



GENDER EQUITY IN THE TAX SYSTEM

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Gender Equity in the Tax System

- When designing tax systems, policymakers need to balance different tax policy objectives
 - A key trade-off: efficiency versus equity
- Equity (fairness) includes:
 - Horizontal Equity: “equals” should be taxed equally
 - Vertical Equity: better off should be taxed more
 - Intergenerational Equity: taxing current and future generations equally
- Gender equity has received much less attention in the tax area
- Gender equity is an integral part of achieving tax design that supports inclusive growth



Gender Equity in the Tax System

- There are many dimensions to the gender impacts of tax systems
- The main focus of this presentation is on the impact of the tax (and benefit) system on the participation of **second earners** in the labour market
 - Issues of gender arise because **second earners** are predominantly women
- ...but tax and gender goes beyond labour market decisions



The Tax System Affects Men & Women Differently

Tax systems can affect men & women differently:

- **Explicitly**, where the tax code is linked to gender
 - Uncommon in OECD countries today
 - Examples still found, predominately in developing countries

- **Implicitly**, where tax interacts with differences in underlying patterns of economic behaviour
 - Due to different patterns of behaviour, an otherwise neutral tax system may have different impacts upon men and women



Implicit Gender Bias in Tax Systems

Labour market participation



High taxes on second earners discourage labour participation, especially women

Under-taxation of extra hours worked



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

Savings patterns



Men likely benefit more from tax privileges for private pension savings

Capital and wealth ownership



Who benefits the most from lower taxes on capital income at household level?

Consumption



Men typically spend a higher proportion of the income they control on fuel, alcohol & tobacco

Company car taxation



Company cars are predominantly used by men (70% in Belgium, 80-90% in the Netherlands)

Tax evasion

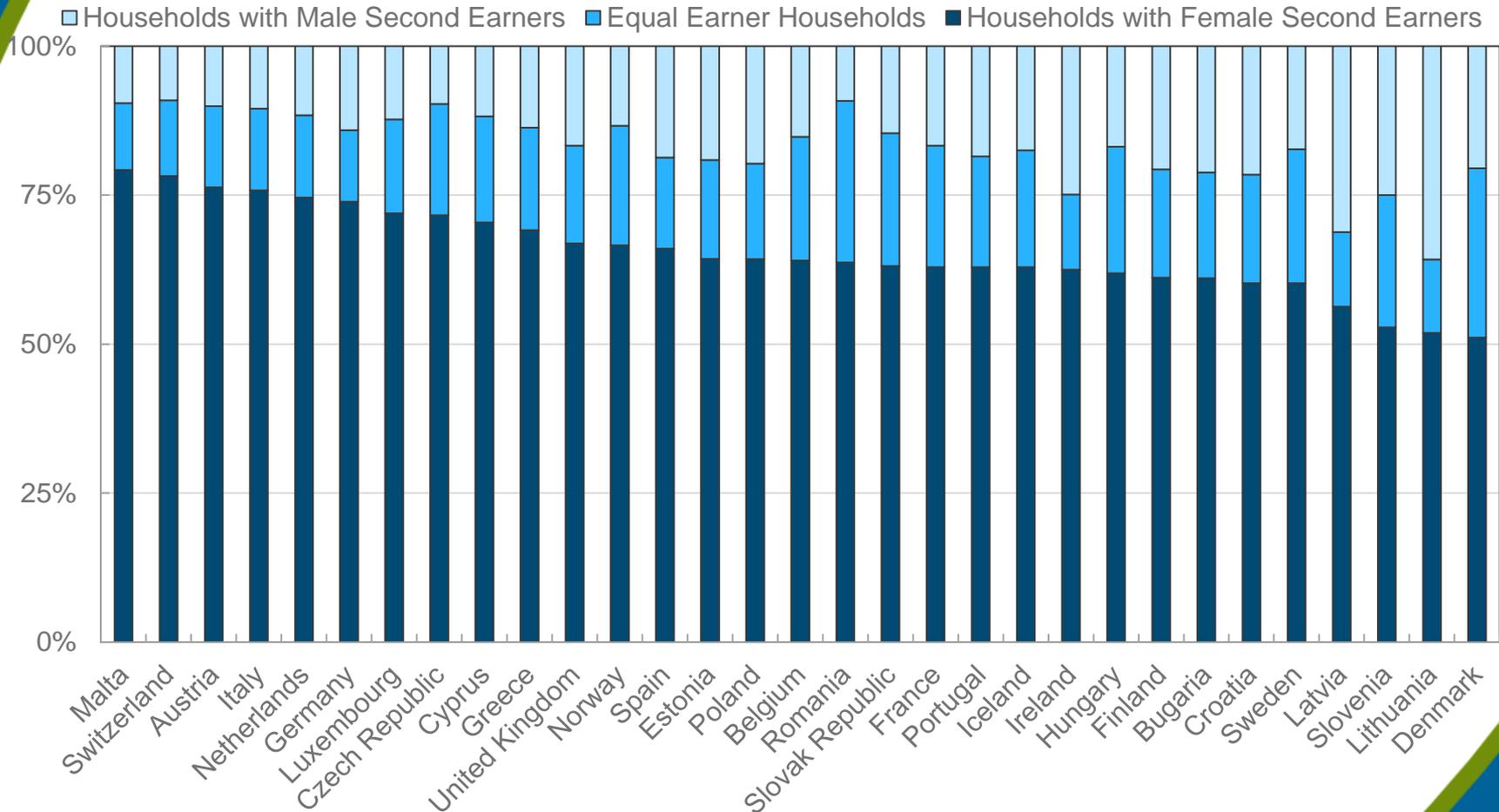


Women tend to be more compliant than men



Second Earners Are Predominantly Female

Second Earners by Gender (EU Countries)



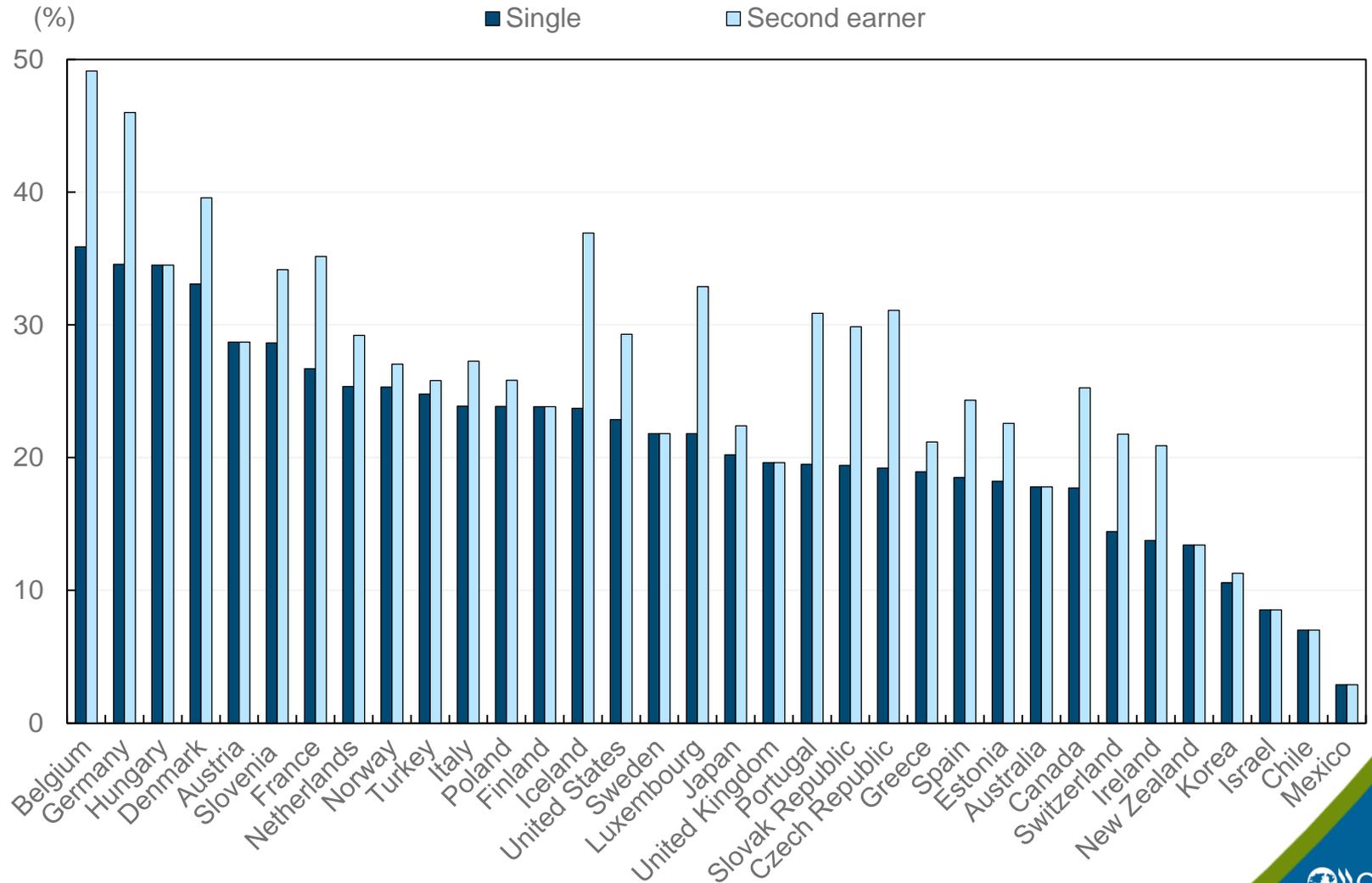
Source: EU Statistics on Income & Living Conditions (SILC), 2011. Data reflect share of earnings that the woman contributes to total household earnings. A woman is considered to have earnings roughly equal to her partner's if her share constitutes 45-55% of combined earnings. If a woman's share is less than 45%, the household is classified as female second earner. Single-earner households included.



Second Earners Face Higher Net Personal Average Tax Rates than Single Earners

Net Personal Average Tax Rates (2014)

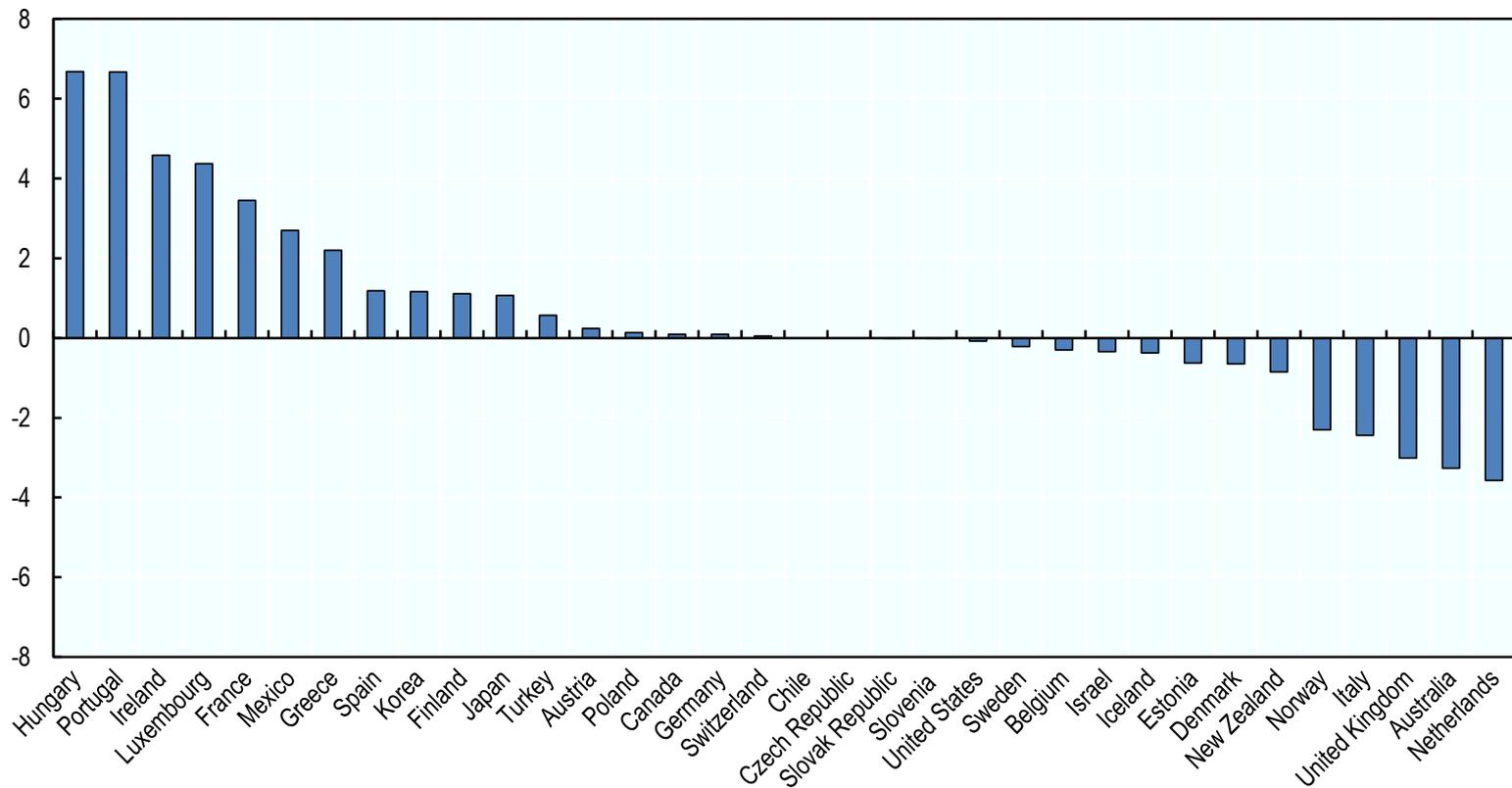
Single and second earner at 67% of the AW (primary earner at the AW level), no children





On average, Second Earner Incentives Have Decreased in OECD Countries over the 2010-2014 Period

Changes in net personal average tax rates between 2010 and 2014 for the second earner at 67% of the AW, 0 children, in percentage points





Concluding Remarks

- Gender equity of tax systems should be a “new” tax design criterion
- While explicit bias is less prevalent, implicit biases continue to exist
- Lessons for tax policy design,
 - Policymakers should, at the very least, ensure that tax design features do not exacerbate existing gender inequities
 - In some cases, the tax system may be used to correct for gender imbalances
 - ... but these interventions should be weighed carefully with other alternatives available to policymakers (e.g., child care provisions) and broader tax design considerations of the tax systems
- In evaluating tax policy reforms, countries should include consideration of the gender impact as a core element in design & in monitoring outcomes