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MAINSTREAMING GENDER EQUALITY IN TAX POLICY DESIGN

Session II: Promoting women's economic empowerment through policy formulation and implementation

Concluding Meeting of the 29th OSCE Economic and Environmental Forum

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OECD BETTER POLICIES FOR BETTER LIVES 60 YEARS

Why consider gender equality in tax policy design?

- When designing tax systems, policymakers need to balance a range of different tax policy objectives: equity, efficiency, implementability, revenue implications…
- Equity (fairness) includes consideration of horizontal equity, vertical equity, and intergenerational 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's impacts on gender equity are still emerging. The 'gender landscape' has changed; understanding the risks, challenges & opportunities is paramount.

Source: The economic cost of gender-based discrimination in social institutions, OECD Development Center (2016).

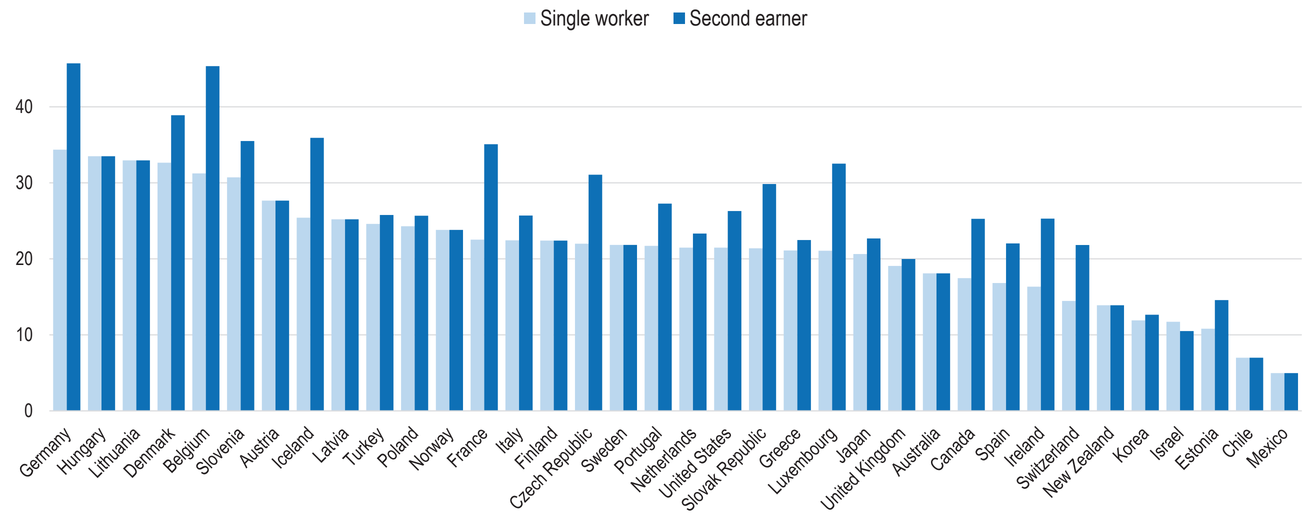
How can tax policy impact women?

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 at household level?
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

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).

How can governments & policymakers respond?

- 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 that discriminates against women;
  - Consider whether the tax system implicitly enhances other gender biases: key starting points include taxation of second earners, the progressivity of the tax system, tax credits that apply on a family basis, reduced or zero VAT rates for different products, tax credits or incentives to small business owners
  - On a case-by case basis, consider tax as one of a range of indirect policy tools to address gender imbalances?

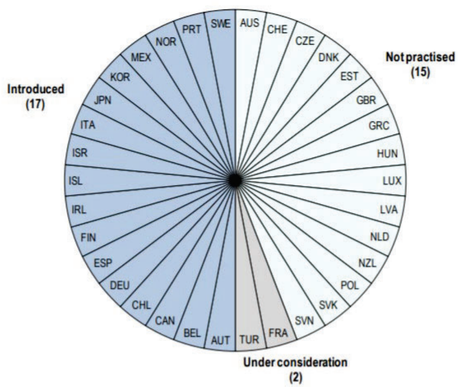
➢ Governments should ensure that they consider the impact of tax policy changes on gender: broader gender budgeting concepts may provide a foundation for this

➢ 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

Gender budgeting & the broader poli` cy design process

- Gender budgeting means the systematic application of analytical tools and processes to highlight gender equality issues and to inform, prioritise and resource gender-responsive expenditure policies
- Roughly half of the countries across the OECD are looking to the tools and techniques of gender budgeting to help deliver on national gender goals
- The most common tools used by these countries are:
  - ex ante gender impact assessment of policies (76%)
  - ex post gender impact assessment of policies (59%)
  - a gender dimension in performance setting (59%)
  - a gender dimension to resource allocation (53%)
  - gender needs assessment (53%)

OECD countries using gender budgeting (2018)



Source: Budgeting and Public Expenditures in OECD Countries 2019 (OECD, 2019)
https://www.oecd-ilibrary.org/governance/budgeting-and-public-expenditures-in-oecd-countries-2018_9789264307957-en

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