




WOW // Work and
Opportunities
for Women

Taxes and duties for sanitary products in Africa

WOW Helpdesk Query 50

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Query Question: To understand which countries in Africa have removed taxes/duties from sanitary products and what results have emanated from these policy decisions including on the economic empowerment of girls and women. In addition, to detail measures to amplify positive effects and to mitigate negative effects.

1. Which countries in Africa have reduced or exempted taxes and/or duties for sanitary products? Describe the measure and how it is implemented.
2. Where available, provide evidence on the results of those measures – including price and usage of products, supply/demand, public opinion, impact on government revenue and the impact on women and girls’ economic empowerment, including number of days work or school missed.
3. Where available, provide evidence on complementary policies to maximise the positive impacts and mitigation measures to minimise/eliminate the negative impacts, at various levels including to governments, the private sector and to individuals within these countries?

Results can be positive or negative, and intended or unintended, and can occur for the state, the domestic supply chain and to individual women/girls (for example number of days work or school missed). Question 2 should consider the potential negative results for women’s economic empowerment if reduced tax revenue means reduced public services (health, childcare etc.) for women. There is less interest in North Africa compared to sub-Saharan Africa. If there is a shortage of information from African countries, then the geographical coverage could expand to low- and middle-income countries from other regions. The consultant team should consider any COVID 19 and post-COVID 19 implications.

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Acronyms

DFID	Department for International Development
MHM	Menstrual Hygiene Management
VAT	Value Added Tax

1. Country experience of reducing tax rates on Menstrual Hygiene Management products

Which countries in Africa have reduced or exempted taxes and/or duties for sanitary products? Describe the measure and how it is implemented.

Table 1 – Summary of African country experience in removing/reducing tax on MHM products

Country	Year	Measure implemented	Complementary / other policies implemented	Links
Ethiopia	Unclear	Customs authority has reduced tax on sanitary pads	None identified	ET Press Agency article
Rwanda	2019	Removal of VAT (18 per cent) on “sanitary pads” (not clear if it includes all MHM products)	Government “talking with local production companies to give them subsidies to produce sanitary pads at a much lower cost where a pack could go for as low as Rwf300. Currently, the cheapest pack of sanitary pads costs Rwf600 (\$0.65)” Some discussion in the KT Press article that the government also wants to fix prices / guarantee sales in pharmacies to ensure the tax cut is passed on.	LSE blog and interview with Rwandan Health Minister KT Press: Rwandan newspaper report
Kenya	2004	Removal of VAT on sanitary pads	2010 – additional government commitment to provide free sanitary pads in public schools. 2017 – amendment to the Education Act to require distribution of sanitary pads at schools; and a reported \$3m set aside in the national budget to fund distribution of free sanitary pads.	Comparison between Ethiopia and Kenya – opinion piece.
	2011	Removal of import duties on sanitary pads	None reported	
Tanzania	2018	Removal of VAT tax on sanitary products	None reported	
	2019	Re-introduction of taxes on sanitary products	Only recorded instance within Africa of a policy reversal. Done as part of a wider tax reform that also increased taxes on wigs and hair extensions. The decision was taken as a result of research done by the Ministry of Finance and Fair Competition Commission. The policy reversal was criticised by the opposition for being done after	Africa Exponent article East African article

Table 1 – Summary of African country experience in removing/reducing tax on MHM products

			<p>only one year, which is argued to be an insufficient time to judge the effects.</p> <p>The government argues that: (i) retail prices did not reduce for the consumer and that the tax cut was therefore captured by producers; and (ii) local factories reduced production resulting in job losses (the reason for this is not explained).</p> <p>Alongside the re-application of the VAT, the government announced a reduction in corporate tax for domestic investors in the MHM product manufacturing sector.</p>	
<i>South Africa</i>	2018	Removal of 14 per cent VAT on sanitary pads	<p>Government also committed to distribute pads for free at public schools.</p> <p>To note: one MoneyWeb article mentions confusion over the exact wording of the exemption – is it limited to just ‘sanitary pads’ or pads and other MHM products.</p>	Sunday Times article
<i>Nigeria</i>	2019	Locally-manufactured sanitary towels, pads, and tampons made VAT exempt		All African news story
<i>Mauritania</i>	2017	No detail – described as ‘removal of tax on sanitary wear’		Brief mention in African Indy

Removing taxes from MHM products is increasingly common in Africa. A small but growing number of African countries are noted in online newspaper articles and grey literature as having removed various types of taxes from menstrual hygiene management (MHM) products¹ These are: Ethiopia (removal of customs duties, date not known); Kenya (removal of sales tax, 2004; removal of import tax, 2011); Rwanda (removal of sales tax, 2019); South Africa (removal of VAT, 2018); Nigeria (removal of sales tax on locally-made MHM products, 2019) and Mauritania (removal of unspecified tax, 2017). Tanzania removed VAT in 2018 and re-imposed it in 2019. This list effectively represents those countries where there has been sufficient English-language media coverage of the reform to generate articles and comment pieces in the national online and international press.

Removal of taxes is particularly common in East Africa. The East African Legislative Assembly (EAC body) passed a resolution in 2013 recommending its member countries to remove taxes on sanitary pads and to stimulate local production. This may explain in part the focus on Kenya, Rwanda, and Tanzania in the examples identified (East African Legislative Assembly, 2013).

¹ In this paper, MHM products are taken to mean all commercially-sold products for managing menstruation, including sanitary pads, tampons and cups. As noted in the discussion, there is: (i) a lack of clarity in the Africa-focused literature about whether MHM products relates solely to sanitary pads, or encompasses all other options; and (ii) a recent survey of the evidence suggests a clear cultural preference in Ethiopia for sanitary pads rather than other types of MHM products (PSI, 2018).

This may not be the full extent of countries, and there may be more. No source proactively reviewed every African country for a full discussion of their tax treatment of MHM products. As a result, there could be additional countries which have taken this step where it has gone generally unremarked or is not reported in English-language publications.

The primary driver for the policy change in African countries is one of rights, justice, and fairness to women. The sources focused primarily on the unfairness of applying sales tax/VAT to MHM products on the grounds that they are ‘non-essential’, when other products (e.g. food, medicines, condoms) are typically exempted from such taxes on the grounds that they are ‘essential’. The involuntary nature of menstruation is typically cited as the main reason why MHM products are essential items, and should therefore be treated accordingly in the tax system.

There is little specific information on how the measures identified above were implemented. Perhaps unsurprisingly given the journalistic and campaigning nature of the reporting, the specific mechanisms of the tax changes are not discussed in depth. Some sources explicitly mention the removal of ‘VAT’, ‘sales taxes’, and in the case of Nigeria, Ethiopia, and Kenya ‘import’ or ‘customs’ taxes. Notably, the Kenyan government is said to have removed both VAT/sales taxes *and* import taxes on MHM products at different points. In the absence of evidence to the contrary, it can perhaps be assumed that the method of implementation of these tax reductions follows the usual pattern in these countries – usually an announcement in the budget, approval in a Finance or Budget Bill, and implementation in the following year through existing VAT/sales/import tax regimes.

Some of the literature notes that import taxes on MHM products and/or raw materials required to produce them may be as high, or higher, than VAT/sales taxes. This is mentioned in the context of the Kenyan government decision in 2011 to remove import taxes as well as sales taxes. In many African countries – including Ethiopia (ET Press Agency, 2019) – finished or near-finished materials are imported and then sold as MHM products. In these instances, the import taxes may be a significant part of the final consumer price, alongside sales tax/VAT.

Some of the literature links tax changes to a desire to stimulate local production. In Tanzania and Nigeria, government action on changing tax rates was reported as being done alongside other reforms to increase domestic production of MHM products and reduce reliance on imported goods.

There is some confusion over the precise definition of MHM products that are now tax exempt in these countries, and this can affect implementation. Indeed, one South African newspaper article noted the draft government regulation to end taxation of MHM products *included* sanitary pads, but *excluded* tampons and menstrual cups (MoneyWeb, 2019). The journalistic discussion of the country examples above makes frequent reference to ‘sanitary pads’ but almost no reference to tampons or other MHM options. It is not clear from the available evidence whether the tax exemptions in each country are for *MHM products in general*, or whether they are for *sanitary pads only*.

2. Evidence of the results of those measures

Where available, provide evidence on the results of those measures – including price and usage of products, supply/demand, public opinion, impact on government revenue and the impact on women and girls' economic empowerment, including number of days work or school missed. This should consider the potential negative results for women's economic empowerment if reduced tax revenue means reduced public services (health, childcare etc.) for women.

Evidence of the results of these measures

Price and usage of MHM products

One piece of peer-reviewed journal evidence noted that consumers – particularly low-income consumers – benefited from tax reductions in the form of lower prices. The source relates to changes in MHM product prices in New Jersey, USA, following the decision by the state to end sales taxes on MHM products (Cotropia, 2018). The author identifies that the tax cut was almost entirely shifted to consumers in the form of lower prices, but the gain was not evenly distributed. Low-income consumers gained more than high-income consumers, partly because they bought lower quality and therefore cheaper products (where prices changed more obviously) and partly because in some cases low-income consumers 'traded up' to higher price brands. The authors note that distortionary affects – particularly the use of savings coupons by low-income consumers and bulk discounting by suppliers – made it hard to establish reliable price trends.

Sales tax and/or VAT cuts can lead to lower prices – but this depends on a number of factors. There is a large literature on the impact of changes in taxation on the prices of products, quantities consumed, and changes to consumer and producer behaviour in different kinds of markets (e.g. Benedek et al, 2014; Copenhagen Economics, 2007; Gaarder, 2016). It cannot be fully summarised here. However, a rapid review suggests that a cut in taxes on MHM products can lead indeed lead to a reduction in consumer price and therefore a broadening of access to women at the margin of being able to afford these products – if the market conditions are right.

Reductions in the price of MHM products are likely (in theory) to expand access. In general it can be assumed that lower prices will tend expand access. The above noted paper identified *price* changes, but did not seek to look at *quantity* or *access* changes (it could be assumed that access – in terms of ability to purchase MHM products – is not a significant problem for women in New Jersey). Some of the campaigning literature gave a headline figure for what women were expected to save over their lifetime as a result of MHM product sales tax/VAT exemption (Bloomberg, 2018).

Impact on women and girls' economic empowerment

The sources reviewed all drew theoretical links between removal of sales tax/VAT from MHM products and better outcomes. All of them made connections along the lines that: lower taxes on MHM products will lower their price; lower prices will increase access; increased access will allow a larger number of women and adolescent girls to better engage in their preferred MHM practices; this will ultimately reduce menstruation-related absence and/or psychosocial stress in work or education. Some of the newspaper sources in the table above cited research that identified negative links between insufficient MHM and school attendance and/or well-being.

Impact on the wider economy

Evidence on the relationships between removing taxes from MHM and the wider economy and society are not discussed in the identified literature. Some of the African examples identified in the

literature search made a link between removing taxes on MHM products and the wider economy in the form a desire of these governments (Tanzania, Nigeria, Rwanda) to stimulate local production. However, no further detail or evidence regarding this relationship, or the measures taken by these governments to incentivise local production, was presented.

Impact on public opinion

No comprehensive evidence on public opinion on this issue was identified but the movement to remove taxes on MHM products is growing. Overall, the move to remove taxes from MHM products has grown around the world and an increasing number of countries (in Africa and worldwide) are now adopting this policy. This suggests growing public support for the measure.

3. Evidence on complementary policies

Where available, provide evidence on complementary policies to maximise the positive impacts and mitigation measures to minimise/eliminate the negative impacts, at various levels including to governments, the private sector and to individuals within these countries?

Complementary policies

Widening access by giving away free MHM products

Some governments have committed to giving away free MHM products as well as removing of taxation of MHM products. The Kenyan and South African governments are reported to have committed to providing sanitary pads for free in certain public institutions (e.g. schools). The newspaper reports cited in the table above related to Kenya also suggests that government has put aside \$3m for this purpose in the national budget. No evidence was found relating to the success or impact of that policy. As a high-income country example, New York state in the United States has committed to providing sanitary pads for prisoners (New York Assembly, 2018).

Some sources agree and argue that promoting access through free/subsidised products should be done alongside removing MHM product taxes. For some commentators, tax reductions for MHM products is a rights issue and should indeed be pursued; but this should be in addition to the issue of increasing access to these products for women who currently cannot obtain them for a number of reasons such as a price, lack of access commercial outlets, or stigma/shame regarding their use (e.g. The Guardian, 2020 for a high-income country perspective; PSI, 2018 regarding Ethiopia). In this view, removing sales tax/VAT from MHM products is only one reform within a broader package of proposals that would widen MHM choices, particularly for poor and/or rural women.

Ring-fencing revenues from MHM products to fund other policies

The UK government has ring-fenced revenue from MHM product taxation in the UK in a specific fund. This fund has then been used to make grants to women's welfare institutions. This has been done in the context of the government's stated desire to reduce VAT on MHM products to zero, but being unable to do so because of EU prohibitions on fully exempting products from VAT. The UK government reduced the VAT on MHM products to the permitted lower rate of 5 per cent and established a fund with the proceeds with which to make grants to women-focused charities. It is expected that once the UK-EU withdrawal transition period ends in January 2021, the UK will move to fully remove VAT from MHM products (The Guardian, 2020).

Stimulating local production

As noted above, some sources mention complementary efforts to generate domestic production of MHM products, but no evidence was found on either the detail of these initiatives or their effectiveness. The Tanzania example of reversing the tax reduction on MHM products was partly justified on the grounds that government was providing financial incentives for domestic producers to manufacture these products. Expanding domestic production was also stated as a government policy objective in Nigeria and Rwanda. No detail on the nature or impact of these incentives or policy objectives was found.

Mitigation measures

Reversing revenue loss from tax exemption.

The revenue losses cited from these tax reforms are typically minimal compared to total revenue.

Estimates of revenue loss from high-income countries are very low – for example, in the UK the revenue loss from removing VAT on MHM products is estimated at £47m *over five years* from 2015-2020 (The Guardian, 2020); set against total *annual* revenue of more than £750bn in 2019. In the Ethiopian context of: (i) a fast growing economy; (ii) the government’s planned improvements to tax administration over the medium term; and/or (iii) the medium-term disruption to economic activity caused by Covid-19, the revenue loss is likely to pass practically unnoticed (see annex for an estimate).

A small number of sources in the literature disagree that MHM products should be tax exempt, partly on revenue loss grounds. There are few sources (e.g. Tax Policy Center, 2018) that argue MHM products should *not* be exempt from taxation. Typically, they do not agree that removing sales taxes/VAT from MHM products is a rights/justice issue, and suggest that removing sales tax/VAT from MHN products will distort economic behaviour, shrink the tax base, and reduce funding for public services.

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Annex to main paper: Estimation of tax loss from exempting MHM products in Ethiopia and market structure

There are some figures available that can be used to estimate the revenue loss from MHM products being exempted from VAT. These figures are gathered from different sources and should be seen as estimates. The discussion of the market characteristics also come from several grey literature sources (predominantly NGO reports) rather than formal national statistics or peer reviewed academic publications. There is a technical difference between products being subject to a 'VAT zero rate' and being 'VAT exempt' but this is not here.

Removing VAT would result in a revenue loss of around USD 4m at 2020 prices. This is calculated in the following way (figures from PSI, 2018; UNICEF, 2017; and UNFPA, 2018):

- Size of the market was estimated at 230m units per year in 2018
- Growth was estimated at 15 per cent per year, which suggests a 2020 figure of 304m units.
- Units are sold in boxes of ten, meaning 30.4m boxes
- Boxes of ten were sold at a price of USD 0.87 per ten in 2018 (dollars values are used to avoid issues of exchange rate change over time)
- This suggests gross sales figures of USD 26.4m (using estimated 2020 volumes with 2018 dollar prices)
- This is broadly consistent with a separate estimate of the value of the sector in 2018 as USD 21.7m
- 15 per cent VAT of USD 26.4m would comprise around USD 4m.

Consumer welfare gains from any pass-through of the VAT cut to prices will be concentrated among wealthier urban women. 90 per cent of the market for MHM products is in Addis Ababa and major cities; and 80 per cent of MHM products are distributed in urban areas; despite a predominantly rural population. There are stark differences in being able to pay for and afford a sanitary pad – around 80 per cent of women report being able to purchase these products in urban areas; but this is much lower among rural and particularly rural pastoralist women. Use of commercial MHM products is stratified by wealth with top quintile income respondents saying that they almost always used commercial disposable options (90 per cent); while bottom income quintile women almost never used such products (5 per cent).

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