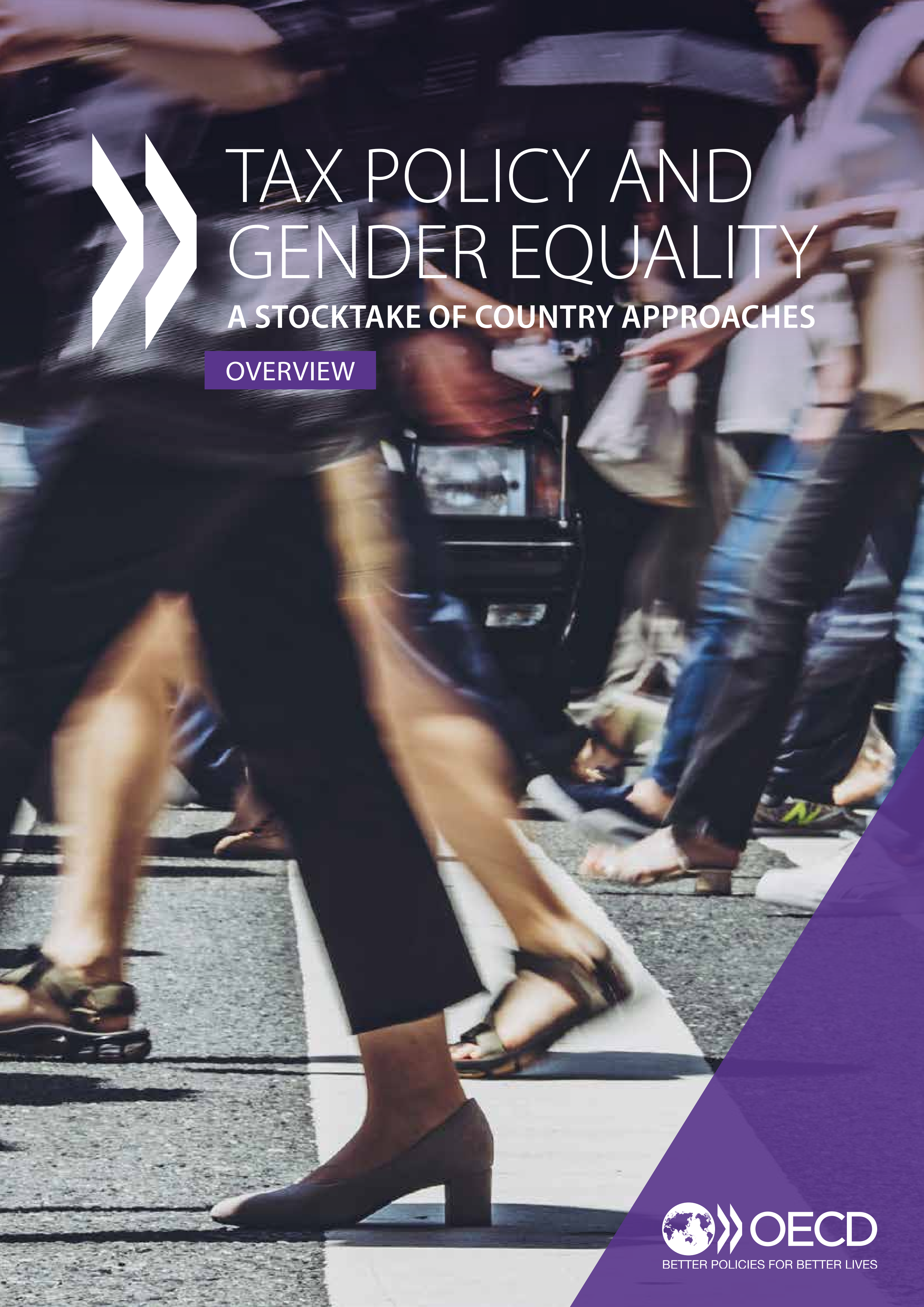
TAX POLICY AND GENDER EQUALITY

A STOCKTAKE OF COUNTRY APPROACHES

OVERVIEW



OECD
BETTER POLICIES FOR BETTER LIVES

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Overview

Promoting gender equality, as reflected in the Universal Declaration of Human Rights and the Sustainable Development Goals, is a human rights objective for many governments, including in G20 and OECD countries.

Improving gender equality is not only an issue of fairness but can also produce a significant economic dividend. Working towards more inclusive economies in which women participate fully is important for economic growth and, in the context of the COVID-19 pandemic, will be crucial in ensuring an inclusive and robust recovery. Research shows that improving gender equality and reducing gender-based discrimination can generate substantial economic benefits, by increasing the stock of human capital, making labour and product markets more competitive, and increasing productivity.

Tax policy can contribute to gender equality and to governments' efforts to reduce inequalities. A growing body of research shows that even in tax systems that do not include overt gender biases, other implicit biases exist due to the interaction of the tax system with differences in the nature and level of income earned by men and women, consumption decisions, the ownership of property and wealth, and the impact of different social expectations on male and female taxpayers.

Against this background, governments can act to improve the gender outcomes of taxation; removing overt biases and reconsidering tax settings that currently result in implicit gender bias; and evaluating avenues within the tax system to design and implement tax policy that promotes gender equality.

THE FIRST ANALYSIS OF ITS KIND

The report *Tax Policy and Gender Equality: A Stocktake of Country Approaches* is the first cross-country report to analyse national approaches to tax policy and gender outcomes, including assessments of explicit and implicit biases, tax policy reforms to improve gender equity, and policy processes and priorities. Covering 43 countries from the G20, the OECD and beyond, this

Argentina	Indonesia	San Marino
Australia	Ireland	Saudi Arabia
Austria	Israel	Slovak Republic
Belgium	Italy	Slovenia
Brazil	Kenya	South Africa
Canada	Latvia	Spain
Costa Rica	Luxembourg	Sweden
Croatia	Mexico	Switzerland
Estonia	Montenegro	Tunisia
Finland	Netherlands	Ukraine
France	New Zealand	United Kingdom
Germany	Norway	United States
Greece	Peru	Uruguay
Hungary	Portugal	
Iceland	Romania	

Overview

BOX 1. **SNAPSHOT OF KEY FINDINGS AND COUNTRY PRIORITIES**

- **Most countries consider gender to be an important consideration in tax policy design.** Roughly half have already implemented specific tax reforms to improve gender equity, most commonly in the taxation of personal income.
- **While explicit bias is rare, the risk of implicit bias is higher.** Although few countries noted examples of explicit bias in their tax system, more than half of the countries indicated that there was a risk of implicit bias. As with explicit biases, these implicit biases can either exacerbate or reduce gender inequalities already present in society and the examples noted by countries suggest a more nuanced policy response to gender bias in taxation is needed.
- **Access to gender-disaggregated data is limited, except on income levels and labour force participation.** Most countries have some access to gender-differentiated data for policy analysis, but access to data is concentrated on male and female incomes and labour market participation. Detailed data on consumption and on property and wealth ownership is less commonly available and was identified by several countries as a key data gap.
- **Labour taxation is the key priority for future work to improve tax systems to increase gender equality.** Identified policy areas include the impact of tax credits and allowances on gender equality, the taxation of second earners, the relationship between the progressivity of the tax system and gender equality, and the impact of social security contributions.
- **Consideration of explicit biases, and of the taxation of capital income and wealth is also needed.** A secondary priority is work on identifying the policy rationales and an assessment framework for considering the use of explicit biases to reduce gender inequality. Another common priority is exploring gender bias in the taxation of capital income and capital gains, notably in wealth and inheritance taxes.

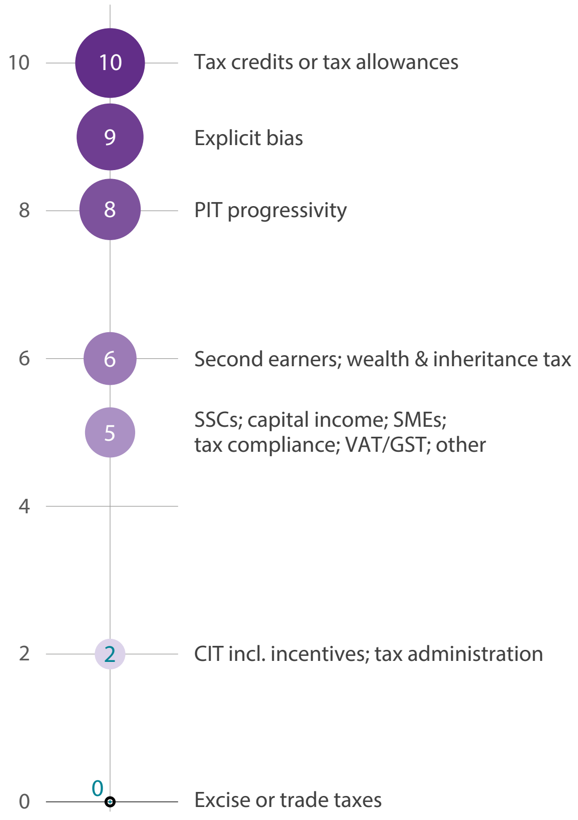
report has been prepared as part of the OECD's efforts to mainstream gender equality and will be presented to the G20 Finance Ministers and Central Bank Governors in February 2022.

This report focuses on various aspects of tax policy design and implementation, on a cross-country basis. It explores the extent to which countries consider gender equality in tax policy development and tax administration, how they address explicit and implicit gender biases in their tax systems, and the availability and use of gender-disaggregated data. It analyses country perspectives on how and to what extent gender should be taken into account in the tax policy development process (including via gender budgeting). It also takes stock of the impact of the COVID-19 pandemic on gender equality in the tax system and highlights how countries considered gender outcomes in their tax responses to the pandemic.

TAKING THE WORK FORWARD

There are many implications for policymakers. A useful step for countries to further address implicit bias in their tax systems is to provide more guidance on taking gender equality into account in tax policy design and tax administration. Consideration of the impact of changes in the tax structure over time is also important to assess.

FIGURE 1. **COUNTRY PRIORITIES FOR FUTURE WORK**
Number of countries responding
(more than one response was possible per country)



Source: OECD Tax & Gender Stocktaking Questionnaire 2021.

In addition, the report highlights the need to improve the collection of gender-disaggregated data on taxation in general, and on men and women's consumption and property and capital ownership in particular, to facilitate deeper analysis of the impact of taxation on these issues.

Countries also indicated a number of priorities for future work. The most common was that future analysis consider the impact of tax credit or tax allowance provisions on gender equity. A secondary priority was the design of explicit tax biases designed to reduce gender inequalities (Figure 1).

Going forward, analysis of the gender equality implications of tax policy could build on the conclusions of the report, including through further investigation of the priorities identified by countries, with a view to deepening the analysis and identify best practices. This work could focus on identifying principles and best practices in tax systems to improve gender equality, including whether and to what extent the tax system itself can be used as a tool to reduce bias, when assessed against alternative policy tools. Further work could also focus on the overarching impact of labour taxation on gender inequality, with a particular focus on removing disincentives that discourage women from working, especially on a full-time basis.

BOX 2. GENDER OUTCOMES IN THE TAX SYSTEM: KEY CONCEPTS

In assessing the impact of taxation on gender outcomes, a common framework is to differentiate between tax provisions based on gender as an explicit criterion, and those that are gender-neutral but which interact with societal or economic differences between men and women in such a way that the tax system has a differing impact on men and women. This distinction broadly corresponds to the legal concept of direct and indirect discrimination (Gunnarsson, Spangenberg and Schratzenstaller, 2017[1]):

- Explicit bias, most commonly related to personal income tax (PIT), occurs where the tax code provisions are legally linked to gender: for instance, the allocation of exemptions, deductions and tax preferences related to spouses, or the responsibility for filing the tax return (Stotsky, 1996[4]).
- Implicit bias occurs even if the tax system is ostensibly neutral. It arises when a gender-neutral tax system interacts with differences in underlying economic characteristics or behaviours between men and women – including income levels, labour-force participation, consumption, ownership, entrepreneurship, savings, tax morale and compliance – in ways that reinforce gender biases.

Possible implicit biases can occur across all different tax types, including via taxes on labour, consumption, corporate and capital taxation. In practice, much work on analysing implicit biases has focused on aspects of the PIT. The OECD has also carried out analysis in this area, including via the *Taxing Wages* models (OECD, 2021[3])and the OECD-Tax Benefit indicators (OECD, 2021[2]).

The composition of revenues across different tax types may also influence gender outcomes, via the differing impacts of various types of taxes on equity and the economic incentives provided to different taxpayers. The progressivity of the overall tax mix can reduce the tax burden on the lowest-paid, benefiting women. By contrast, low levels of taxes on capital income or on capital, or high levels of tax on consumption, can have the opposite impact.

Tax administration and compliance aspects can also have different outcomes for men and women. Tax administration processes can be more or less accessible for either gender, can be directed at a specific gender or in practice can be used by one gender more than another. The approach to tax compliance, fraud and avoidance behaviours can have gendered impacts depending on the programmes targeted, or whether the approach differs depending on the gender of the taxpayer.

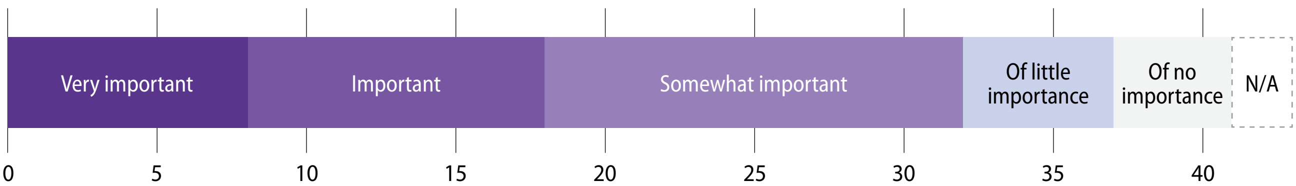
Key findings

IMPORTANCE OF GENDER EQUALITY IN TAX POLICY DESIGN AND REFORM

The impact of taxation on gender outcomes is widely considered to be important across the countries surveyed. Three-quarters of the 43 countries who responded consider tax and gender to be at least somewhat important (Figure 2), with eight of these countries considering it to be very important.

FIGURE 2. **HOW PROMINENT ARE GENDER CONSIDERATIONS IN TAX POLICY DESIGN IN YOUR COUNTRY?**

Number of countries



Source: OECD Tax & Gender Stocktaking Questionnaire 2021.

Twenty-two countries indicated that they have implemented specific tax reforms to improve gender equity (Table 1). These measures have typically been implemented in the personal income tax system, either via changes to the unit of taxation or administration or the inclusion of credits or allowances, although several countries have also introduced zero or reduced VAT rates for sanitary products with the goal of improving the gender impacts of the tax system.

TABLE 1. **HAVE ANY TAX POLICIES/MEASURES OR REFORMS BEEN IMPLEMENTED WITH GENDER EQUITY FORMING ONE OF THE MAIN RATIONALES FOR THE POLICY DECISION?**

Answer	Number	Share	Countries
Yes	22	51.2%	Argentina; Belgium; Estonia; France, Iceland; Indonesia; Ireland; Israel; Italy; Kenya; Luxembourg; Mexico; Netherlands; Norway; Saudi Arabia; South Africa; Spain; Sweden; Switzerland; Ukraine; Uruguay; United States
No	17	40.5%	Australia; Austria; Brazil; Canada; Costa Rica; Croatia; Finland; Germany; Greece, Hungary; Montenegro; New Zealand; Peru; Romania; San Marino; Tunisia; United Kingdom

Note: Four countries (9.3%) did not reply to this question.

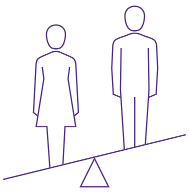
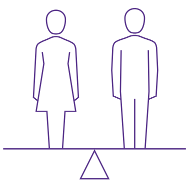
Source: OECD Tax & Gender Stocktaking Questionnaire 2021.

IMPLICIT AND EXPLICIT BIASES IN TAX SYSTEMS

Few countries noted examples of explicit bias in their tax system, either now or on a historic basis, also most commonly in the personal income tax system. The differences in the taxation of men and women that were noted more commonly provided a tax benefit to women rather than men; for example, in Hungary, a tax allowance is targeted at mothers of more than four children; whereas in Israel, extra tax credit points are available to mothers.

More than half of the countries surveyed (23 countries) indicated that there was a risk of implicit bias in their tax systems, although only 16 countries reported having assessed this. As with explicit biases, these implicit biases can occur to the detriment of either gender, depending on how the tax system interacts with these underlying characteristics. Given this, the policy responses to implicit and explicit biases will need to differ depending on their impact on gender equality, as set out in Table 2.

TABLE 2. **POLICY RESPONSES TO EXPLICIT AND IMPLICIT BIAS: AN EXPANDED FRAMEWORK**

	Explicit	**Implicit**
Exacerbate gender bias 	Provisions in the tax code, or in formal administration requirements, that explicitly reference gender, and which worsen gender biases present in society. *e.g. lower tax rates for married men; tax credits available for men; women not having access to their tax info.* Policy response: **REMOVE**	Tax settings that are gender neutral, but which interact with the different economic and social realities of men and women in ways that worsen gender biases present in society. *e.g. higher tax rates on second earners, informal taxation or user fees on services used more by women, low rates of taxation on capital income or wealth.* Policy response: **RECONSIDER**
Reduce gender bias 	Provisions in the tax code, or in formal administration requirements, that explicitly reference gender, but which reduce gender biases present in society. *e.g. lower property tax or inheritance rates for women, tax credits for working mothers.* Policy response: **EVALUATE**	Tax settings that are gender neutral, and which interact with the different economic and social realities of men and women in ways that reduce gender biases present in society. *e.g. improving progressivity of the tax system, reducing disincentives for low income earners to work, broadening tax bases to include capital income.* Policy response: **PROMOTE**

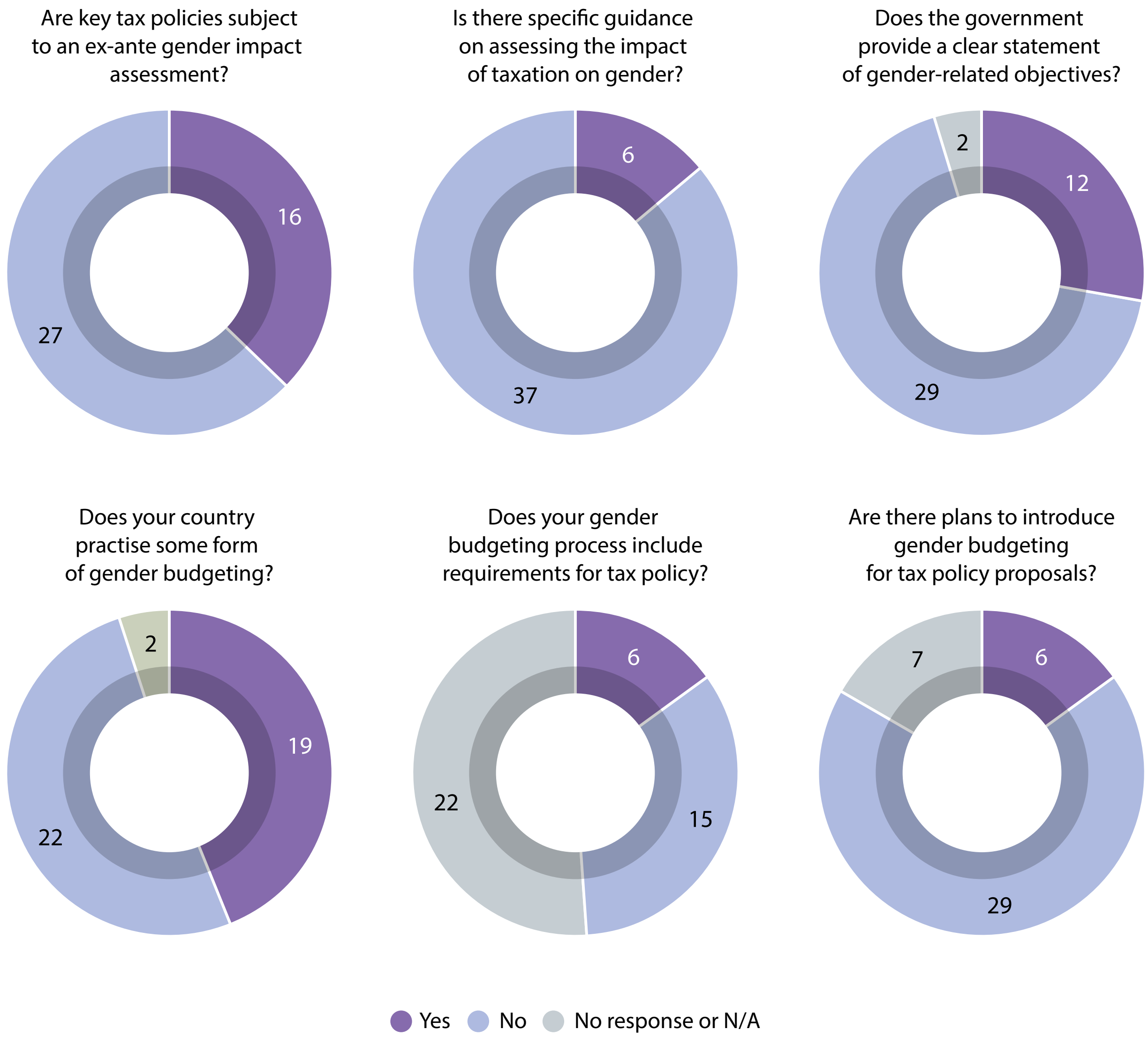
Source: OECD Tax & Gender Stocktaking Questionnaire 2021.

CONSIDERATION OF GENDER EQUALITY IN THE TAX POLICY PROCESS, ADMINISTRATION AND COMPLIANCE

Nineteen countries reported using gender budgeting in their country, with four of these countries noting that the gender budgeting framework included specific considerations for tax purposes (Figure 3). Three countries are considering introducing a gender budgeting framework in the near future. Of the countries currently using gender budgeting, the most common basis for this is a high-level political appointment, followed by a specific legislative provision via budget or other law. Three countries reported that this was a constitutional requirement.

Few countries systematically analyse the impact of tax administration or compliance on gender. The overwhelming majority of countries indicated that they have not designed or implemented analyses on the gender impact of tax administration and compliance measures, nor adjusted their tax administration processes.

FIGURE 3. **SUMMARY OF POLICY DEVELOPMENT PROCESS AND GENDER BUDGETING**



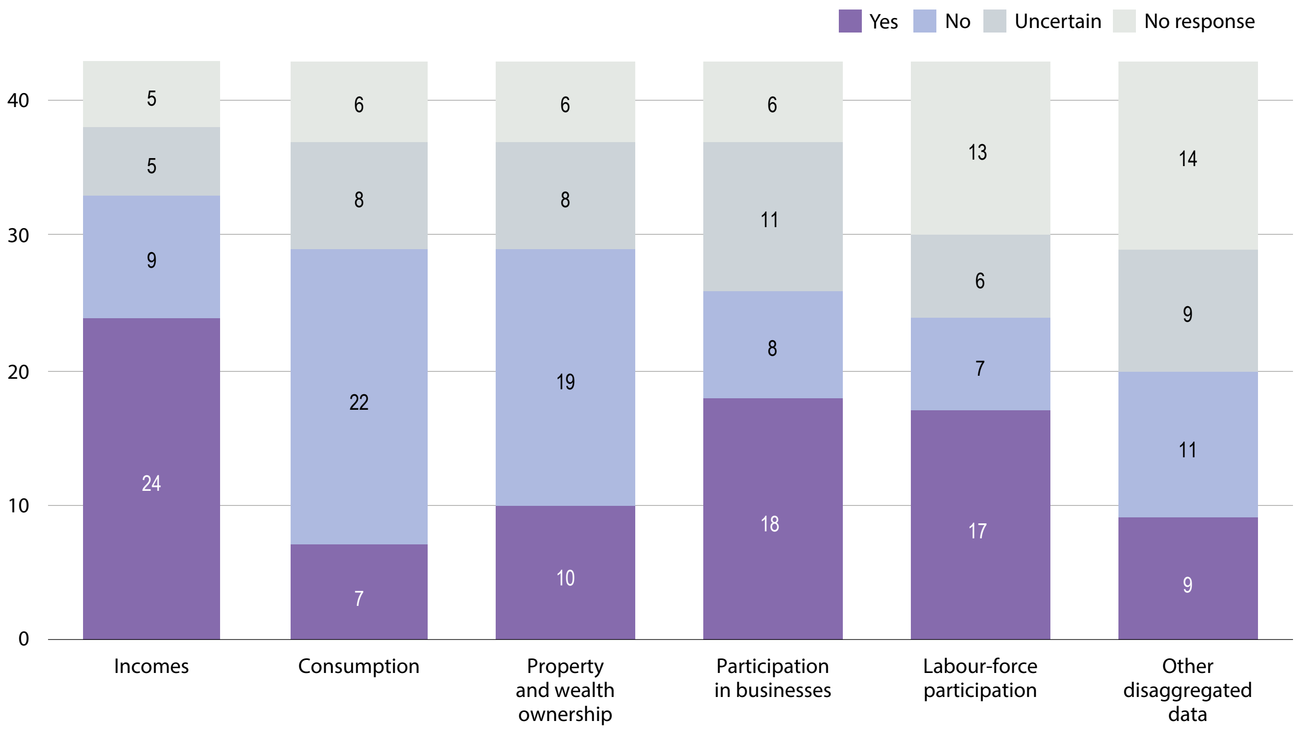
Source: OECD Tax & Gender Stocktaking Questionnaire 2021.

AVAILABILITY OF GENDER-DISAGGREGATED DATA FOR POLICY ANALYSIS

Most countries have access to some gender-differentiated data for policy analysis. Access to data is concentrated on male and female incomes and the labour market: detailed micro-data on male and female incomes is available in 24 of the 43 countries surveyed and 16 have access to information on male and female labour force participation. Detailed data on consumption (seven countries) and on property and wealth ownership (ten countries) disaggregated by gender is less commonly available (Figure 4).

FIGURE 4. **DO YOU HAVE ACCESS TO THE FOLLOWING GENDER DISAGGREGATED NON-TAX DATA AVAILABLE FOR POLICY ANALYSIS?**

Number of countries reporting detailed microdata on male and female



Source: OECD Tax & Gender Stocktaking Questionnaire 2021.

To conclude, tax policy can contribute to gender equality and to governments' efforts to reduce inequalities. For more information on tax and gender, please refer to the recent report *Tax Policy and Gender Equality: A Stocktake of Country Approaches*, as well as the further reading section of this overview.

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Further reading

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Global Forum on Transparency and Exchange of Information for Tax Purposes, *Women leaders in tax transparency*, https://www.oecd.org/tax/transparency/what-we-do/technical-assistance/women-leaders-in-tax-transparency.htm.

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For more information:

https://oe.cd/tax-gender

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