

Taxing men and women: why gender is crucial for a fair tax system

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List of Acronyms

CEDAW	Convention on the Elimination of All Forms of Discrimination Against Women
CIT	Corporate income tax
GDP	Gross domestic product
GRB	Gender Responsive Budgeting
GST	Goods and Services Tax
IMF	International Monetary Fund
MDG	Millennium Development Goal
OECD	Organisation for Economic Cooperation and Development
PIT	Personal income tax
SEZ	Special Economic Zone
SME	Small enterprise
UNIFEM	United Nations Development Fund for Women
VAT	Value Added Tax
WHO	World Health Organization

Cover image: In Egypt, Christian Aid partner Wadi el Nil provides women with vocational training and information about legal rights. For Sahar, this has been invaluable. She is now a successful businesswoman, supporting her family when her husband could no longer work after an accident.

Christian Aid/Tabitha Ross

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Christian Aid is a Christian organisation that insists the world can and must be swiftly changed to one where everyone can live a full life, free from poverty.

We work globally for profound change that eradicates the causes of poverty, striving to achieve equality, dignity and freedom for all, regardless of faith or nationality. We are part of a wider movement for social justice.

We provide urgent, practical and effective assistance where need is great, tackling the effects of poverty as well as its root causes.

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Executive summary

Christian Aid started its tax justice campaign in 2008 to change the international rules and structures that deprive developing countries of tax revenue needed to finance sustainable development. At a national level we support our partners in Africa, Asia and Latin America to hold governments to account on how they raise and spend tax revenue.

As we advocate for fair and progressive tax systems at a national level, we are aware that current tax laws and proposed reforms are realised within existing gender inequalities, whereby women are discriminated in their access to and control of income, assets and property.

Fiscal policy has an important role to play in rebalancing gender inequalities. A gender analysis of public expenditure has been a crucial tool for gender equality advocates to hold governments accountable. The gender implications of revenue raising, the other side of fiscal policy, have received less attention. This is probably due to the difficulties in retrieving data to support an understanding of the gender impact of revenue raising. While the majority of women in developing countries do not pay income tax, it is also challenging to establish the gender impact of indirect taxes because data on income and expenditure are collected at household level and are difficult to compare across countries.

This paper is the first step towards building a strong gender analysis into Christian Aid's tax justice work. By reviewing existing literature and empirical evidence, it attempts to set out what the gender implications of revenue collection are and why they are important. While gender sensitive tax laws are necessary, they alone cannot achieve gender equality. Conversely, it will be hard to achieve a more equitable tax system without a change in the social norms and power structures that discriminate against women.

A first step in the direction of positive change is the ability to carry out an informed gender analysis of tax systems, and one of the main findings of this review is the need for more empirical studies to be produced and made available to civil society.

This paper aims to stimulate debate and offer guidance to those attempting a gender analysis of their own tax system.

'Fiscal policy has an important role to play in rebalancing gender inequalities'

1. Introduction: Why gender and tax?

Awareness of the importance of tax as the only reliable long-term resource for sustainable development has been growing in the past few years, in a global context of rising inequality, economic crisis and declining aid flows. A fair and progressive national tax system can deliver a redistribution of wealth, curb inequalities and ensure everyone benefits from economic development. However, developing countries face great challenges in raising enough tax revenue to reduce poverty and fund essential services.

The gender implications of a shortfall in revenue are significant, but despite women being more vulnerable to poverty and the most in need of essential services, there is still little understanding of the differing impact of fiscal policy, especially revenue raising, on women and men. It is positive that civil society's greater interest in the issues of tax justice and inequality is coming together with the work of feminist academics and women's rights groups and bringing new perspectives to the issue.¹

A strong gender analysis of tax policy is challenged by lack of disaggregated data on taxpayers and by the large proportion of women working informally outside the tax net. In addition, a lack of knowledge and understanding of household power dynamics around control of income means that analysing the

impact of indirect taxes on women's expenditure is challenging. Advocating for gender disaggregated data on taxpayers and those employed informally is a key part of the effort towards tax policies that can promote women's empowerment and more equal gender relations. Nonetheless, it is possible to initiate an analysis of national tax policies and their impact on women, examining who shares the burden of tax and what kind of gender relations are promoted through these policies.

Much more research and popular understanding are needed to put gender equality on the list of concerns of those formulating fiscal policy. In a world where an increasing number of women are entering the workforce without seeing their share of care work reduce, fiscal policy has a duty to be based on strong gender analysis. With the increasing momentum around tax justice for development and the negotiation of a post-2015 development framework, it is time that gender considerations featured highly on the agenda of policymakers, experts and civil society working on tax policy.

Drawing on empirical evidence, this paper aims to support civil society groups working on tax justice and gender responsive budgeting to initiate a gender analysis of their own national tax system.

Chapter 1: The importance of tax for development

In a context of declining aid flows,² domestic revenue mobilisation is assuming an ever greater importance as the only reliable and sustainable resource for countries to fight poverty and finance essential services. The UN estimates that a tax ratio of 20 per cent of gross domestic product (GDP) is the minimum necessary to finance the achievement of the Millennium Development Goals (MDGs).³ Tax revenue as a proportion of GDP in developing countries has grown over the last decades – in Africa it rose from 22 per cent in 1990 to 27 per cent in 2007,⁴ and in Latin America from 12.8 per cent in 1990 to 18.4 per cent in 2008.⁵ In Asia the average is, however, lower, standing at 15 per cent of GDP in 2010, varying from 7.2 per cent in India to 24.3 per cent in Vietnam.⁶

Overall, the fact that tax revenue has been rising and governments are increasingly able to stand on their own feet is a positive trend. However, the data mask great regional variations and do not tell us how revenue is generated. For example, in Africa resource taxes have been steadily increasing and in certain resource rich countries, such as Nigeria, Angola, Algeria and South Africa, accounted for over 75 per cent of all increased revenue in 2011.⁷ In Latin America and the Caribbean, receipts from personal income tax (PIT) account for only 1.4 per cent of GDP, against an OECD average of 9.2 per cent.⁸

The quality of the tax mix (that is, where revenue is coming from) is crucial to ensure that an increase in tax revenue does not fall unfairly on the poor. For those concerned with inequality, it is therefore necessary to understand the structure of the tax system to see where the burden falls. Since women are overall more vulnerable to poverty, including the shocks of the global economic and financial crisis, it is crucial to consider the consequences of taxation policy from a gender perspective.⁹

Sources of tax revenue

Understanding where tax revenues come from helps us identify who pays and how the burden of paying tax is shared. Broadly speaking, taxes can be divided

into three categories: direct taxes, indirect taxes and trade taxes.

Direct taxes are levied on income or property of individuals and businesses and paid directly to the government. They are generally personal income tax (PIT), corporate income tax (CIT) and taxes on property. Direct taxes have the potential to redress inequality through the principle of progressivity if they target those most able to pay. However, in many countries, progressivity is weak and often the main burden falls on middle classes, with those at the top paying a lower marginal rate. For example in India, a country which has over 125,000 dollar millionaires and 95 per cent of the population with assets worth less than US\$10,000, the highest PIT rate is 30 per cent and applies to incomes above 1 million rupees (about US\$16,000).¹³ Effectively, millionaires and middle classes belong to the same tax bracket.

Indirect taxes are paid on economic transactions and retained by an intermediary, such as retailers, to be passed on to the government. These are commonly Value Added Tax (VAT) or Goods and Services Tax (GST), sales taxes and excise taxes (taxes on specific goods, such as alcohol and tobacco). These taxes affect the ultimate price borne by consumers and therefore have a strong impact on the budget of the poorest.

In September 2013 the Kenyan government enacted a VAT reform that reduced the list of VAT exempt items from 400 to 30 and applied a flat VAT rate of 16 per cent to everyday goods. The price of a half a litre of milk rose from the equivalent of £0.51 to £0.59. The change affected electricity as well – previously consumption up to 200 kilowatt hours was exempt, but now all usage carries 16 per cent VAT.¹⁴

Trade taxes are levied on imports and exports. With the liberalisation of trade, developing countries with export-led economies have been losing an important source of earnings, which accounted for up to one third of their total revenue. The IMF has been advising developing countries to reduce import and export taxes and to compensate for lost revenue with the institution of indirect taxes, especially VAT.¹⁵

Spending tax revenue to fulfil women's rights

The monitoring of government budgets is a tool used by women's rights organisations across the world to hold governments accountable to their commitments to gender equality and women's rights. UNIFEM (now part of UN Women) has been championing Gender Responsive Budgeting (GRB) as an approach to facilitate and seek coherence between government planning and gender equality goals and to ensure budgets adequately fund the implementation of policies. GRB can be used to track progress from local to national level, and from policy formulation to planning, implementation and monitoring.

It can be challenging to identify what adequate resourcing for gender equality would look like, especially among competing priorities. However, as UNIFEM points out, we should not think that GRB is only about projects for women, when it is really about the interventions needed to remove structural barriers to women's equality. From this perspective, financing clean and safe water supply, reliable public transport and childcare services all contribute to women's empowerment and to greater gender equality.¹⁰

Christian Aid's partners around the world are using GRB approaches to scrutinise and hold governments accountable to their commitment to gender equality and poverty eradication.

In Zimbabwe, the Poverty Reduction Forum Trust, under its Poverty Watch flagship project, carries out bimonthly Basic Needs Basket surveys that have become a critical advocacy tool for addressing the wellbeing of ordinary Zimbabweans.

Social Watch Philippines is part of the global Social Watch Network and publishes an annual report shadowing the government budget and assessing it against gender justice and poverty eradication. For those in civil society carrying out GRB at all

levels, from the grassroots to lobbying politicians, it is important to also look at where revenue is coming from, in addition to how it is spent.

Another crucial factor to consider is whether women as taxpayers have the ability to hold governments to account. Recently, both the UN Special Rapporteur on extreme poverty and human rights and the International Bar Association Human Rights Institute have explored domestic resource mobilisation as a human rights issue.

Not only do illicit flows and tax avoidance deprive states of the resources necessary to fulfil human rights, but states themselves have an obligation to ensure coherence between corporate, fiscal, tax and human rights laws and policies, both at the domestic and international levels.¹¹

This obligation is echoed in Article 3 of the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), which states: 'Parties shall take in all fields, in particular in the political, social, economic and cultural fields, all appropriate measures, including legislation, to ensure the full development and advancement of women, for the purpose of guaranteeing them the exercise and enjoyment of human rights and fundamental freedoms on a basis of equality with men.'¹²

The scrutiny of tax policy, at national and international level, is crucial to the fight to end poverty and fulfil human rights, including those of women.

How Has the Dice Rolled?



Response to Union Budget 2013-14

March 2013



'Understanding where tax revenues come from helps us identify who pays and how the burden of paying tax is shared.'

Raising revenue in the global economy

While progressive reform of national tax systems is crucial, the availability of resources for sustainable development and poverty reduction also depends on the international rules and structures for taxing corporations and individuals. The current rules are not fit for purpose – developing countries currently lose more tax revenue than they receive in aid.

In 2008, Christian Aid estimated that developing countries lose US\$160 billion each year to tax dodging.¹⁶ In 2013, the Africa Progress Report highlighted how Africa lost about 5.7 per cent of GDP to illicit outflows over 10 years, including trade mispricing and shifting of private capital by wealthy individuals.¹⁷

In the global economy, secrecy jurisdictions enable and facilitate these transfers of wealth outside the reach of tax authorities. It is hard to estimate the size of assets and wealth stashed in secrecy jurisdictions, but the Tax Justice Network estimates it to be US\$21 trillion.¹⁸ Recently Oxfam estimated that secrecy jurisdictions are depriving the world of US\$150 billion of revenue, which could end extreme poverty twice over.¹⁹ Overall, there is less money available to spend on those essential services and social protection of which women are most in need.



Zambia is rich in mineral resources, but loses millions each year due to tax dodging by the mining industry, leaving vital services under-funded. At this hospital in the Copper Belt, Elisheba Chali is one of two nurses serving a population of 45,000 people.

Chapter 2: How are women affected by tax?

Direct taxes and women's work

Direct taxes impact women differently from men because women largely earn less, tend to enter and exit the labour market at different stages of their life, and provide unpaid labour and care at home, in family businesses and in the community. The issue of unpaid care is a huge one, which goes beyond tax policy and is indeed crucial for the socio-economic system as a whole. Because of their gendered roles in society, women disproportionately bear the burden of unpaid care. This affects their capacity to participate in paid employment, pay taxes and benefit from social security provisions and public services afforded through the tax system.

The rate of female participation in the workforce is an indicator to establish whether women's contribution to the economy is growing. The World Bank measures female labour participation rate as the percentage of women aged 15 and over who are employed or contribute to economic activity. There are great variations across the world, and not just between the global North and South.

Among developing countries, regional variations are stark. For example, just 20 per cent of women are employed in the Middle East and north Africa, against over 60 per cent in sub-Saharan Africa. In south Asia, the rate has been falling after reaching almost 40 per cent in 2005, while in Latin America it grew to almost 55 per cent in 2012. Interestingly, certain Western countries, which traditionally have strongly prescriptive gender roles, present data similar to those of developing regions, for example Italy and Japan at just over 40 and 42 per cent respectively.²⁰ Data clearly show how gendered social norms influence women's participation in the labour market.

Often a rise in the rate is understood to be the result of a shift in gender relations, whereby women have more freedom to engage in paid employment because of better education, changes in social norms that dictate what is acceptable for women, and a delay in the age of marriage and pregnancy. However, this cannot be taken for granted and cannot be considered in isolation from data on men's employment because women might be seeking paid

work to compensate for loss of income caused by male unemployment.

Another factor that goes unrecorded in the data is whether a redistribution of unpaid care between women and men is taking place. Overall, women spend more time in unpaid work compared to men and longer hours in unpaid and paid work combined. Therefore, women are engaging in paid employment, *in addition* to all their other care duties.²¹

According to the UN Special Rapporteur on extreme poverty and human rights: 'Heavy and unequal care burdens may curtail the enjoyment of human rights by women and girls, including their rights to education, work, social security and participation, as well as to rest and leisure. Systematically unequal distribution of care work and household chores between women and men also raises concerns in terms of the right to equality and non-discrimination and the obligations of states in this regard.'²²

As we will see, the gendered nature of unpaid care is not taken into account by tax policy.

Joint filing versus individual filing

Under a joint filing system, a married couple file their tax return together and their income is taxed as one. This usually places women at a disadvantage – they tend to face a higher marginal tax rate on their income than their husbands because they usually earn less, but their incomes are taxed at a rate on the aggregate of their own and their husband's income. This tends to put them in higher tax bracket than they would be if only their own income was considered.²³

Individual filing is considered to be more equitable towards women, although there are issues here as well. For example, in South Africa the tax system was based on joint filing, thus discriminating against women by taxing them at a higher marginal rate. This was amended in the early 1990s, but it caused a new asymmetry. For example, in two families with dependants and earning the same, a single mother is taxed at a much higher rate than a married couple. In this case, the system replaced a discrimination against gender roles in the household with a discrimination against those who do not conform to the model of a nuclear family.²⁴

In Morocco, the notion of ‘dependant’ automatically includes the wife if the filer is a man. On the contrary, if it is a woman who is filing she needs to be able to legally prove that she is the head of the household and has a dependent husband and children. Unless she can do so, a woman with dependants effectively pays more PIT compared to a man.²⁵ This is a clear gender bias whereby women who assume a less traditional role as the breadwinner in their family are discriminated against by the tax code.

Tax filing for joint assets

In certain countries, such as Argentina, the tax code has an explicit bias against women because men are automatically considered as the owners of joint assets such as income from a jointly owned business or financial investment.²⁶ Not only does this ignore a woman’s contribution to a family business, for example, but it also puts her at disadvantage as she can find difficult to obtain recognition of her rights to property in case of divorce or death of her husband.

In some countries there are limitations around how much income can be attributed to a spouse providing unpaid labour to a family business. This is because, under individual filing, the woman pays tax at a lower marginal rate and therefore shifting income is considered a form of tax avoidance. The question of how to ensure women have control of the income they produce by working in a family business is not answered by the tax code. There is no clear answer to these issues. As Caren Grown and Imraan Valodia point out: ‘Gender differences in business and other forms of property ownership are becoming relatively more important, but have not yet systematically been addressed in the tax literature.’²⁷

The data gap: what do we need to understand the impact of tax policy on gender inequality?

Over the past 20 years, women’s movements and feminist economists have advocated for a gender responsive allocation of government budgets. This has led to some progress in the way governments allocate resources. For example, the government of Nepal provides a breakdown of the parts of its budget that are pro-poor and gender responsive.³² However, there is still a long way to go in being able to understand the gender implications of revenue raising because there are no disaggregate data available on taxpayers and a huge data gap on women and men working in the informal sector.

Within the post 2015 debate on the new development framework which will replace the MDGs, there has been a lot of emphasis on the need for a data revolution to inform policy

What is most effective, tax allowances or targeted expenditure?

In many countries there are provisions for tax allowances for a financially dependent member of the household who contributes unpaid labour. Tax allowances for dependants favour a household based on a male breadwinner/female carer model over the more equitable dual earner/dual carer model. In effect, these allowances represent a payment for unpaid labour, which does not go to the female worker, but to her spouse, who therefore controls it. Moreover, tax allowances are only available for higher earning households who pay PIT and rarely keep up with the real cost of childcare and other care services, with the result that their positive impact is limited. Poor households are automatically excluded from such allowances.

From a gender equality perspective, it would be more equitable to provide care services through targeted expenditure that can reach the poorest and promote the dual earner/dual carer model.²⁸ In recent years, conditional cash transfer programmes – such as Bolsa Família in Brazil and Progresá in Mexico – have been positively evaluated for their results in improving children’s nutrition, school attendance and overall family wellbeing. However, these programmes are controversial from a gender equality perspective because they are based on, and reinforce, the role of mothers as sole caretakers of family wellbeing.²⁹

It cannot be assumed that transferring cash to women will solve gender imbalances around the control of assets. Evidence from programmes suggests that issues of control over the cash remain when men are not targeted alongside women.³⁰

implementation and monitoring at national level.³³ The data revolution will be about what is measured and how. For what is measured, it will be necessary to provide disaggregated data to inform policies targeted at reaching the most marginalised and excluded. Having gender disaggregated data is a necessary starting point, along with data on age, location, ethnicity and caste. Tax justice advocates at national level should put pressure on tax authorities to file data on taxpayers by gender and to collect gender disaggregated data on those working informally, both in rural and urban settings.

For how information is collected, it seems important to take advantage of the opportunities provided by communications technology to obtain information efficiently and at low cost. SMS technology, for example, could provide interesting opportunities to establish feedback mechanisms between people working in the informal sector and local tax authorities and collectors.



Successful businesswoman Bobobo is a member of Ghana Association of Women Entrepreneurs, a Christian Aid partner helping self-employed women by supplying training, market information, networking and promotion of non-traditional exports.

These issues reveal that there is more behind how resources are distributed than simply considering the equality of treatment and the most efficient way to tackle poverty. This additional something is whether we are able to rebalance power relations between genders.

According to Diane Elson, by respecting and fulfilling CEDAW, tax systems should seek to transform traditional gender roles that are inequitable. For example, article 5 requires parties ‘to modify social and cultural patterns of men and women to eliminate practices based on the idea of sex role stereotyping or the inferiority or superiority of either of the sexes.’

It can be argued that there is a clear role for personal income tax policies to be designed in a way that promotes an equal sharing of paid and unpaid labour between women and men and prevents the perpetuation of inequitable gender roles.³¹

Indirect taxes and women

VAT is often a regressive tax because it applies equally to everyone, regardless of income. This means that the poor pay proportionately more tax than the rich and are thus subject to an unjust burden. In fact, those on lower incomes tend to spend a higher proportion of their earnings on consumption. Empirical studies across different countries have demonstrated that women tend to spend more than men on buying necessities such as food, clothes, school items and medicines. Therefore, VAT on specific consumable items affects women and men differently.

In developing countries, income from VAT represents a substantial proportion of total tax revenue, around a quarter. The IMF has constantly advised countries to institute VAT because it is efficient, raises a considerable amount of revenue and is relatively easy to administer.³⁴ However, there is room for manoeuvre within VAT policy. Many basic goods can be exempted in order to make it less regressive and a lower threshold can be applied to different consumption items. For example, in India items such as milk, rice, flour, fresh vegetables and fruit, salt and sugar are exempt from VAT.³⁵ In April 2014, following a campaign led by civil society, including Christian Aid’s partners, the Kenyan government passed an amendment to the VAT bill to reinstate exemptions for certain items including fertilisers and staple foods.³⁶

Exemptions and lower thresholds for basic items are certainly a way to lower the burden of VAT but, as the IMF recognises, these have limitations in terms of redistribution. This is because better off groups consume more in absolute terms, so the benefits accrue to them. Evidence from Ethiopia found that spending income raised from VAT on basic healthcare and education had positive effects

in reaching out to the poorest.³⁷ Recent research by Oxfam highlights the importance of free public health and education in redressing inequality by providing ‘virtual income’ to the poorest groups. Within OECD countries, such virtual income provided by public services amounts to 76 per cent of the post-tax income of the poorest group, compared to 14 per cent for the richest.³⁸

Excise taxes are usually on the sale of alcohol and tobacco, which tend to represent a larger part of men’s consumption patterns. Excise taxes place a heavier burden on men. Raising the tax burden on alcohol and tobacco is considered to be positive and the World Health Organization (WHO) recommends excise on tobacco should account for at least 70 per cent of the retail price of tobacco products.³⁹ This brings more revenue and fulfils the function of re-pricing, by making something which is harmful to health, and ultimately the public purse, more expensive.

In the Philippines, thanks to a campaign led by Christian Aid’s partner Action for Economic Reform, taxes on tobacco were raised in line with WHO recommendations. The additional revenue was earmarked to pay for healthcare for the poorest Filipinos and to provide alternative livelihoods for tobacco farmers.

In the short term, a raise in excise taxes could have a negative impact on women in those households where men have a higher bargaining power. In practice, women could find they have less money available to spend on necessities than before. This is something quite challenging to establish due to lack of data. As Valodia points out, household level data cannot be used to understand intra-household dynamics. Instead, data at the individual level are needed. It might be true that male consumers of alcohol and tobacco may be able to shift the burden of an increase in excise taxes on women, but data gaps limit research on this.⁴⁰

CIT, trade taxes and women

Tax competition to attract investment is rife among countries and lowering CIT rates is an essential component of this. From 1993 to 2010, average corporate tax rates worldwide have declined from 38 per cent to 24.9 per cent.⁴¹ Many developing countries have set up special provisions for large businesses, both domestic and foreign, which include very generous tax incentives. It is hard to gauge the effect of these policies on women.

While there are specific sectors that are likely to employ more women than men, such as the garment industry, the labour conditions, low wages and environmental impact do not make these the best job opportunities to create.⁴² Often the creation of special economic zones for intense manufacturing

Gender implication of fiscal policy in India

Christian Aid's partner the Centre for Budget and Governance Accountability has recently published *Gender Implications of Tax Policies*,⁴⁵ a research paper which analyses India's fiscal system through the lens of gender equality. Until 2011, India was the only country to have an explicit bias in favour of women by having a higher threshold for PIT, so women could accrue a higher proportion of income before starting to pay tax. However, this had very little implication for gender equality since it affected only a minority of women working in the formal sector and earning enough to benefit from the policy. It is estimated that in India less than 3 per cent of the population pays income tax. This is a good example of why progressive PIT, although desirable, is not likely to have a huge positive impact on gender equality if the majority of women are not eligible to pay it. The lower tax bracket for women has now been discontinued.

The paper looks at other issues affecting women such as:

- The institution of the Hindu Undivided Family as a collective unity for tax filing which puts women at disadvantage when they own property or contribute to family business.
- The implications of tax breaks for the private sector, especially through Special Economic Zones for women's employment, working conditions and social protection.
- The impact of VAT on women and the room for manoeuvre within indirect taxes to make them less regressive through exemptions. India is currently debating the move from VAT to a tax on goods and services, but the implications for the poor are still unclear. It is interesting to point out that the debate around moving from VAT to GST is mainly around efficiency and ease of administration rather than equity. GST would bring in a harmonised rate across Indian states which would facilitate business transactions. However, it seems that concerns around the tax burden on the poor and women are not a primary aspect of the reform.

is accompanied not only by tax breaks, but also by limiting the action of trade unions and freedom of association and lax enforcement of labour regulations, which means working conditions are poor and dangerous.⁴³ Moreover, special economic zones can have a depressing effect on smaller domestic enterprises and thus a knock-on effect on incomes.

There is little research on the effects of a fall in trade taxes on women in developing countries. Countries borrowing from the IMF have had to comply with fiscal prescriptions that include the broadening of the tax base through VAT to make up for the loss in trade revenue due to trade liberalisation. In India, the liberalisation of the economy in the early 1990s brought a decline in social expenditure – for example, the state of Maharashtra saw its expenditure fall by almost half.⁴⁴ The trend started reversing at the end of the decade, but the impact of such shortfall of resources on human development remains unknown.

If women have to forego healthcare, education or employment opportunities due to a cut in public services, those circumstances would certainly have a lifelong impact and be likely to affect the next generation too.

The immediate consequence of lower rates of CIT and trade taxes is a loss of revenue available for public expenditure that is likely to affect women and their children the most. However, there are more profound effects of CIT and trade taxes on gender relations as these promote an economic model that is realised within existing gender inequalities and translates into exploitative conditions for women entering the workforce. More research at national and regional level is needed to assess the gender implication of fiscal policy for national and international business.

Chapter 3: Gender relations and tax in the informal sector

Little is known about how women and men working in the informal sector are affected by tax. This is definitely the area where research is most needed, since between 50 and 80 per cent of women work in the informal sector and mostly fall outside the tax net.⁴⁶

In 2011, Christian Aid teamed up with two partners in Ghana for a qualitative study of the experiences of women working in the informal sector, mostly as petty traders in markets.⁴⁷ In the 1990s, the Ghanaian government attempted to tax the informal sector through associational taxation,⁴⁸ which had some success but was also widely associated with corruption.

For the women in the study, assessment of their business for tax purposes involved a visit by a tax inspector who valued their income based on the type of business, location, size of shop and so on. This of course leaves room for interpretation as it could mean that a seamstress in a wooden shack with 20 customers per week (and therefore a relatively steady income) will pay significantly less than a seamstress in a concrete structure who has only two customers per week and can barely cover her operating costs.

The study found that more than 90 per cent of women traders paid taxes, but almost 60 per cent of them felt they were not well informed on why they had to pay them (beyond the fact that it was a legal requirement). Half of the women surveyed said they did not see tax revenue being spent on services. For example, despite the taxes paid, they never saw an improvement in the conditions of the market through the provision of toilets or better infrastructure.

Women earning more tended to pay a fairly low percentage of their monthly income in taxes (about 8 per cent) against 37 per cent paid by those earning relatively less. This probably happened because women had items for sale being taken from them when they did not have money to pay tax or because they had to pay the daily market fees regardless of their earnings that day, week or month. Women also reported difficult relationships with tax collectors

and did not feel they had the possibility or the means to complain about unfair treatment.

Collecting taxes from the informal sector is difficult, because there are few records of accounts, many people earn very little income, and workers are often invisible to the authorities if they work from their homes, work at night, or are at the bottom end of subcontracting in a production chain. Nonetheless, informal sector workers pay taxes not only as consumers but also as owners of small businesses. From this perspective it is interesting to look at how VAT affects small enterprises (SMEs) led by women and men.

A study in Vietnam found a gender bias in VAT that ultimately had an effect on the profitability of female-led SMEs.⁴⁹ The study found that the sectors in which women as SME owners were more active (trade in food and beverages, textiles and garments) carried a higher VAT rate for inputs than those sectors (products and services) in which men were more active. In particular, inputs needed for trade in food and beverages carried the highest VAT rate, regardless of type of food or type of trade, thus applying the same rate to a woman behind a stall on the street and a restaurant. Overall, the data showed that female-led SMEs in urban settings bore 105 per cent of the cost of male-led SMEs and their earnings were only 67 per cent of their male counterparts. Despite this, female-led SMEs were found to contribute between 40 and 60 per cent of household income. This means that boosting profitability of women-led SMEs would greatly contribute to poverty reduction.

Higher VAT rates in the sectors where women were most active was only one of the reasons for higher costs and lower profits. Other gendered dynamics were found to contribute. For example, on average women had less collateral in their name to use to access finance through formal channels, had unpaid care duties to fulfil which took away time from their business, and were less likely to register their business, which would have brought financial benefits in the form of VAT refunds. This meant that



Felicia has her own hairdressing business in Tamale, northern Ghana. She is a member of Ghana Association of Women Entrepreneurs, one of the Christian Aid partners which studied taxation in the informal sector.



Asana Abugre is a successful businesswoman in northern Ghana. She works with Christian Aid partner Ghana Association of Women Entrepreneurs to help women in the informal sector to market their products. Asana also educates her fellow traders on the importance of paying tax.

their SMEs were smaller and less profitable because of higher input costs and no opportunity to claim VAT refunds.

Women also had fewer resources, both time and money, to shop around for cheaper inputs or to buy in bulk. Conversely, male-led SMEs were able to use unpaid labour provided by women within the household and benefited from being more likely to

access formal sources of finance. These differences are caused by the different gender roles women and men perform in society and are exacerbated by a tax system which does not take into account these underlying dynamics or seeks to change them. The study concluded that the VAT system in Vietnam had a gender bias.

Conclusion

Fiscal policy is often seen as a technical, dry matter, when instead it has profound implications, not only for our everyday life in the present, but also for the type of society we want have in the long term. There is an imbalance between the contribution women make to society with their unpaid and paid work and the fact that gender equality is not an immediate concern of fiscal policy-makers.

The work done by civil society to highlight the consequences of tax injustice and the global economic crisis has created the opportunity for people all over the world to engage with tax, recognising its transformative potential for society.

It is now necessary to integrate gender considerations at every level of research, policy and advocacy for tax justice. Missing this aspect would mean missing the opportunity to advocate for fairer tax systems for all.

As negotiations for a new development framework to replace the MDGs are entering their final phase, Christian Aid urges for a revised global partnership for development based on fair and equitable economic rules, including curbing illicit financial flows and tackling tax dodging.⁵⁰ At the national level, developing countries must have the ability to devise and implement sustainable financing solutions, giving priority to a fair mobilisation of domestic resources. The international community has the duty to provide bilateral and multilateral support.⁵¹

Christian Aid recommendations

For civil society organisations working on tax justice:

- Include gender analysis at all levels in research, policy formation and advocacy for tax justice.
- Seek to work in alliance with women's rights organisations, budget monitoring groups and others working to ensure a fair allocation of government's resources, from raising to expenditure.
- Advocate for gender dynamics around unpaid care to be considered in fiscal policy.

For governments:

- Assess fiscal policy from a gender equality perspective.
- Assess the gendered impact of indirect taxes, including considering whether incomes and quality of life can be better sustained by expenditure rather than exemptions.
- Consider how fiscal policy affects gender dynamics around unpaid care from a gender equality perspective.

For revenue authorities in developing countries:

- Set up systems to file taxpayers' data disaggregated by sex and age.
- Cooperate with unions and other organisations representing women working in the informal sector to improve tax collection, including simplification of taxes levied and fair assessment of capacity to pay.
- Invest in capacity building and awareness raising for tax officials on gender issues and improve customer-service relationships.

'It is now necessary to integrate gender considerations at every level of research, policy and advocacy for tax justice'

Annex A: Gender as an analytical framework for the analysis of tax policy

This section draws heavily from the conceptual framework adopted by Grown and Valodia for their comparative analysis of tax systems and gender equality in eight countries.

The analysis uses a gender lens very consciously, recognising that it refers to the differences between men and women that are socially constructed, rather than physical. These differences relate to roles, expectations and responsibilities and while they manifest in different ways, they also have common aspects across societies. However, inequalities in social and power relations are not only based on gender but also around class, location, age, ethnicity and caste. What happens at the intersection of these inequalities is crucial to understand how tax affects different groups. When looking at gender we therefore need to incorporate all other social characteristics to understand how tax affects not only women and men but also different groups of women and men.

When looking at the different implications of tax policy on men and women, we take into account the different ways in which women and men organise their economic and reproductive lives. For tax policy, this means looking at differences in four areas – paid employment, unpaid care work, consumption, and property rights and asset ownership.

Paid employment, including formal and informal, pay and occupational segregation

Women participate less in paid employment, tend to have more discontinuous work patterns, enter and exit the labour market at different stages of their life, or work part time. However, overall they dedicate more time to work, paid and unpaid, than men do. Women tend to earn less than men, even though in some countries the wage differential has been narrowing. Women are also more likely to be employed in informal jobs, inside and outside the house, in small workshops, family businesses or as domestic help. Women's employment profile, characterised by

discontinuity, lower earnings and predominance in low paying, informal jobs, means that they are not likely to bear a large PIT burden. Conversely, 'their inferior employment status may also prevent them from accessing certain benefits afforded through the tax system to employees.'⁵²

Unpaid care work

Taxes are based on income, however there are different income types that might not derive from paid employment, such as household production. Most countries do not include non-market production in income subject to tax. All over the world, the people doing most of the unpaid work are women. This includes housework, cooking, caring for children, the sick and the elderly, and assisting other families and the community at large. Other forms of unpaid work include subsistence agriculture and producing clothes and other goods for home use, and unpaid work in a family business. Although not paid, this work enables society and the market to function.

Gender differences in consumption

Not only do women and men spend their time in different ways, there are also different ways in which they spend money and take decisions on how to allocate assets and savings. These decisions depend on the bargaining power of different members of the household and are crucial to understand the impact of VAT, excise taxes and other indirect taxes such as fuel tax.

Studies across different cultures have found that women tend to spend more of the money under their control on goods such as food, medicines, children's clothes and school supplies – items that enhance the education, wellbeing and capabilities of children. In Grown and Valodia's research, such gendered differences in consumption emerged in all countries, confirming that it is important to assess the effect of commodities prices on women's and men's expenditure patterns and household welfare in general.

Gender differences in property rights and asset ownership

In many countries, women are denied property rights on land and other assets, although they provide unpaid labour to them. The gender aspect of property owning vis-à-vis tax is in need of more systematic research. For example, Nepal introduced a tax exemption to incentivise transfer of property assets to women. As a result, women's land ownership increased threefold between 2001 and 2009.⁵³ However, questions of power imbalances in the real control of assets remain and it cannot be expected that favourable tax laws and incentives alone change gender relations.

In their analysis, Grown and Valodia concentrate on the equity dimension of gender relations vis-à-vis taxation. As they point out, there are gender considerations to be had in all aspects of a fiscal system, including efficiency and ease of administration.

The framework they use to assess equity builds on the work of feminist scholars Janet Stotsky and Diane Elson. Stotsky distinguishes between implicit and explicit gender biases in tax policy. Explicit biases take place when men and women are treated differently by tax law. Implicit biases instead take place because of gendered social norms and economic arrangements that result in a different effect on men and women.

Joint filing is an example whereby the fact that women's income is taxed at a higher marginal rate affects decisions around female participation in the labour market. Likewise, there can be an implicit bias in rules for indirect tax that do not provide for gendered differences in expenditure patterns.

Elson argues that while Stotsky's framework is useful, the term bias has a pejorative connotation implying that treating men and women differently would not be desirable. She argues: 'A gender analysis of taxation must go beyond the principle of sameness to recognise that discrimination and bias take different forms, and that, in order to achieve substantive equality, different groups in society may require different treatments. Different treatment is, therefore, not necessarily biased treatment.'⁵⁴

Elson refers to *substantive* equality, rather than formal, which echoes the language of CEDAW. In fact, CEDAW recognises that treating men and women differently might be necessary in order to overcome discrimination. Fiscal policy has a role to play in shaping more equitable gender relations and discourage those behaviours that perpetuate inequality between women and men.

As Grown and Valodia conclude, this is quite a different perspective from that of traditional welfare economics, which takes individual utility as the basis to assess whether a policy improves social welfare and considers negatively those policies that result in an improvement in the welfare of one group at the expense of others.

Annex B: Gender implications of indirect taxes – two examples of methodology

Assessing indirect tax incidence

Grown and Valodia's comparative analysis of indirect taxation looked at VAT, excise taxes and fuel tax. The objective of an incidence analysis of indirect taxes is to 'determine the portion of before-tax income paid by different groups'.⁵⁵ Usually groups are ordered by some measure of welfare, for example divided into quintiles by income. The common measures used to assess the incidence of indirect taxes are income and consumption expenditure. However, income data are not always available and tend to be unreliable, as households tend to misreport their income.

Data on income, sources of income and expenditure patterns were obtained from household surveys, while data on taxes collected were obtained from tax administration authorities. Household surveys use the household as their unit of analysis, which masks individual patterns of income and expenditure and the difference in bargaining power of different members of the household. To overcome these issues, the researchers decided to allocate income equally to all members, including children, to calculate per capita household expenditure. Individuals were then sorted by quintiles.

The researchers proceeded to classify households according to gender relations. Conventionally this is done using the categories female-headed and male-headed household. However, researchers found this problematic because definitions are not consistent across countries and would not include those households based on a dual carer/dual earner model. They decided therefore to develop richer gender categories starting from the different countries' official definitions of household headship.

1. The first category was based on the sex composition of adults in each household, to calculate whether it was male or female prevalent. Sex composition was then used as a proxy for bargaining power.
2. The second category looked at the employment status of the adults in the household. It distinguished between female breadwinner households (with no employed males), male breadwinner households (with no employed female), dual-earner households and unemployed households. Employment status was used as a proxy for bargaining power.
3. Both these categories were then divided according to whether children were present. Children were considered to influence expenditure patterns, which in turn would affect tax incidence.

Finally, tax rates were applied to the expenses reported and estimated tax paid was applied on each expenditure item, assuming that all the burden of tax was shifted to the consumers.⁵⁶

Exploring the impact of VAT on female-led SMEs

To establish whether the VAT system carried a gender bias towards women leading small and medium enterprises, researchers in Vietnam used data on employment distribution available through living standards surveys. In particular, they looked at types of non-agricultural household enterprises operated by men and women in rural and urban area.

Having established those sectors in which women were most present, the researchers assessed the different way in which the VAT regime affected women and men. The analysis started from existing gendered social norms and economic conditions to assess how they interacted with tax policy. For example, rules around women's property rights and unpaid care were shown to interact with tax policy, resulting in female-led SMEs being less economically viable.⁵⁷

Annex C: Suggested questions for a gendered analysis of fiscal systems

On whether a fiscal system is progressive

- What is the tax to GDP ratio?
- What is the tax effort (the difference between potential and actual revenue collected)?
- Does the government collect enough revenue to finance what are considered to be high-quality essential services for all?
- What is the actual expenditure on essential services and infrastructure (for example, water, sewage and public transport)?
- What is the tax mix? What have been the trends for different types of taxes over time?
- How broad is the tax base, that is, how many people pay tax? How does this compare with trends for income and economic growth? Where is the burden falling and where are the benefits accruing?
- Is income inequality greater before or after tax? What about income inequality between women and men and for different groups?

On the impact of PIT on women

- Do PIT policies encourage or discourage women's participation in the workforce?
- How do the deductions and allowances available for PIT affect the quantity and distribution of unpaid care within the household?
- Which kind of power dynamics within the household are reflected in the deductions and allowances available for PIT?
- Does PIT favour one type of family over another?
- How is care considered vis-à-vis PIT? How is care considered by the rules regulating pensions and social contributions?
- Does the process for filing PIT (including the wording of forms) treat women and men differently?

On the impact of indirect taxes on women

- Do indirect taxes take into account the necessities of different members of the household?
- Do indirect taxes fulfil the function of re-pricing social positives and negatives?
- How do indirect taxes affect the input costs of women and men working in the informal sector?
- How does VAT policy affect women and men as small business owners?

On the impact of property taxes and other taxes on women

- Do policies for property taxes favour or discourage the fulfilment of women's property rights or the transfer of assets to women?
- Is there an inheritance tax and what impact does it have on women's inheritance rights?
- What is the impact of other levies and deductions (for example, business rates, levies for registering businesses) on women?

On corporate income tax

- Does the policy around corporate income tax take into account the unpaid care economy?
- What is the impact of tax incentives for investment on women's economic status, employment opportunities and burden of care?

Find out more

For more questions on fiscal policy and human rights, see the UN Special Rapporteur's questionnaire and responses: www.ohchr.org/EN/Issues/Poverty/Pages/Fiscalandtaxpolicy2014.aspx

Christian Aid's *Tax Justice Strategy 2013-2016* is available at: christianaid.org.uk/Images/christian-aid-tax-justice-strategy-2013-2016.pdf

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