



**WOW** // Work and  
Opportunities  
for Women

# Tax and women's economic empowerment (WEE)

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## Overview

1. Why should DFID care about tax and WEE?
2. Entry points for WEE and DFID's tax work
3. Case studies of reforms to tax policy and administration to improve women's position

# **1. Why should DFID care about tax and WEE?**

# Women's greater participation has huge gains for economy and society

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Women's equality and economic empowerment are part of the SDGs



Gains from greater female economic empowerment are significant



Tax policy and administration are a key part of the regulation of economic life



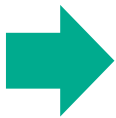
However, it is not clear from the literature that tax policy and/or administration reform would be a key driver for WEE

# Tax policy is one of government's main levers to affect economy and society

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Government has 3 main levers to deliver public policy:

Policy lever	Typical impact
Expenditure / subsidy	Make something cheaper or free in order to encourage its prevalence
Regulation / law	Make something legal/illegal, permitted/prohibited, compulsory/optional to encourage/discourage its prevalence
Taxes / charges	Make something more expensive so as to reduce its prevalence, and to raise revenue for other activities



A 4th lever is moral/social/political leadership

# Tax systems should recognise differences in women and men's economic behaviour to promote equality

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Women often have patterns of **work, spending, time-use,** and **household responsibilities** that are different to that of men



As a result, **women interact with tax systems in different ways**

## Tax systems typically develop with:

- An assumption of a male breadwinner and female part-time worker/unpaid care work
- A focus on the formal economy
- 'Common' (i.e. male) ownership of property and 'joint' (i.e. male-led) household decision-making

# As a result women can case face numerous types of bias within tax policy and its administration

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Literature draws attention to several kinds:



**Explicit – laws/regulations directly harm women**



**Implicit – laws/regulations aiming at other objectives harm women**



**Systemic/radical – the current overall structure of tax (and spending) risks harming women**

# Summary – DFID should therefore consider the impact of tax policy and administration on women

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Domestic resources are key to financing the SDGs in the long-term

WEE is critical to achieving a large number of the SDGs

Tax policy is a key government lever

Building in a gender component to DFID's expanding tax work is sensible and worth doing

However, this needs to be put in perspective



## **2. Entry points for DFID's tax and WEE work**

# Deciding the right entry point will depend on a number of factors

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## Context and size-of-effect

- Holistic approach
  - Only a small minority of women will have any direct formal contact with the tax authority
  - Need to prioritise
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## Level of intervention

A range of reform options – from the practical through to the more radical

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## What kind of equality does DFID believe in?

- Process equality
- Outcome equality

# Reviewing the literature suggests some useful places to start

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Different contexts will have different entry points – the entry points selected are most suitable for a low-income country

Four ways in:

- 1 Gender-disaggregated tax data
- 2 Diagnostic studies of tax systems (or wider fiscal incidence)
- 3 Informality-to-formality pathways
- 4 Administration and enforcement
- 5 Including gender-sensitive indicators in existing tax diagnostic tools

# 1. Gender-disaggregated data

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Lack of sex-disaggregated gender is a major barrier

Building tax data systems that capture the different ways men and women interact with the tax system is critical

Some key women and taxation data might be held outside the tax authority

Better data can be a particularly useful entry-point

## 2. Diagnostic studies of tax systems

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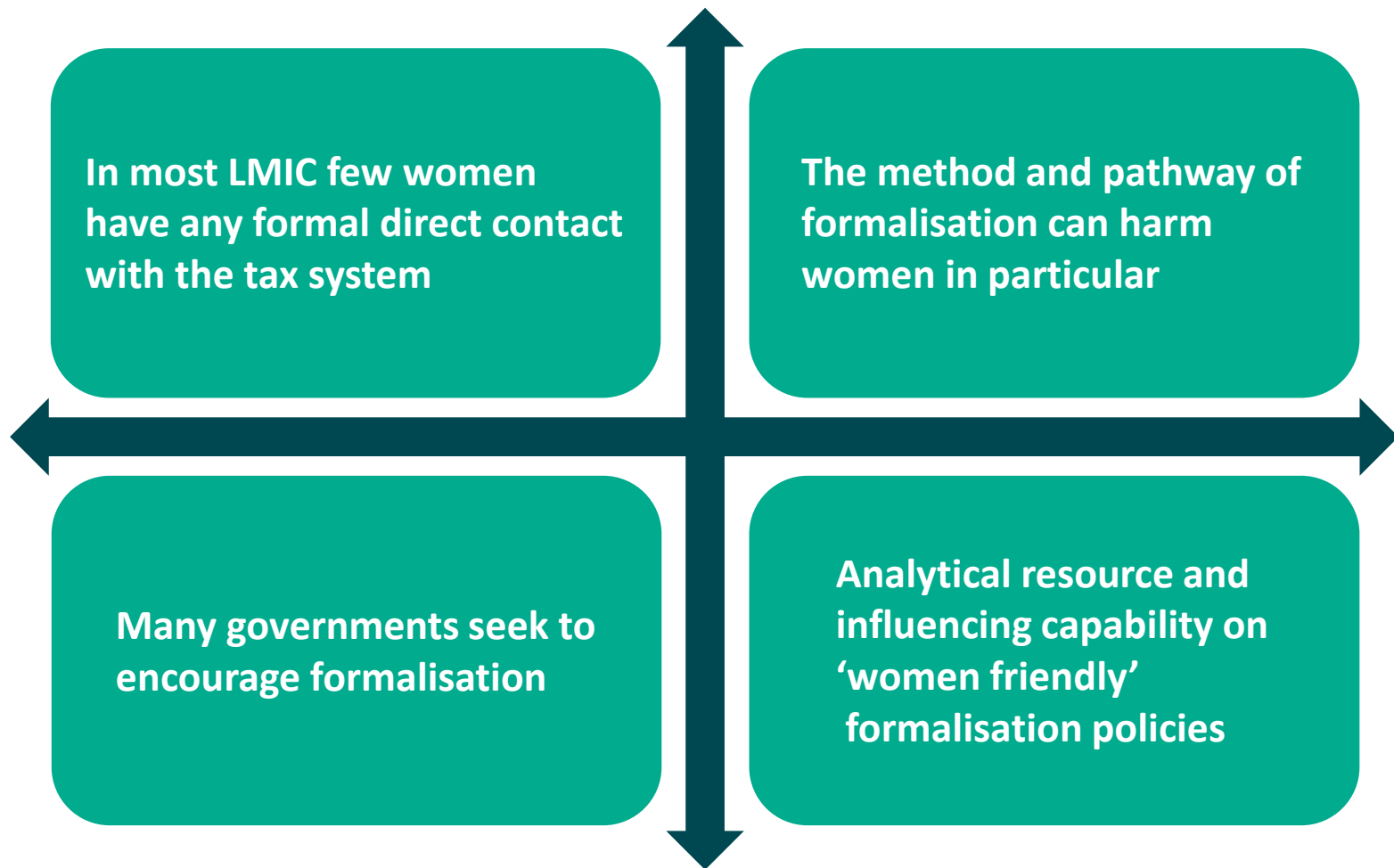


Different types of tax analytical tool available: **tax burden analysis**, **tax incidence analysis** and **fiscal incidence analysis**

- All can be designed to see how the burden of revenue raising fall differently on men and women
- These tools are ‘multi-purpose’ and are often used to look at other characteristics
- Typically a ‘fiscal incidence’ study is the most robust but is data-intensive and costly
- A more limited study could consider a particular issue and focus on explicit biases within these

### 3. Informality-to-formality pathways

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## 4. Administration and enforcement

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Tax administration can be made more female-friendly to encourage compliance



Some countries have experience of addressing parts of this



Enforcement of taxes can have a gendered effect



Be aware that many women have no contact with the central tax collection system

# 5. Introducing gender sensitivity indicators in existing diagnostic tools

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- A number of **diagnostic tools** exist to assess and benchmark tax policy and administration
- The globally-used and internationally-comparable tools (e.g. TADAT) have been used many times to **inform tax policy and administration reform**
- Countries often seek a **'good score'** on these metrics and are concerned with relative performance
- DFID supports and/or sits on the board of some of these tools' **steering committees**
- This diagnostic tool indicator approach **can carry some risks**, however...



### **3. Case studies of gender and tax policy reform**

# UK - removing formal and explicit barriers to equality in direct taxation

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1799 – women’s income taxed as ‘household income’ alongside her husband’s income, reflecting the legal status of women

1882 – women allowed to manage and maintain some own property within a marriage

1894 – some allowance for tax relief on a wife’s income if they earned less than £500 a year

1918 – a married man’s tax allowance is 1.6 (not 2) times that of a single person

1978s – Inland Revenue formally agrees to deal with husbands and wives equally, and begins communicating directly with wives

1988 – Full taxation of men and women as individuals within a marriage,

1993 – ‘Married Man’s Allowance’ turned into a transferable spouse allowance

- The UK has progressively moved towards equal treatment of women and men within the income tax system
- This has taken place over centuries as attitudes to women’s social and economic position changed
- It is an example of gradual removal of explicit barriers to equal treatment of women
- This kind of change to formal law and regulation is relatively straightforward

Source: Stotsky, 1997

# Sierra Leone – using incidence analysis to understand the gender balance in taxation

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- Survey and analysis done in 2 districts to see how payments, fees, and taxes affect men and women differently in the context of mass informality
- Example of how local (not central) taxation affect women and men differently
- Might lead to changes being made at local level, however, fully reversing would require systemic reform and mean a commitment to outcome not process equality

# Zimbabwe– implicit gendered effects of formalisation policy on women through a ‘flat charge’

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- An example of a ‘neutral’ tax policy that nevertheless has a gendered impact
- With unintended (or implicit) bias within the tax
- A good tool to encourage formality and tax trading but it affects women (and smaller traders) more than men
- Example of the kind of trade-offs that tax authorities have to make between competing objectives

# Get in touch

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