Tax and Women: Achieving the UN SDGs
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At ISLP, sustainable development is a core part of our mission and so much of our work is dedicated to advancing the United Nations Sustainable Development Goals (UN SDGs). These were set by UN member countries in 2015 to be achieved by 2030.¹ Four years on, there is growing concern that to reach the ambitious UN SDGs, developing countries in particular will need more income and to change the way they collect and spend it.² Taxation is central to the development policy agenda as sustainable financing is increasingly recognised as a key tool to combat the human rights deficits identified by the SDGs and taxation has the greatest prospect of sustainable financing.³ This is why we have made tax one of our five core focus areas. Current taxation strategies, particularly in developing countries often have a particularly negative impact on women - both in revenue gathering and expenditure. ISLP is working to change this.

Led by SDG 5, the UN SDGs recognise the importance of gender equality and empowerment of women and girls, and taxation can play a vital role in this. This article explores why women, particularly women in developing countries, are impacted by taxation systems in a way that has only recently become part of the mainstream tax and development debate.

Our team of tax specialists (both on staff and through our tax expert network) seek to encourage fairer taxation, to ensure the burden for paying tax falls proportionately on those who are most able to pay.⁴ This plays an essential role in developing societies and enabling countries to reach their potential. We also seek to increase fair tax revenue (in line with UN SDG 17 which calls on governments to improve their capacity for tax collection in order to meet the other goals) because countries that can increase their tax revenues are then better positioned to use progressive taxes for redistribution and reducing inequality. Used well, tax policy is the most sustainable financing instrument to attain UN SDG 10: reducing the inequalities that can diminish the capacity of women to have self-determined and prosperous lives.⁵

¹ The UN SDGs aim to enhance the prosperity and sustainability of people and our planet. The equality and empowerment of all people are prioritised in these goals which are accompanied by targets to help member countries achieve them.
⁵ A common example of progressive taxation is taxing personal income on graduated scales where tax rate rises with income level (Action Aid, Progressive Taxation https://actionaid.org/sites/default/files/progressive_taxation_introduction.pdf); UN SDG 10 is to “reduce inequalities within and between countries.”
So why do existing tax strategies in developing countries have the potential to harm women disproportionately?

There are two sides of the (literal and figurative) coin to be considered when surveying the gendered bias of taxation in developing economies: first, how tax is collected, and second, how government spending can impact women’s development. Of central importance to this discussion is that a woman in a developing economy is more likely to be living in poverty than a man, and this difference is even greater when women are young or elderly.  

Revenue

In developed countries, tax accounts for 34.2% of GDP; in all 26 African countries whose 2016 data was analysed, less than a third of GDP is from tax and these trends are repeated in other developing regions. This needs to change if developing countries are to meet the UN SDG goals.

Chiefly, governments raise tax revenue through taxes on corporate profit, personal income and wealth, and indirect taxes (such as Value-Added Tax, or Goods and Services Tax and duties). Of these types, income and indirect taxes account for a greater proportion of total tax income in many developing economies compared to developing. Income tax offers the most sustainable long term form of finance but narrow tax bases and leakages make this less productive and taxing the informal sector more would, in the short term, have a negative impact on women who make up the majority of this sector. Indirect taxes, as we shall see, most often penalise women. This means that ensuring corporates pay a fair tax rate becomes of critical importance. ISLP works on ensuring that policies and legislation, both in developing and developed countries, are fair and that corporates are making a reasonable contribution in the countries from which their wealth derives.

Corporations

Adequate corporation tax collection, particularly from international corporates is under-utilised as developing countries can feel they have to lure foreign investment in an attempt to create jobs, income and commercialise their natural resources. In doing this, countries are sometimes unduly generous in the subsidies they offer corporations, such as favourable tax treatments, tax “holidays” especially in natural resource concession agreements.

Furthermore, the increasing popularity of double tax treaties often leaves the developing country partner worse off. New research by the International Monetary Fund quantifies this to show that entering into a double tax treaty with an investment hub such as Mauritius can result in losses of

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7 “Tax revenues continue increasing as the tax mix shifts further towards corporate and consumption taxes” OECD 05/12/18 https://www.oecd.org/tax/tax-revenues-continue-increasing-as-the-tax-mix-shifts-further-towards-corporate-and-consumption-taxes.htm
corporate income tax revenue at an average of 15% in sub-Saharan Africa.\textsuperscript{10} Despite this, as one of ISLP’s clients explained, when they approach a developed country for trade or investment the first thing they are asked is whether they will enter into a double tax treaty.

Finally, multinational enterprises are known to engage in tax avoidance structures so that they can declare low profits, or even losses, in developing countries to avoid paying tax there and instead pay at a lower rate in another jurisdiction.

Therefore, through disadvantageous negotiations, political actions and the international financial system, developing countries do not always maximise the tax revenues that they could be entitled to from corporate investment. ISLP works hard to level the playing field, advising on the suitability of proposed treaties and advising on contracts to include language that protects the interests of the developing country.

\textit{Personal and Income taxes}

Developing countries often do not optimise personal and income tax collection either.\textsuperscript{11} This can be due to the prevalence of informal employment sectors, ineffective prevention of avoidance, perceptions of the tax system being unfair, the complicated and burdensome means of calculation and payment and inadequate financial literacy and tax education.

Where people are engaged in informal work or in the informal sector it is difficult to tax that because accounting records, reporting and rights for workers are usually minimal. In developing economies the vast majority of employment is informal, with women being prominently involved, making it very difficult for weak revenue collection systems to capture personal income (and small business) taxes effectively.\textsuperscript{12} Of course increasing the taxation of the informal market would be beneficial in tax terms but as this is a sector in which women are prominently involved, there are some negative consequences that would need to be addressed through other policies.

\textit{Indirect taxes}

To counter these deficits in tax revenue collection, there has been a trend towards indirect taxes, historically encouraged by some multilateral institutions.\textsuperscript{13} A 2010 assessment observed that in “low-income” countries, about two-thirds of tax revenue was raised through indirect tax.\textsuperscript{14} While this is old data, it goes some way to illustrating the extent of the problem - that instead of relying on foreign investors, companies and income tax to increase tax takings, the burden is passed onto the people, and as we shall see, to women in particular. When women have low wages from systematic gender inequality and informal employment, this is especially punitive.


\textsuperscript{11} Action Aid report \textit{Making Tax Work for Women’s Rights} p. 7.

\textsuperscript{12} Africa 85.8%, Asia-Pacific 71.4%, Americas 53.8% Arab States 68.6% from International Labour Office \textit{Women and Men in the Informal Economy: A Statistical Picture} (2018) p. 14.

\textsuperscript{13} (n 2) \textit{Is IMF Tax Practice Progressive?} p. 3.

Indirect taxes have their advocates because they are “consumer” taxes which means that in absolute terms, the wealthier pay more indirect taxes, because they consume more. However, as a proportion of income, those who are less wealthy spend more of their income on goods and services and therefore pay a greater share of their income to indirect taxes. Women traditionally spend a greater proportion of their income than men on indirect taxes because they are often responsible for purchasing a higher volume of basic goods (such as cooking oil or food staples) and services for others because of their care roles. There is also the issue of the “pink tax” which has recently hit the media in the developed world too.\textsuperscript{15} indirect tax, or lack of exemption, on women’s consumables, particularly sanitary products, is also compounded by the well-reported increased cost of items marketed “for women” such as soap and cosmetics.

Therefore, of the three key types of taxation, enhancing corporate taxation would have the least negative impact on women. Given the prevalence of incredibly valuable natural resources in many developing countries, it would be hoped that corporate taxation would account for more than the current average of 15%.

**Spending**

If state governments have sufficient revenue and choose to spend it for the good of their people and the development of their country, they can provide good quality public services as necessitated by the equality provision of SDG 5.\textsuperscript{16} This is now considered “Gender Responsive Budgeting” whereby the different needs of women and men are catered for to promote gender equality.\textsuperscript{17} Ideally, to begin to address the hardships that women in developing states face, tax revenue needs to be appropriately spent on the provision of services such as education, health clinics to provide good medical care, and vital infrastructure such as clean water supplies in accessible locations.

Women can have more reliance on these services for two main reasons: first, they are more likely to make up a larger part of the poorest in a society and therefore be in positions of state dependence. Second, as noted above, women and girls are traditionally the primary caregivers or care coordinators in their domestic groups and these groups may have specific needs - whether that is of children, the elderly, or a woman’s own sexual and reproductive health. Therefore, if the service is not being provided by the state, the alternative is that women have to provide the service themselves, or use their income to fund it - this discrepancy is exacerbated in women-led households.

Countries around the world have committed to promoting policies to encourage productive work and employment for all their citizens under SDG 8. However, the more time that women spend providing basic goods and services for their families, such as caring for sick relatives without

\textsuperscript{15} See ‘Women paying more than men for everyday product thanks to ‘unacceptable’ gender price gap’ https://www.independent.co.uk/news/business/women-paying-more-than-men-for-everyday-product-thanks-to-unacceptable-gender-price-gap-a6820816.html
\textsuperscript{16} UN SDG 5 is to “achieve gender equality and empower all women and girls.”
\textsuperscript{17} See ‘What is Gender Responsive Budgeting’ https://wbg.org.uk/resources/what-is-gender-budgeting/
proper medicine or travelling long distances for water, the less time they have to take up paid work or pursue education. With the added expenditure of indirect taxes on basic goods and “pink tax” on necessary products, women are less likely to be able to save any income to start a small business, buy a home or achieve security and prosperity.

Without being able to take up their own paid work or be educated, women have fewer options to alleviate their own poverty and ameliorate their conditions. Furthermore, they may endeavour to fit in informal work that can be done around their care commitments and this work is often poorly paid, precarious and can be exploitative.\cite{actionaid} If women have been denied education because of a lack of opportunity and state provision for it, these informal work opportunities are likely to be even more dismal.

This means that women are not only disadvantaged in the present, but also as they age. With or without formal employment, the added burden of providing basic services, means they are often unable to put aside savings, or, if they have informal employment, do not pay into a state-sanctioned pension scheme.

If societies commit to Gender Responsive Budgeting, lowering corruption and consulting with women in order to provide stable public services and adequate infrastructure to meet their citizens' needs, women could take a greater role in the formal workforce and then in turn, contribute tax to support this cycle.

**Conclusion**

The design and implementation of internal revenue structures affect all citizens, but the negative effects of insufficient tax collection, gender-biased regulations and lack of spending on essential public services and infrastructure hold women hostage to their nation’s tax systems.

Through the declaration of the UN SDGs, the international community has signalled the importance of all parts of society to work to improve women’s lives. As part of that, progressive tax systems can allow women to take on paid work outside the home, to improve the health and wellbeing of communities and therefore empower women to become productive partners in their developing economies.

ISLP sees fair taxation as a key means to achieve the UN sustainable development goals but it is critical that revenue mobilisation takes into account gender equality. We assist developing country governments to protect and enhance their revenue base by understanding the effects of and implementing robust policies, legislation, treaties and contracts and help civil society clients to navigate this complex area of law and advocate for fairer provisions.

\cite{actionaid} Action Aid report *Making Tax Work for Women’s Rights* p. 4.