



IN TAX, GENDER BLIND IS NOT GENDER NEUTRAL

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Session 2: Gender Equity & Taxes

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Tax, gender equity and inclusive growth

- When designing tax systems, policymakers need to balance different tax policy objectives, including revenue & economic impacts, simplicity, and equity
- Equity (fairness) includes consideration of horizontal equity, vertical equity, and intergenerational equity dimensions
- Gender equity is an integral part of achieving tax design that supports inclusive growth:
 - SDG 5 calls for ending all discrimination against women and promoting their full and effective participation in the economy
 - Improving gender equity can contribute to economic growth – and gender discrimination has a very real economic cost
- COVID-19 has exacerbated many of these inequities – and ensuring women’s participation in the recovery is an important policy goal



Gender biases in taxation

1. Tax systems may exhibit an implicit gender bias, even when the tax system itself is neutral between men and women
2. Implicit biases in the tax system are not only found in personal income taxes...
3. Awareness and improving data are an important part of the solution



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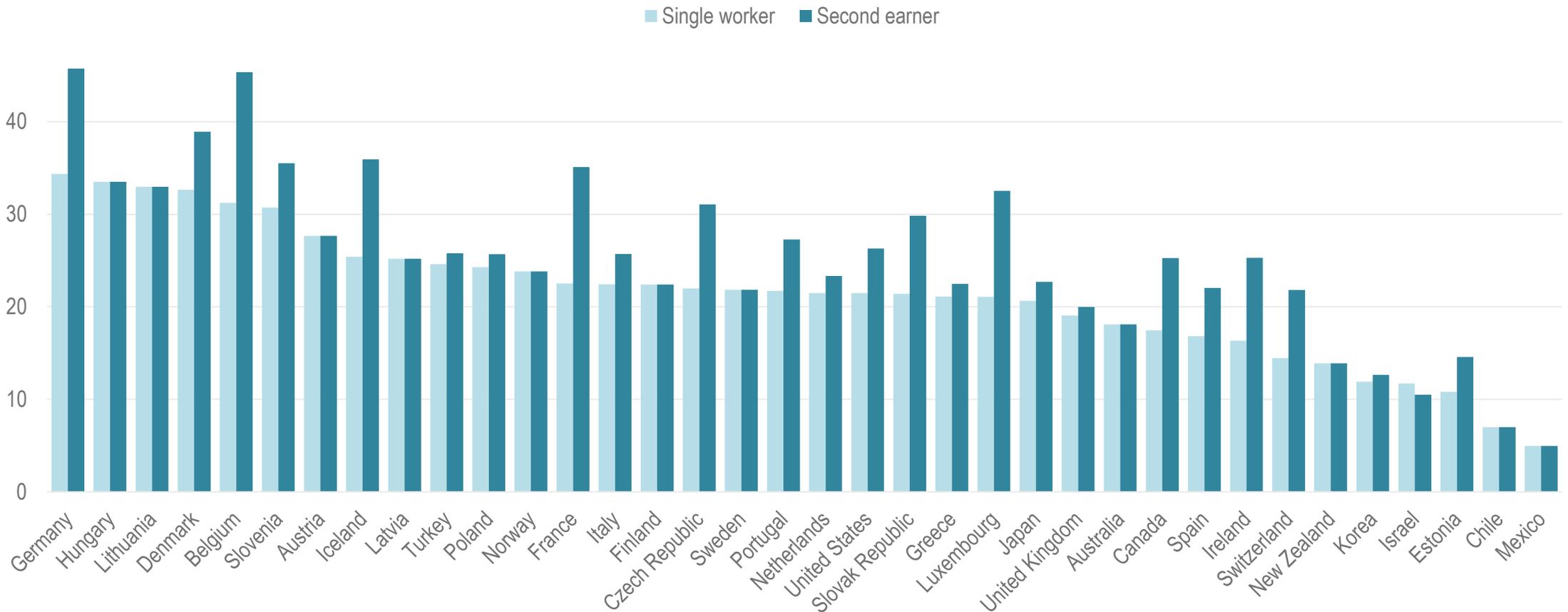


Explicit & implicit gender biases

- Explicit bias occurs where the tax code or tax rules are explicitly linked to gender
 - For example, lower tax rates for single men than for married women; or dependent spouse tax credits available primarily to male earners
 - Explicit biases that discriminate against women are becoming increasingly uncommon
 - Some examples of explicit biases being introduced to reduce gender gaps
- Implicit bias occurs where tax interacts with differences in underlying patterns of economic behaviour
 - Due to different economic characteristics and patterns of behaviour, an otherwise neutral tax system may have different impacts upon men and women:
 - Labour-force participation, consumption, ownership, entrepreneurship, savings, tax evasion, etc.

Second earners face higher net personal average tax rates than single earners

Net Personal Average Tax Rates, 2019
 Single & second earner at 67% of the AW (primary earner at AW), no children



Source: CTPA calculations based on OECD Taxing Wages (2020).



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Some sources of implicit gender bias in tax systems...

Labour market participation



High taxes on second earners discourage labour participation

Under-taxation of extra hours worked



Lower taxes on extra hours worked typically induce men to work more

Savings patterns



Men likely benefit more from tax privileges for private pension savings

Capital & wealth ownership



Who benefits more from lower taxes on capital income?

Consumption



Differences in behaviour may affect the distribution of income between men & women and of paid & unpaid work

Corporate taxation



Who benefits more from lower corporate tax rates & corporate tax incentives?

Tax morale



Women tend to be more tax compliant than men



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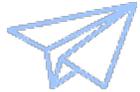


What does this imply for tax policy?

- First best: address the underlying gender difference at source (e.g. promote wage equality, encourage women's labour-force participation)
- Second best: change the tax system:
 - Remove explicit bias; ensure the tax system does not implicitly enhance other gender biases
 - On a case-by case basis, consider tax as one of a range of indirect policy tools to address gender imbalances?
- Governments should ensure that they consider the impact of tax policy changes on gender, including in their tax policy responses to COVID-19
- Data matters: seek to fill key data gaps on women's economic participation to develop ex-ante & ex-post assessment tools to better understand the impact of tax (& other) policies



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