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IS TAXATION GENDER BIASED?

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Abstract:

The significance of taxation and gender parity is generally acknowledged. However, they have rarely been mentioned together. It is critical to perceive that for there to be practical financial development, the impacts of one area should not affect the other as well as the other way around. Tax collection and orientation correspondence have a significant relationship. Women are more likely than men to live in poverty in developing and undeveloped nations if we apply the concept of gender equality. Implementing a tax system that is more equitable can directly address unemployment. Tax policy should not have a negative impact on gender equality outcomes.

Background:

A country's programme and administration will promote gender equality goals by neutralising socioeconomic characteristics of society, adorning the gender pay gap, and dynamical behaviours such as workforce participation, consumption, and investment. A strong legal system can generate additional funds for programmes that benefit both men and women. However, the recent economic shock of the COVID-19 pandemic, as well as the resulting decline in tax revenues, have widened the gap between state domestic resources and funds required to meet the Sustainable Development Goals (SDGs), which embody gender equality and poverty reduction.¹

¹ <https://www.oecd.org/tax/tax-policy-and-gender-equality-b8177aea-en.htm>

Bias in tax structure:

Bias in the tax structure The most frequently asked question in the literature is whether women are discriminated against in the tax structure the rules governing who must pay tax and at what rates. In some studies, explicit and implicit bias are distinguished. When tax provisions explicitly discriminate against men and women, this is known as explicit bias. For instance, married women may pay a higher marginal rate of income tax than if they filed separately because of once-common systems of joint filing for income tax. When tax structures appear to treat men and women equally but have different effects, this is implicit bias. As a result, taxes imposed on products primarily purchased by women for their domestic service at a cost For example, cooking paraffin contains an implicit bias against women. Similarly, the excise taxes levied on alcohol and cigarettes by the majority of governments represent an implicit bias against men, owing to the fact that men are the primary consumers and users of these products in the majority of societies.

The gender effects of taxation, particularly personal income tax provisions that unfairly burden women or discourage or disadvantage female labour force participation, are better understood in developed countries.

In fact, numerous governments have taken steps to end this outright gender discrimination. Furthermore, there is some evidence from developing countries that personal income tax provisions frequently discriminate against women.²

Link between Gender and Tax

Distinguishing between explicit and implicit gender biases in taxation has proven useful when assessing the gender impact of tax policies. Explicit sex discrimination occurs when certain provisions of tax law treat men and women differently. In systems where the income of household members is taxed separately, explicit biases often arise when allowances, deductions, or property income are assigned to particular household members. For example, the Moroccan tax system provides child benefits to men, which reduces the tax burden on men compared to

² <https://www.elibrary.imf.org/view/journals/001/1996/099/article-A001-en.xml>

women. Taxable women are entitled to exemptions only if they can prove that their husbands and children are financially dependent.³

Implicit gender bias, on the other hand, occurs when tax laws and gender relations overlap. Norms and Economic Behavior. For example, because gender norms allocate more unpaid care work to women than men, women tend to spend the majority of their income on basic consumer goods such as food and clothing. A system that taxes the consumption of basic goods and services may therefore impose a higher tax burden on women.

There are many other implicit gender biases in the income tax system. These are usually related to work-related exemptions and deductions that benefit those who are employed or in formal employment. Tax laws can also have implicit biases in how assets are treated. For example, tax laws in Argentina, Ghana and South Africa exempt the payment of interest or dividends on stocks, an asset more likely to be owned by men than by women.⁴

Areas of gender inequality in India

Taxation and Gender equality, individually both are widely recognized terms in India but do they dwell up well when combined together? Does Taxation in India is free from gender inequality? We will discuss about gender inequality in context to direct and indirect taxation in India.

Many provisions of tax law appear prima facie gender neutral they do not as such differentiate between men and women. And yet, it must be noted that this neutrality is essentially only consistent with the male experience. Women's experiences, to the extent that they differ from men, are often not accounted for within the tax framework.⁵

³ <https://www.cbgaindia.org/wp-content/uploads/2019/03/Gender-Implications-of-Tax-Policies-CBGA-2013.pdf>

⁴ <https://www.cbgaindia.org/wp-content/uploads/2019/03/Gender-Implications-of-Tax-Policies-CBGA-2013.pdf>

⁵ Amy C. Christian, The Joint Return Rate Structure: Identifying and Addressing the Gendered Nature of Tax Law, 13 J.L. & Pol. 241 (1997).

Property tax:

Property tax is the annual amount paid by a land owner to the local government or municipal corporation in charge of his locality. The property includes all tangible estate- house, office building and the property he rented out. These taxes are progressive in nature and it can have equalizing effect. In India, Property tax is collected at the state level, and most states have a tax rebate for female property owners in our country. Tax rebates provide incentives to move ownership from males to female members. In the National capital of India i.e., Delhi, women get a 30% rebate in property tax on self-use property of 100 square metres located in Delhi, as per the [MCD's new tax structure](#) that came into force on July 16⁶. Stamp duty concession on registered property for women Stamp duty is a type of tax that the government levies on legal documents, usually for transfer of assets or property. The levy is calculated on the consideration amount or the circle rates of the property applicable in the area, whichever is higher. These Charges vary from state to state in India Some states offer a concession on stamp duty. The Delhi Government's official website states that stamp duty rate (payable at the time of registration of property if it is acquired by way of sale deed/conveyance deed/gift deed) is 6% for males and 4% for females⁷. The stamp duty paid by males for transfer such property is 50% more than that paid by females, this creates huge difference specially when the transfer of property is done in top tiers i.e., A category (as divided in Delhi) where circle rate as decided by the government is highest. Similarly, the government of Maharashtra, in the state's budget for 2021-22, has proposed to provide 1% concession over prevailing stamp duty for women homebuyers. The concession will be available exclusively to women buyers provided the transfer of house property or registration of sale deed is in the name of a woman. In Haryana stamp duty in rural area for men is 5% and for women is 3% and in urban area 7% form men and 5% for women. In other states across India such as Punjab, Uttar Pradesh etc., such differences lies between both the genders.

⁶ <https://indianexpress.com/article/cities/delhi/property-tax-rate-delhi-senior-citizens-women-ex-servicemen-avail-8037481/>

⁷ https://economictimes.indiatimes.com/news/politics-and-nation/maharashtra-budget-concession-in-stamp-duty-for-women-increased-tax-on-liquor/articleshow/81393614.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Income tax:

In India income tax is progressive in nature i.e., the rate of increase in income tax payable is directly proportional to the increase in an individual's income. Female taxpayers have enjoyed a lot of benefits in past in consideration to income tax. They had many tax deductions at that time as compared to men, but after 2012-13, things got changed. Since then, a woman's income has been considered equal to a that of a man. Any benefit on tax that a woman gets is enjoyed by a man of the same income criteria. Currently in India, the Income-tax distribution is divided only based on age and income. Nowadays, if you have an increasing income, then your income tax will increase proportionally. And as your age increases, your income tax will get reduced. This was a great initiative taken by central government in India in order to eliminate gendering taxation in context of Income. This step was also necessary to increase the income of government as, according to a study one-third of the women above 15 years in India are working or seeking for work⁸, and by eliminating such unnecessary exemptions for women which promote gender inequality, government was able to generate more income.

However, the Income Tax Act has provided women and all other taxpayers with some tax benefits in order to save some money. These exemptions are specially given by the government so that a habit of saving money can be created in people.⁹

What Are the Issues With Tax and Gender in Developing Countries?

It is normally quite rare to work and earn enough to be subject to personal income tax. Thus, very few women suffer a negative outcome. increased threshold One of the three instances of "clear biases" mentioned in the book Taxation and Gender equity comes from India, where women pay greater taxes than men. The book acknowledges that the tax provision was put in place primarily to promote gender equality but laments the paucity of evidence that it has actually benefited the status of women in India.

⁸ <https://life.futuregenerali.in/life-insurance-made-simple/tax-hacks/blogs/what-are-the-income-tax-benefits-for-women-in-india/>

⁹ <https://vakilsearch.com/blog/income-tax-benefits-for-women/>

"In any case, it will only have affected a very small part of Indian women, those who are within and on the fringes of the income tax net, so any beneficial effects are insignificant,"¹⁰

Another example is from Argentina, where the tax system by default distributes income from jointly owned assets to the spouse, and only in unusual cases would the revenue be distributed to a female taxpayer. The authors note that despite the tax impact of this provision being a reduction in the taxes paid by female taxpayers, the tax system is really working to support current gender disparities in the distribution and control of income earned jointly by family members.

The tax code in Morocco, the third example, defines a male taxpayer's wife as one of his dependants. The husband and children of a female taxpayer are not considered to be her dependents, hence she cannot claim a dependant's tax allowance until she can show that her husband and kids depend on her for their financial support.

Coming back to the Indian context Property ownership is another area where women struggle with gender equality. Women are less likely than males to possess real estate, and they are rarely treated equally to men. People usually try to con them by presuming that because they are women, their intelligence is inferior. Property acquisition is a form of investing. Women's ownership of immovable property, particularly agricultural land, can assist them in achieving security and a positive economic and social status. It is a way to secure the future. Women are typically taxed more heavily on their real estate. If the tax rate is lowered for the same, more women may own property, which could eventually lead to more security and wealth.¹¹

Although Indian law paints a favourable picture, there is yet room for more improvements. The legislation now disregards the detrimental effects brought on by the imputed income's exemption from taxation. Even while not taxing imputed income contributes to the ongoing sexism, the idea of taxing such money can provide a number of challenges. Self-performed tasks require no market transactions. Therefore, no money can be "taxed" because neither

¹⁰

https://opendocs.ids.ac.uk/opendocs/bitstream/handle/20.500.12413/13066/ICTD_SumBrief%236_OnlineNew2.pdf?sequence=1&isAllowed=y

¹¹ <https://strictlylegal.in/taxation-and-gender-equality-in-india/?amp>

income nor expenses are incurred. Consequently, it will be challenging to determine the transaction's worth. While this obstacle exists, it is not because the idea of taxing imputed income is new to tax law. Some types of imputed income are subject to tax. For instance, even though no revenue is actually made, the assessee must pay income tax on each additional house property if they own more than one house separate from one. There may not be many people who agree with the argument of how difficult it is to determine imputed income. However, the idea of taxing the income attributable to self-performed services raises a variety of additional administrative and privacy issues. In addition, some people might want to do specific services, like cooking or cleaning, purely for fun or as a passion rather than for financial reasons. 81 Furthermore, the burden on tax payers can increase unreasonably if imputed income is attempted to be taxed. As a result, taxing imputed income is not a practical option.¹²

As a second option, tax laws could provide exemptions and deductions for work-related expenses, reducing the additional tax burden currently imposed on secondary earners. Deductions for hiring childcare services, for example, can be provided. By providing such a deduction, even though im- posed income will still be exempt from taxation, dual earner families will benefit more than single earner families by alleviating the additional burden imposed by taxes. Such a model can account for changes in both direct and indirect laws.¹³

Until now, all substantive equality provisions under Indian tax law and all alternative models have been aimed at changing entrenched gender patterns by incentivizing women to work. However, there has been no discussion of how to change the reverse stereotyping, that is, how to encourage men to share household responsibilities. A lack of effort on the latter has resulted in a situation in which women have two options: work at home as homemakers or participate in the labour force but with the additional burden of performing household activities (the effect of which they may try to offset by hiring third party services, again where existing tax law does not allow).¹⁴

¹² <http://nujlawreview.org/wp-content/uploads/2016/12/danish-sheikh-and-raadhika-gupta.pdf>

¹³ <https://www.oecd.org/els/emp/36780865.pdf>

¹⁴ <http://docs.manupatra.in/newslines/articles/Upload/3AD322BD-7F0B-4821-B18F-05A66A15F24A.pdf>

Conclusion:

It is possible for researchers and policymakers to create tax laws that will both increase revenue and address and eliminate gender inequality. Raising income is essential for achieving gender equality because it enables governments to invest more in social programmes that expand women's economic prospects and lessen the burden of unpaid caregiving on these individual. It is not just a constitutional goal to provide for substantive equality. Therefore, it is necessary that people who are in different economic circumstances be taxed differently. We frequently noticed during the course of our research that the concept of gender-based rights and fairness was absent from the realm of taxation policy on the surface level. When we examine how policies can reinforce or combat systemic patterns of discrimination and social biases. A few clauses, including the joint filing system, the exclusion of imputed income, and the exclusion of work-related expenses from deductions, seem to be gender-neutral. However, they have negative gender implications and function in a way that keeps the gendered division of labour in families in place.¹⁵

Analysts can check for explicit and implicit gender inequalities in a country's tax laws and other financial instruments. To eradicate explicit biases, legislation may be required in many nations. To guarantee that personal income tax exclusions and deductions do not reinforce already-existing gender inequities, policymakers can review and restructure these structures. Increased taxes on tobacco and alcohol, which are disproportionately consumed by men (even in poor households), should be approached with caution by policymakers since they may have unforeseen consequences such as raising the burden of taxation on the poor. Men may contribute less to household budgets as a result of maintaining their consumption of these commodities despite price increases, which would be a more nuanced effect.¹⁶

It has been observed that nations have recently adjusted to societal changes. Particularly in India, a number of provisions have been included to ensure substantive equality. However, the majority of the reforms have been one-way. They do not offer any incentives for men to share

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<https://scholarlycommons.law.case.edu/cgi/viewcontent.cgi?referer=&httpsredir=1&article=1678&context=caselev>

¹⁶ <https://oxfamlibrary.openrepository.com/bitstream/handle/10546/620852/rr-taxes-influence-gender-inequality-lac-200819-summ-en.pdf>

household duties, despite their goal of increasing women's labour force participation. A taxation system reform, like other laws, has the potential to positively impact Indian society. Tax rules have the capacity to affect not only the economy but also the deeply ingrained gender roles that exist in society.¹⁷



¹⁷ https://www.un.org/womenwatch/daw/egm/financing_gender_equality/EGM%20Report%20Final.pdf