to pay*. Indirect taxes such as the Value Added Tax, levied on consumption of goods and services, are regressive in nature as they are applicable to both rich and poor consumers.

The overall direct tax rates in Asia at a regional scale are among some of the lowest in the world, with high levels of dependence on indirect taxes. This hurts the poor, and impacts upon women in particular, since they tend to spend more on household items which attract VAT.

Direct taxes on income (both personal and corporate), wealth and inheritance are significantly under-utilised and under-enforced, especially in developing countries. This allows owners of wealth and assets to escape taxation. Men are the primary beneficiaries, since they tend to own and control more resources. Developing countries also collect lower levels of corporate income taxes (CIT) than their industrialised counterparts. IMF data shows that CIT rates have declined in both developed and developing countries by 15-20 per cent in the past three decades. CIT paid by multi-national corporations (MNCs) account for only 10 per cent of government revenue in developing countries. Yet these very countries are reliant on CIT to fund public services. What is more, developing countries are often pressured into giving tax exemptions and tax holidays to big businesses and multinationals, in the hope of creating a conducive climate for attracting foreign investment.

Studies by the World Bank, IMF and the OECD have suggested that these kinds of tax breaks do not necessarily encourage foreign investment. Estimates suggest that corporate tax incentives cost developing countries $138 billion in revenue annually. This shifts the tax burden to lower income groups, where women are over-represented, whilst simultaneously leading to impeded resource mobilisation, public expenditure cuts and increased privatisation of public services.

The real tax shirkers? The rich.

Multinationals and the ultra-rich are also able to avoid paying their fair share of taxes using tax havens or secrecy jurisdictions – cities or countries that have very low tax rates and offer a discrete lid of secrecy on offshore wealth. Using an efficient industry of bankers, tax lawyers and

accountants, the rich can shift their wealth to tax havens, while multinationals shift their profits to their subsidiaries located in secrecy jurisdictions through fraudulent trade practices.

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The price developing countries pay for tax dodging by multinational companies varies between $500-600 billion annually. This is possible because the architecture of the international financial institutions that design the norms of international taxation is highly skewed in the favour of rich, developed nations that benefit from the existence of tax havens. Developing countries, often due to capacity constraints, are unable to address loss of revenue due to dodgy trade practices. These countries instead propose consumption taxes as well as taxes on domestic small businesses to increase revenue – thus resulting in regressive tax systems. In the absence of strong labour laws, women disproportionately receive lower wages as small companies cut costs to pay their tax bills.

Fiscal policy is central to realising human rights for women and girls. A gendered analysis and reform of national tax policies is crucial, such that taxation is based on the principles of equality and non-discrimination. Increased taxation of the rich and powerful (through a combination of personal and corporation income tax, wealth and property tax, and higher taxes on luxury goods) and lowering of consumption taxes will result in a progressive tax system. Countries should also invest in increasing capacity in their tax departments, to establish efficient and effective tax collection. Regional cooperation among countries can help address tax competition at a regional level, thus helping reduce the revenue lost to corporate tax giveaways. Developing countries should also keep pushing for their demand to establish a democratic tax forum under the auspices of the United Nations, which would put developed and developing countries at an equal footing to design the norms of international taxation that affect them directly. States' obligations to meet human rights obligations and SDG targets on gender, poverty and inequality needs to start with focused investment in quality and accessible public services, financed through progressive, gender-responsive tax systems.



Neeti Biyani
New Delhi

Neeti Biyani works on issues of tax and development, tax justice, illicit financial flows and transparency in the global financial system. She previously worked with Association for Democratic Reforms on electoral transparency, and holds a master's degree in International Politics from SOAS, University of London.

Neeti tweets at @neetibiyani.

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