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Gender equality and taxation in the European Union

Study for the FEMM Committee



**DIRECTORATE GENERAL FOR INTERNAL POLICIES
POLICY DEPARTMENT C: CITIZENS' RIGHTS AND
CONSTITUTIONAL AFFAIRS**

WOMEN'S RIGHTS AND GENDER EQUALITY

**Gender equality and taxation in the
European Union**

STUDY

Abstract

This study provides an overview over gender aspects in taxation at Member State and EU level. After an outline of gender gaps in socioeconomic realities across Member States, relevant for taxation, the implementation of gender aspects at EU and Member State level and the existing legal approaches and obligations are reviewed critically. Research results on gender-disaggregated effects are presented for the taxation of personal income, corporations and business income, property, and consumption. Finally, the study presents recommendations on how to improve gender equality in taxation.

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LIST OF ABBREVIATIONS

- CEDAW** Convention on the Elimination of All Forms of Discrimination Against Women
- CPB** Netherlands Bureau for Economic Policy Analysis
- CFREU** Charter of Fundamental Rights of the European Union
- CIT** Corporate Income Taxation
- CJEU** Court of Justice of the European Union
- CSR** Country Specific Recommendation
- EATR** Effective Average Tax Rate
- EIGE** European Institute for Gender Equality
- EU** European Union
- IMF** International Monetary Fund
- OECD** Organisation for Economic Cooperation and Development
- PIT** Personal Income Taxation
- R&D** Investment in Research and Development
- SMEs** Small and Medium-sized Enterprises
- TEU** Treaty on the European Union
- TFEU** Treaty on the Functioning of the European Union
- UN** United Nations
- VAT** Value Added Tax
- WBG** Women's Budget Group

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EXECUTIVE SUMMARY

Background

Most Member States have abolished tax regulations that implicitly differentiate between men and women. Still, tax systems and fiscal policy decisions affect women and men differently because tax regulations interact with socioeconomic realities. Thus gender gaps in employment, income, unpaid work, old age security, poverty and wealth persist.

Despite international, European and national obligations and commitments to prohibit discrimination and to ensure substantive gender equality in all policy fields, gender issues in taxation are rarely considered.

Over the last decades, tax policies across the European Union have been influenced by economic rationales of optimal taxation and “taxing-for-growth”. This development resulted in multi-layered structural changes, which are not only relevant with regard to increasing inequalities in general, but also concern gender equality. For instance, given the persisting unequal distribution of pre-tax income and wealth between women and men, the decreasing progressivity of the tax system has a negative impact on gender equality, as progressive taxation mitigates after-tax inequality of income and wealth. Another issue is the impact of taxation on women’s labour market participation. Tax reforms have not been used extensively to encourage women’s employment in recent decades. In particular, there are tax provisions which create tax traps for secondary earners (predominantly women), but there is also a variety of other tax provisions which support the existing unequal distribution of paid and unpaid work or increase gender gaps in income, old age security poverty and wealth.

Aim

In this context the aim of the study is to evaluate how tax systems and tax policies at EU and Member State level contribute to – or hinder – gender equality. Particular reference is made to substantial gender gaps in employment rates and patterns, in the distribution of unpaid work as well as with regard to income, old age security, poverty and wealth.

The present study:

- provides an overview of gender aspects in taxation in relation to current trends of taxation in Member States, based on legal and economic perspectives;
- reviews considerations of gender aspects in tax policies at EU and Member State level;
- clarifies legal obligations and commitments to prohibit discrimination and to ensure substantive equality at EU and Member State level;
- presents the state of the art of research on gender-differentiated distributional and allocative effects of different tax categories, such as personal income taxes, consumption taxes, and the taxation of corporations and wealth;
- draws up recommendations to improve gender equality in taxation, addressing tax design, gender gaps in data and research, and institutional implementation of gender mainstreaming and gender budgeting at Union and Member State level.

1. INTRODUCTION

KEY FINDINGS

- Gender equality is a core issue for future sustainability-oriented policies at Member State and EU level.
- Tax laws and tax policies have both allocative and distributional impacts on gender equality which are still not taken into account adequately by policy-makers at Member State and EU level.

Gender equality is one of the fundamental values and objectives of the European Union. In its most recent commitment to implement the 2030 Sustainable Development Goals, the European Commission identified gender equality as one of the core issues for future sustainability-oriented policies. Active policies are considered necessary to better utilise female talent and to strengthen labour market participation of women, as a crucial precondition for improving their economic independence and to close the pay and pension gap (European Commission 2016a: 11). Any such ambition needs to be linked to the overall design of the tax system, especially with regard to the position of the secondary earner. However, the gender equality dimension of taxation cannot be reduced to allocative concerns about tax disincentives on the labour market participation of women. Socioeconomic inequalities between men and women bring a gendered dimension into the distributional and allocative impact of tax laws and tax policies.

Generalisations about the socioeconomic realities of men and women are, of course, difficult to make, since gender gaps and discrimination on grounds of sex correlate with other categories, such as age, ethnicity, migration background or disabilities. As presented in Chapter 2, there are, however, common traits in the economic differences between men and women which are relevant to taxation. In general terms, it can be safely stated that on average men earn more and are wealthier than women. Significant variables for differences in accumulating wealth are that women are less likely to have capital income, which is closely related to property rights, the underrepresentation of women as company owners or financial investors, and the way women establish entrepreneurship (Gunnarsson 2013). Another notable difference is that women tend to be clustered in lower income groups and have higher poverty rates than men. Moreover, paid and unpaid work is still distributed rather unequally between men and women.

These socioeconomic inequalities between men and women are deeply rooted in legal cultures and economic structures, in which the division of labour is a central part for fundamental objectives and norms in society. Traditionally, men's labour has been valued publicly in the market, while women's reproductive labour inside the private domain of the family or household has not been afforded any economic recognition. Transplanting this normative pattern has also shaped the gender segregation of men's and women's work in the labour market, and contributed to assigning a lower value to women's work once they enter that market (Gunnarsson 2003; Gunnarsson 2011). It seems to be a general assumption in society, partly justifying joint taxation, that unequal distribution and allocation of resources on the market is compensated by equal sharing in heterosexual couples. However, research has shown that it does matter which spouse/partner has access to and control of resources in the household (Phipps and Burton 1995). If tax policies continue to be based on a belief that households pool and share their funds equally, tax justice for women will be impossible to achieve.

If the aim is to achieve tax policies which promote gender equality at Member State and EU level it is important to consider not only the different socioeconomic realities women face and are situated in, but also to reflect on the comprehensiveness of the obligations European institutions and Member States have to follow in the field of gender equality commitments (Mumford 2010). In Chapter 3 an EU-level legal framework for the implementation and the obligations of tax policies concerning gender equality is explored. To date, neither the European institutions nor the Member States comply with this legal framework which is intended to ensure substantive equality in taxation. To close this implementation gap, political commitment at EU and Member State level is required. Moreover, targets and indicators to achieve substantive gender equality must be defined, and the implementation of gender analyses and compliance with gender equality objectives in taxation at Union and Member State level is necessary.

A progressive design is one obvious feature of tax systems aimed at mitigating pre-tax inequalities in income and wealth between men and women. However, Chapter 4 identifies the opposite tax policy trend, based on optimal taxation considerations and the “taxing-for-growth” rationale which has been underlying tax systems in all industrialised countries since the 1980’s. Overall progressivity of tax systems has decreased, income tax systems rely more heavily on labour income and taxes on wealth have lost in importance.

As shown in Chapter 5, the design of tax rate schemes is an essential part of the progressive profile of personal income taxation. For instance, dual income tax systems are not able to correct the unequal distribution of capital incomes between men and women, but rather accentuate it. However, progressivity is not only about tax rates. Joint tax provisions and tax expenditures eroding income tax bases influence decisions about paid and unpaid work and have an impact on the individual pre- and after-tax income of women and men. Overall, the long-term trends shaping the EU Member States’ tax systems imply a shift of the tax burden on personal income away from men towards women. The impact of taxation on the gender gaps concerning corporate wealth, personal wealth and property is an under-developed area of research and the first steps must be to promote and conduct research on gender aspects of taxation and ensure that appropriate gender-disaggregated data is available. This recommendation is also relevant for further in-depth investigations of the generally regressive profiles of consumption taxes which particularly analyse gender differences.

Overview of chapters

The purpose of this study is to provide - based on legal and economic perspectives - an overview of gender aspects in taxation in relation to current trends in taxation in the Member States as well as in relation to the obligations and commitments to prohibit discrimination and ensure substantive equality. The study provides recommendations to improve gender equality in taxation and it addresses tax design, gender gaps in data and research, and institutional implementation of gender mainstreaming and gender budgeting at Union and Member State level.

Following the introduction in Chapter 1, Chapter 2 gives an overview of gender gaps in socioeconomic realities across Member States that have been shown to influence the distributional and allocative gender impact of taxation. Chapter 3 critically reviews existing legal approaches and obligations with regard to gender equality in tax policies at EU and Member State level. Chapter 4 provides the background for the more detailed gender analysis of the most important tax categories by briefly describing long-term trends in taxation across Member States.

The remaining chapters present the state of the art of research on gender-disaggregated differentiated distributional and allocative effects of different tax categories. Chapter 5 addresses personal income taxation, where gender inequalities are most apparent, focusing

on the design of tax schedules, joint tax and benefit provisions, tax recognition of childcare cost, and tax expenditures. The subsequent chapters refer to tax categories rarely addressed from a gender perspective, due to a lack of awareness, data, and research. These chapters therefore offer only first and provisional considerations and results regarding possible gender-relevant effects of corporate taxes (Chapter 6), the taxation of property and wealth (Chapter 7), and consumption taxes (Chapter 8). The final Chapter 9 presents conclusions and recommendations.

2. SOCIOECONOMIC GENDER GAPS, RELEVANT FOR TAXATION

KEY FINDINGS

- Most Member States have abolished tax regulations that explicitly differentiate between men and women. Tax systems and fiscal policy decisions affect women and men differently because tax regulations interact with socioeconomic realities.
- Gender differences correlate especially with persisting substantial gender gaps in employment rates and patterns, in the distribution of unpaid work, as well as with regard to income, old age security, poverty, and wealth.

Most Member States have abolished tax regulations which explicitly differentiate between men and women (Bettio and Verashchagina 2009:5). However, formally gender neutral tax systems and tax policy decisions produce gender-differentiated outcomes, because the distributional and allocative impact of taxation is closely linked to socioeconomic realities which are characterised by persisting substantial gender gaps in employment rates and patterns, in the distribution of unpaid work, as well as with regard to income, poverty, and wealth.

2.1. Labour force participation and employment patterns

Over the last decades, most Member States have witnessed an increase in women's employment opportunities. Still, the labour force participation of women remains lower compared to men across all Member States. Female employment rates differ across Member States between 46% in Greece and 78% in Sweden. So do gender differences in male and female employment, which range between 3% and 20% (Eurostat 2017 for 2015). Sweden is the only Member State that reached the Europe 2020 target of 75% for female employment. Women are also significantly under-represented among the self-employed. Furthermore, the employment rate, based on head count, conceals differences in the quality and quantity of work. Full-time equivalent employment rates show that women are more likely to work part-time. The disproportionately high share of part-time work results in lower earnings and increases the risk of poverty, especially in marginal part-time work.¹ Single parents and women re-entering the labour market after maternity leave face a particular risk of being trapped in low paid part-time work with detrimental effects regarding professional qualification, long-term income opportunities, sufficient social security insurance, and pension levels (EIGE 2014:17-39).

2.2. Division of unpaid work

Unpaid work refers to housework, such as cleaning and cooking, but also to care responsibilities and voluntary work. While men perform more hours of paid work, women contribute considerably more to unpaid work across all Member States. The gender gap in unpaid work and share of overall hours of work differs extensively between countries. Women in Portugal and Italy spend almost 4 hours more on unpaid than men, and also work overall around 1.5 hours per day more. The share of overall hours spent on paid and unpaid work is nearly equal in Sweden, but women still spend almost an hour per day more on unpaid work.

¹ In 2012 women represented more than 68% of micro-job workers in the EU-28 (EIGE 2014: 23).

The gap in unpaid work is generally smaller in dual-earner couples compared to traditional breadwinner models, but unpaid work is still not shared equally if both partners work full-time (OECD 2017:172-3). The gender differences in unpaid (and paid) work are linked to traditional allocations and valuations of family and work responsibilities and the deeply entrenched division of production in private and public spheres. Time spent with unpaid work also depends on levels of income and public welfare provisions, such as institutional childcare systems, which decrease the costs of paid work. The loss of disposable income and cuts in social expenditures, in times of fiscal restraint, can therefore increase the differences in unpaid work, especially in countries where gender disparities in housework and care work are especially pronounced (see Bettio et al. 2013b: 107ff.).

2.3. Distribution of income

Across all Member States women earn on average 16% less than men. This is caused by a variety of factors, among which part-time work, the occupational segregation of the labour market, career interruptions, the allocation of unpaid work and discriminating remuneration systems (EIGE 2014: 20). The (unadjusted) gender pay gap, measured as the difference in gross hourly earnings between male and female employees, differs between 2% in Slovenia and 27% in Estonia. The difference is even larger for earnings from self-employment. The average gender gap in gross annual median earnings amounts to 45% compared to 30% for employees (ibid:45). Gender differences also exist for other types of income, such as capital income or income from rent and lease (e.g. Bach 2013; Eder 2016 for Germany and Austria).

2.4. Old age security

The socioeconomic inequalities experienced by women over the life course result in lower pension levels. The gender pension gap, comparing the average pensions between women and men, amounts to 39% on average across all Member States. It differs from 4% in Estonia to 44% in Germany and 47% in Luxembourg. The gender differences increase with age, but also depend on disabilities and migration background (EIGE 2016: 55-74). The level of pension benefits depends largely on the length of employment and the level of income. Minimum pensions or state grants supplementing periods of child or elderly care in state pension systems, compensate only partially for differences during the life course. Furthermore, many Member States rely on supplementary private or occupational pension schemes that tend to tighten the link between the level of contributions and benefits and the continuance of employment. Women are frequently underrepresented in supplementary pension schemes and the status quo raises concern that the increasing significance of the second and third pension pillars might exacerbate the already existing gender pension gap (Bettio et al. 2013a; Lannoo et al. 2014).

2.5. Risk of poverty

The Europe 2020 strategy aims to lift at least 20 million people out of the risk of poverty and exclusion.² However, in 2014 the number of people in poverty had increased compared to 2008. Women tend to be clustered in lower income groups and therefore face a higher risk of poverty compared to men in all Member States. The risk of poverty differs for men and women across age groups, but the gender gap in poverty is widest for older women who are widowed

² The Europe 2020 framework distinguishes between different dimensions of poverty and social inclusion: income poverty (risk of poverty), non-income poverty (severe material deprivation) and labour market-related poverty (low work intensity).

and living alone, even though poverty rates in general are highest in younger groups. Single parents and adults with more than three children are also exposed to a particular risk of poverty (EIGE 2016: 19-22).

2.6. Distribution of wealth

Wealth refers to different forms of assets, such as financial assets, owner occupied and other immovable property, (pension) entitlements, stocks or ownership in businesses. Gender differences in wealth are rarely examined, although wealth increases prestige, individual security and options for economic and political influence (Grabka et al. 2013; Iara 2015). Control over assets within a household provides individuals with greater access to resources and gives them a stronger negotiating position within the household. It determines in particular financial security during retirement (Grabka et al. 2013:2).

Most asset information is recorded at the household level (Grabka et al. 2013; Schneebaum et al. 2014 with further references). Still, comparisons between male and female-headed households provide evidence for a gender wealth gap in financial assets across the EU (Schneebaum et al. 2014). Additional studies for Germany support the findings, and also verify a gender wealth gap in couples (Grabka et al. 2013; Sierminska et al. 2010). On average women not only possess a smaller sum of financial assets, but they also hold less property, less business assets, less insurance entitlements (Grabka and Frick 2007: 671), less pension savings, and less stock options (Schäfer 2016 with further references).

3. GENDER EQUALITY IN TAXATION: IMPLEMENTATION AND LEGAL OBLIGATIONS

KEY FINDINGS

- Gender equality considerations in tax policy at the EU level focus almost exclusively on the tax burden for secondary earners and disincentives to women's labour force participation. There is also a lack of attention to gender aspects of taxation on the Member State level.
- European institutions and Member States are required to analyse, assess and, if necessary, revise tax policies concerning socioeconomic gender gaps, in line with European, national and international legal obligations and agreements to prohibit discrimination and ensure substantive gender equality.
- To date, neither the European institutions nor the Member States comply with their legal obligations or political commitments to prohibit discrimination and ensure substantive gender equality in regard to taxation.

3.1. Gender equality in tax policies at EU and Member State level

In the last few decades a remarkable set of regulations and laws aiming at the promotion of gender equality has emerged at the EU level. Equality provisions referring to taxation are mainly based on soft law, while hard law plays only a rather limited role.

The European Union has introduced several non-discrimination directives with regard to equal treatment in employment and occupation and in the supply of goods and services. Attempts of the European Commission to expand the scope of application to direct and indirect taxation and to introduce specific legislative measures to cover taxation have failed so far.³ The difficulties in introducing legislative measures in the realm of taxation at EU level are linked to the overall limited legislative competencies of the EU in the field of taxation. Taxation remains an essential component of Member States' sovereignty. To date, legislative activities of the Union entail several secondary law regulations, mostly concerning indirect taxation⁴, for which the Union has explicit competencies. Legislative measures addressing direct taxation remain exceptional.⁵ In addition, tax measures fall under the special legislative procedure, so that decisions lie almost exclusively with the Council and must be made unanimously by all Member States. The influence of stakeholders who might act as a motor to promote gender equality, in particular the European Parliament or social partners, is limited (Spangenberg 2017).

Gender equality considerations in soft law approaches to tax policy at the EU level almost exclusively focus on disincentives to work. The design of tax policies is an essential feature of the European Strategy for "smart, sustainable and inclusive" growth (Europe 2020),

³ The so called „Pink taxes“ or „Care taxes“ refer to the additional costs for products or services, specifically targeted at women or disabled people. Although these kind of costs increase the financial burden for consumption similar to consumption taxes, the costs are not taxes. However, the practice may violate the directive 2004/ 113/EC implementing the principle of equal treatment between men and women in the access to and supply of goods and services.

⁴ E.g. Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax (VAT) and several Directives referring to excise duties for alcohol, tobacco, and energy.

⁵ E.g. Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices and the proposal for a common consolidated corporate tax base (European Commission, COM (2016) 685, 25.10.2016).

implemented and monitored within the European Semester.⁶ Gender equality objectives and measures are largely absent from the essential documents of the European Semester (see Lyberaki et al. 2012). The “Strategic Engagement for Gender Equality (2016 – 2019)”, issued in 2015 by DG Justice, Consumer and Gender Equality, identifies key areas for gender equality, including equal economic independence, equal pay and gender mainstreaming, but this internal working document lacks binding provisions or requests for commitment at Member State level (Hubert and Stratigaki 2016:31). The European Pact for Gender Equality (2011-2020), adopted by the Council of the European Union in 2011, recommends to implement a gender perspective in the essential documents of the European Semester, but does not suggest any legal obligations. The main focus remains to ensure compliance with the Stability and Growth Pact and to promote economic growth (Klatzer/Schlager 2016:43; Leschke 2016). One of the few exceptions are targets, guidelines and priorities that refer to employment policies.⁷

As a result, gender equality in taxation is also reduced to the gender gap in employment and the inactivity or low income trap for secondary earners caused by joint tax provisions and tax exemptions for marginal employment (see, e.g., CSR 2016 for Belgium, Germany and Italy; European Commission 2016a). Apart from that, gender aspects are completely disregarded in priorities and recommendations relating to taxation in the European Semester. Recommendations concerning the gender gap in pensions focus on equalising the pensionable age between women, despite the increasing relevance of taxation for old age security (CSR 2016: Croatia, Austria, Romania). Childcare regulations are frequently addressed, but without any reference to taxation (CSR 2016, e.g. Ireland, Italy, Poland, Slovakia).

There is also a lack of attention to gender aspects of taxation at Member State level. Gender budgeting initiatives tend to focus on the expenditure side of the budget (Quinn 2016). Austria is one of the few countries where the government has defined specific goals for the tax system, such as promoting a more equal division of paid and unpaid work between women and men, enhancing the labour participation of women and reducing the gender pay gap (Schratzstaller 2014). A number of governments, including Spain, Finland, and Ireland have commissioned studies to look at the gender aspects of revenue policies (Quinn 2016:42; Gender Impact Commission of the Budget Andalusia 2012; Riihela and Viitamaki 2015; Keane et al. 2014), but they do not address gender aspects in taxation systematically.

3.2. Gender equality provisions in the field of taxation

As far as the EU is active in the field of taxation, it is bound by obligations to prohibit discrimination and ensure gender equality. The gender equality provisions also apply to the European governance mechanisms to coordinate Member States’ tax policies, such as the European Semester and the Europe 2020 strategy. If national tax policies are governed by European law Member States are required to comply with European obligations. National and international human rights treaties impose obligations that affect national tax policies.

3.2.1. Non-discrimination and substantive gender equality

Assessments of gender equality in taxation often distinguish between explicit and implicit gender bias (Stotsky 1996; Barnett and Grown 2004; Grown and Valodia 2010; Bettio and

⁶ European Commission, COM (2010) 2020, Brussels 3.3.2010, Europe 2020: A strategy for smart, sustainable and inclusive growth.

⁷ The target of a 75% employment rate in the Europe 2020 strategy applies to women and men. The guidelines for employment policies in the Member States for 2015 and the Employment report refer to the female participation in the labour market, work-family balance, equal pay, equal opportunities, and adequacy of pension systems for women and men.

Verashchagina 2009; Joshi 2016). Explicit forms refer to tax provisions that explicitly treat men and women differently. Implicit forms of gender bias describe tax regulations that are written in gender-neutral terms, but affect men and women differently, due to socioeconomic inequalities (Stotsky 1996: 2).

The distinction between explicit and implicit bias corresponds basically to the legal concept of direct and indirect discrimination, enshrined in European, national and international law. Direct (sex) discrimination is generally defined as less favourable treatment with an explicit distinction between different sexes. Indirect discrimination refers to apparently neutral provisions, criteria or practices which (might) result in a particular disadvantage for a person of one sex compared to a person of the other sex, due to existing socioeconomic differences.⁸

However, non-discrimination alone is not sufficient to ensure substantive gender equality aiming for equality in socioeconomic realities (Schiek 2014: Art. 23 CFREU [33]). The concept of indirect discrimination expresses more than just a demand on formal equality and gender neutrality in law and legal practises. Indirect discrimination is also a concept that targets gender-differentiated effects of apparently neutral regulations, caused by different socioeconomic realities. Consequently it is possible to use indirect discrimination as a transformative instrument, but the transformative impact is limited as indirect discrimination can only be applied to selected policy fields and the definition of comparable situations. Furthermore, disadvantages are acceptable if the regulation is justified by a legitimate aim, and if the means of achieving that aim are appropriate and necessary.⁹ Since governments have wide legislative discretion in terms of policy objectives and appropriate means, gender gaps often persist. The positive obligation to ensure gender equality accentuates the necessary change in socioeconomic realities. This requires identifying persisting gender gaps and implementing appropriate measures to overcome them. Achieving equality in outcomes might require positive measures, such as specific advantages for women (ibid).

3.2.2. Obligations at the European level

Both dimensions of gender equality are enshrined in European primary law. Art. 2 and 3 TEU acknowledge non-discrimination and equality between women and men as essential values and aims of the Union, together with the aim of establishing an internal market and sustainable development based on balanced economic growth. Art. 8 and 11 TFEU oblige European institutions to aim for gender equality and combat discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation. The Charter of Fundamental Rights (CFREU), incorporated into European primary law in 2009, also contains rights and principles that refer to the prohibition of direct and indirect discrimination (Art. 21 I CFREU) and equality between men and women (Art. 23 CFREU). The rights and principles stipulated in the CFREU are legally binding for all European institutions.

To date, legal obligations have not been successful in implementing a gender perspective in the government of tax policies at the European level, This is caused by a lack of will and knowledge, but also by the absence of mechanisms to enforce gender equality obligations (see, e.g., Hobson 2004; Hafner-Burton and Pollack 2009). However, a violation of the rights in the CFREU is individually enforceable or may constitute an infringement of the treaties, judicable at the European Court of Justice. Art. 23 CFREU, in particular, strengthens the concept of gender mainstreaming, initially introduced in 1997 and today anchored in Art. 8

⁸ Art. 2 of the Directive 2006/54/EC of the European Parliament and of the Council of 5 July 2006 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation (recast).

⁹ Ibid.

TFEU. The wording in the CFREU goes beyond the obligation in Art. 8 to aim for gender equality in all policy fields. It demands that equality between women and men be ensured. It is therefore not sufficient to integrate a gender perspective in selected areas and to formulate policies intended to strive for more equality. Instead, the wording stresses the relevance of changing socioeconomic outcomes and the actual reduction of gender inequalities in the Member States (Schiek 2014: Art. 23 [32-3]).

The Union has wide discretion in decisions about goals and measures to ensure gender equality. The scope of discretion is of course dependent on comprehensive gender impact analyses. Compliance with the obligation to ensure equality requires at least gender analysis of policy outcomes, enabling stakeholders to initiate appropriate measures. This translates into a procedural obligation to analyse, assess and, if necessary, revise policies with regard to impact on socioeconomic gender gaps (Mückenberger et al. 2007: 55; Lewalter 2015: 161; Spangenberg 2017).

3.2.3. European provisions concerning Member States' tax policies

The principle of gender mainstreaming in Art. 8 TFEU applies to the European institutions only. The rights stipulated in the CFREU are however directly relevant for Member States when „implementing Union law" (Art. 51 CFREU). This includes the implementation of tax directives in the Member States, but may also apply to national tax policies governed by European law, such as national VAT regulations (Kokott/Dobratz 2015: 25). The principle of equal pay in Art. 157 TFEU contains another individually enforceable right. So far, the taxation of wages or pensions is not considered an element of pay, because the definition of pay is limited to employer related remunerations (CJEU Vergani, C-207/03 [2005], para 23). On the other hand, discrimination on the grounds of nationality regarding remuneration in the context of freedom of movement (Art. 45 (1) TEU) includes at least tax advantages. The CJEU held that the principle of equal treatment concerning remuneration would be rendered ineffective if it could be undermined by discriminatory national provisions on income tax (CJEU Sopora, C-512/13 [2015], para 22). The same can be argued for the equal pay principle in Art. 157, as an employee's net income is considerably influenced by the tax levied on it (Opinion of Advocate General Kokott, C-122/15 [2016], para 37).

Furthermore, Member States' tax policies are bound to comply with Directive 2006/54/EC on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment. Taxation is not explicitly included in the scope of application. However, the CJEU opted in several cases concerning discrimination on the grounds of age and sex for an interpretation to the effect that working conditions, including conditions governing dismissal and access to vocational training, include taxation of the respective activity (e.g. Vergani, C-207/03 [2005], para 25 -29; de Lange, C-548/15, [2016] para 20). Thus, personal income tax regulations which implicitly disadvantage women regarding access to and conditions of employment or employer-provided pensions may violate Art. 14 or 5 of the directive (Spangenberg 2017).

3.2.4. Human rights provisions concerning Member States' tax policies

Several Member States have introduced national gender equality obligations applying to taxation, for instance Germany. The prohibition of discrimination on grounds of sex and the promotion of gender equality is anchored in the constitution, which is binding for all state actions, including taxation (Spangenberg 2013).

But even Members States without national obligations are bound by gender equality provisions in human rights treaties (e.g. Elson 2006; Lahey and de Villota 2013). The Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), signed and ratified by all

Member States, is of particular relevance to women's rights. Although the Convention does not explicitly mention taxation, the obligation to prohibit discrimination against women and to ensure substantive equalities applies to all government policies, thus including taxation (Elson 2006).¹⁰

There are several provisions relevant to tax policies. For instance, CEDAW assigns rights to women as individuals. Neither marriage nor family relations allow for any kind of discrimination. States are therefore required to analyse the impact of taxation on individuals and not only at household level. Moreover, women's rights to employment and economic independence demands that tax-related disincentives to women's access to employment should be eliminated. Practices based on hierarchies or stereotyped roles for men and women have to be abolished. The design of tax policies should therefore promote the equal sharing of paid and unpaid work between men and women and not violate the prohibition of discrimination in the field of employment and other areas of economic and social life (Elson 2006: 75-76).¹¹ Only recently, the CEDAW committee expressed concern about Switzerland's financial secrecy policies and rules on corporate reporting and taxation, because these regulations have the potential to diminish the ability of other states to mobilise the maximum available resources, necessary for the fulfilment of women's rights. The committee recommended independent, participatory and periodic impact assessments of the extraterritorial effects on women's rights and substantive equality, to be conducted in an impartial manner with public disclosure of the methodology and findings (CEDAW/C/CHE/CO/4-5 (2016), para 40 c).

The Beijing Platform for Action, which substantiates objectives and measures necessary to achieve substantive gender equality, also emphasises the need to analyse tax policies from a gender perspective (e.g. with respect to their impact on poverty and inequality) and to adjust them, as appropriate, to promote a more equitable distribution of productive assets, wealth, opportunities, income and services (Strategic objective A. 1., No. 58b). Furthermore, the relevance of gender analyses is highlighted with regard to national income tax, inheritance tax and social security systems, as well as with regard to the development of economic and social policies (Strategic objective F. 1. No. 165 f and p).

3.2.5. Political agreements

In addition, there are political agreements that add another layer to the gender equality framework of taxation. The Sustainable Development Goals adopted by the UN at the end of 2015 (UN 2015a) apply to all policy fields and define specific outcomes which are also relevant for taxation. The goal for gender equality is comprised of nine specific targets. For instance, ending all forms of (direct and indirect) discrimination against women, recognising and valuing unpaid care and domestic work, and ensuring women's full and effective participation at all levels of decision-making. Gender is also mainstreamed into other goals, such as ending poverty, promoting sustained, inclusive and sustainable economic growth, promoting full and productive employment and decent work for all, and reducing inequalities within and between countries. The Addis Ababa Action Agenda underlines the relevance of domestic public resources, including the tax system, as means to achieve the SDGs (UN 2015b: 7-9).

¹⁰ Elson (2006: 76ff.) applies the CEDAW principles to evaluate direct and indirect taxation in the light of explicit and implicit biases in tax rules, the burden and incidence of taxes, behavioural incentives or responses and the distributional impact of tax on income inequalities.

¹¹ In the case of Germany, the CEDAW committee has for instance repeatedly recommended to assess the current legal provisions on the taxation of married couples ("splitting") and its impact on the perpetuation of stereotypical expectations for married women (e.g. CEDAW/C/DEU/5 (2003), para 28; CEDAW/C/DEU/CO/7-8 (2017), para 35).

The EU has committed itself at an early stage to integrate the SDGs in the European policy framework and the Commission's priorities (European Commission 2016b). However, the integration of gender goals in tax policies does not go beyond the existing focus on disincentives to women's labour force participation (European Commission 2016c). Member States also lack a comprehensive implementation that includes gender equality in tax policies.

4. GENERAL TAXATION TRENDS IN EU MEMBER STATES

KEY FINDINGS

- Over the last decades, tax policies in the European Union have been influenced by economic rationales of optimal taxation and “taxing for growth”. Despite the recent shift towards distributional issues, caused by increasing income and wealth inequalities, gender aspects are completely neglected in fundamental tax policy assessments.
- Taxes based on labour constitute almost half of overall tax revenues and the overall progressivity of taxes on labour has fallen. The share of wealth-based taxes remains limited, increases are mainly driven by real estate taxation. The share of taxes on capital has even declined since 2002, caused by rather moderate flat rates in most Member States. In contrast, value added tax, with its overall regressive impact, has gained in importance.
- Overall, the structural changes have weakened the redistributive power of tax systems. High tax burdens on labour incomes (especially in low and middle income groups) and on consumption, as well as the decreasing taxation of capital income and high incomes in general, imply a shift of the tax burden away from men towards women.

This Chapter aims to provide a general picture of longer-term taxation trends in the EU in a very brief overview, as a background for the more detailed analysis of the gender-differentiated allocative and distributional effects of individual tax categories provided in the following chapters.

4.1. Rationales and objectives in tax policies

Since the beginning of the 1980s, tax policy in the EU has been increasingly influenced by the optimal taxation theory¹², following a worldwide trend which has caused considerable shifts in tax structures. Very generally speaking, the optimal taxation theory is focused on the neutrality of taxation as the overarching guiding principle of taxation. Accordingly, taxation should distort otherwise efficient market processes and outcomes as little as possible and excess burdens of taxation should be avoided. In this respect, a trade-off between efficiency and equity is postulated, implying the necessity to limit the use of taxes as a distributional tool, so as to avoid distortions of economic decisions such as decisions on individual labour supply, savings, or investment. The lessons for policy-makers derived from optimal taxation theory can be summarised as follows: (1) restrict the progressivity of labour taxation; (2) tax capital moderately or not at all; and, (3) apply uniform tax rates on the consumption of goods and services. While there is no active role for taxes as an instrument of distributional policy, there is a role for corrective taxes when they are aimed at discouraging undesirable activities, in particular pollution and the consumption of unhealthy goods (tobacco, alcohol, unhealthy foods and drinks).

Complementary to the optimal taxation theory, a “taxing-for-growth” rationale has emerged. Empirical work conducted by researchers close to the OECD and the IMF (Arnold et al. 2011; Acosta-Ormaechea and Yoo 2012) suggests a “tax-and-growth hierarchy”, according to which certain taxes on immobile tax bases, such as property and domestic consumption, are more growth-friendly than labour, capital, and corporate taxes. In the light of the weak growth rates

¹² A review of the principles and policy implications of optimal taxation theory is provided by Mankiw et al. (2009).

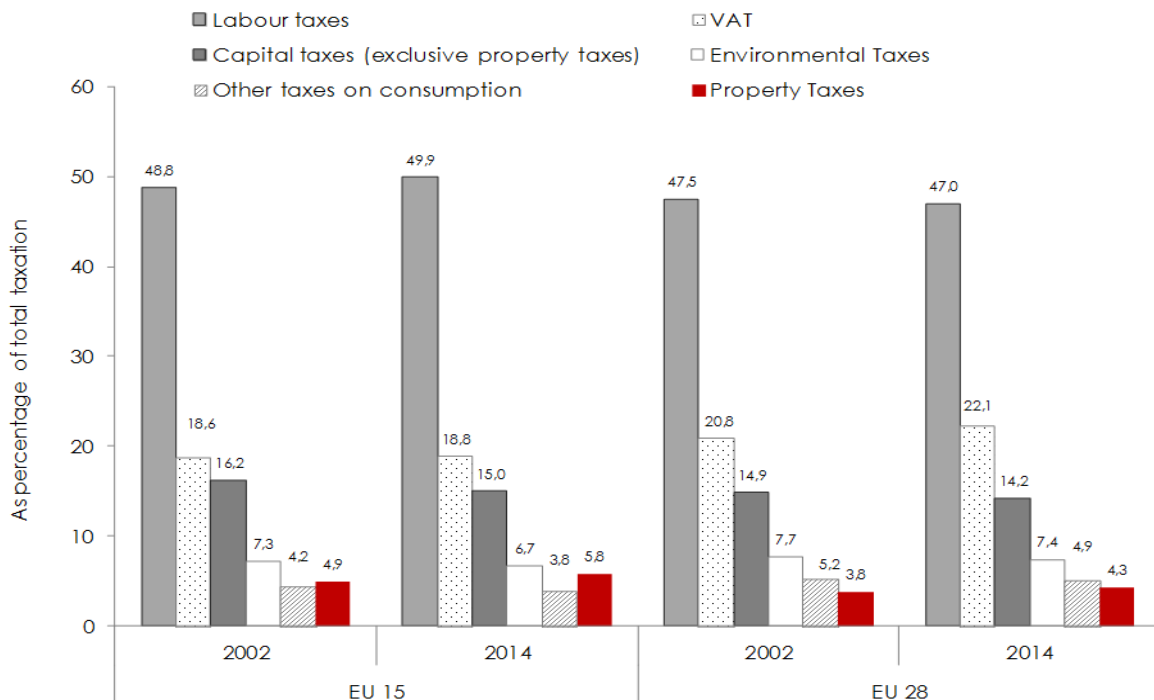
in the aftermath of the recent financial and economic crisis, this tax-and-growth hierarchy has become rather influential as a general guideline, in particular for tax policy recommendations given by supranational institutions. For instance in the European Commission's assessments and recommendations provided in the European Semester (see, e.g., European Commission 2013), but also in its other proposals and initiatives in the realm of tax policy. Within the framework of the optimal taxation theory and taxing-for-growth, gender aspects have only been addressed – if at all – with regard to tax provisions impairing women's incentives to work, which may be harmful for overall efficiency and growth.

Only recently, against the background of increasing income and wealth inequality, academic interest as well as policy-makers' attention towards distributional issues and problems has revived. The IMF (2013) and the OECD (Förster et al. 2014) have recently pointed out a general international trend of decreasing progressivity of tax systems. In its last few assessments of Member States' tax systems within the European Semester (see, e.g., European Commission 2015a; 2016a) also the European Commission has given some attention to distributional aspects of taxation. Although wealth is generally more unequally distributed than income (OECD 2015a), tax policy considerations within the Europe 2020 strategy tend to focus on recurrent taxes on immovable property, because they are least detrimental to growth. The redistributive potential of tax systems as a means to reduce inequalities tends to focus on progressive income taxation and benefits. In these assessments gender aspects are completely neglected (European Commission 2016a).

4.2. Longer-term taxation trends

Longer-term taxation trends in the EU Member States reflect the focus on optimal taxation and taxing-for-growth and the policy implications they suggest.

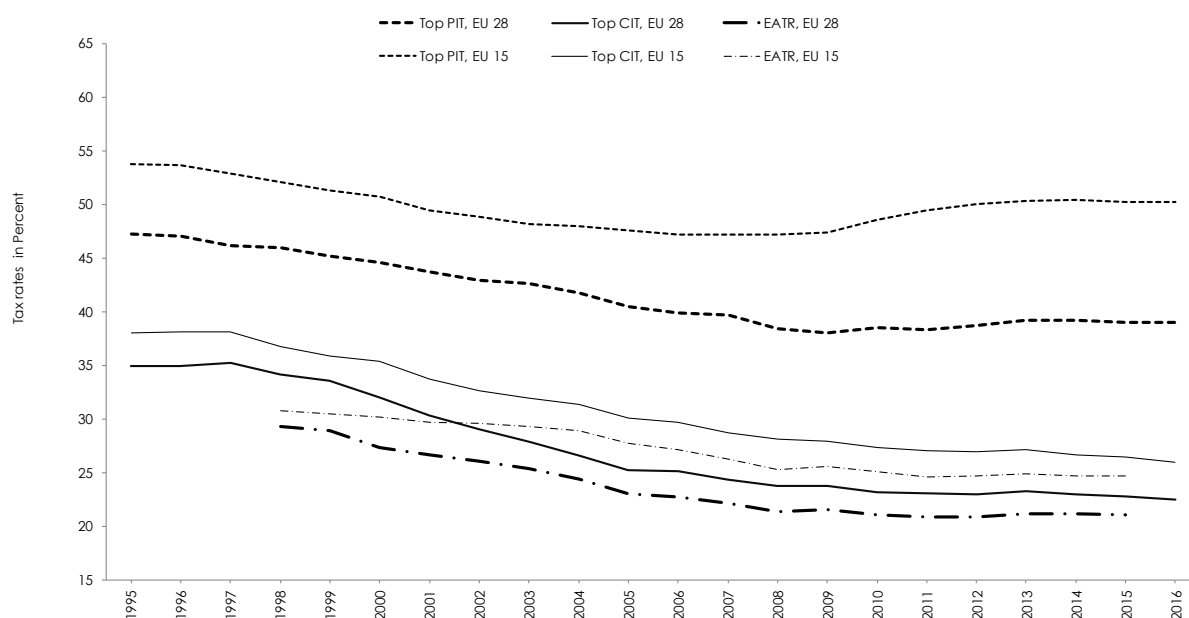
Figure 1: Taxation structure in the EU, 2002 and 2014



Source: European Commission (2016d), own calculations.

Figure 1 shows the taxation structure (i.e. the shares of individual tax categories in overall tax revenues) for the average of the EU15 and the EU28, respectively, for the years 2002 and 2014 in comparison (see Schratzenstaller et al. 2016 for the following). A distinction is made between labour taxes (personal income tax and social security contributions on labour income), capital taxes (taxes on capital income and corporate income tax revenues), value added tax, other taxes on consumption, environmental taxes, and property taxes (in particular inheritance tax, real estate tax, net wealth tax, taxes on financial and real estate transactions). One first remarkable feature of the tax structure in the EU is that taxes on labour, which comprise the personal income tax and social security contributions as well as other taxes and charges based on labour incomes, constitute almost half of overall tax revenues of the EU Member States. This share has remained more or less constant on average in the EU compared to the beginning of the 2000s. At the same time overall progressivity of taxes on labour incomes has fallen. As a general trend top marginal income tax rates applied to high income groups have decreased, while social security contributions (which burden labour incomes proportionally or even indirectly regressively) have increased in importance. All over the EU top income tax rates have been lowered step by step. Between 1995 and 2016 average top income tax rates dropped by about 4 percentage points (8 percentage points) to 50 percent (39 percent) in the EU15 (EU28) (figure 2).

Figure 2: Personal and corporate income tax rates in the EU, 1995 to 2016



Source: European Commission (2016), own calculations. – EATR: Effective Average Tax Rate.

Firstly, the lower EU28 average (compared to the EU15) is caused by the introduction of flat tax regimes in several Member States, among other reasons. Since the mid-1990's seven out of the 28 Member States (all of them "new" Member States) have replaced directly progressive income tax schedules with flat income taxes with relatively low uniform income tax rates. At the same time, all EU Member States with progressive income tax schedules have to some degree dualised their personal income tax systems (Schratzstaller 2004). All or at least some kinds of capital incomes (interest and dividend incomes, capital gains) are taxed at source at rather moderate and proportional rates (table 1). These are considerably lower than top income tax rates applied on labour and other (e.g. pension) incomes. This separation of

income tax systems has been implemented most comprehensively in the Nordic countries, almost all of which have introduced dual income tax systems privileging capital incomes at moderate flat rates and subjecting labour and other (mainly transfer) incomes to progressive tax schedules. The concepts of flat, dual and global income tax systems will be described in the next chapter.

Table 1: Personal income tax rates on different types of income in the EU

	Top Personal Income Tax Rates					Interest				Dividends (exclusive Corporate Income Tax)				Capital gains upon disposal of shares			
	1998	2008	2014	2016	1998-2014	1998	2008	2014	1998-2014	1998	2008	2014	1998-2014	1998	2008	2014	1998-2014
Belgium	60.6	53.7	53.8	53.7	-6.8	15.0	15.0	15.0	0.0	25.0	25.0	25.0	0.0	0.0	0.0	0.0	0.0
Denmark	61.4	62.3	55.6	55.8	-5.8	59.0	59.0	42.0	-17.0	40.0	45.0	42.0	2.0	40.0	45.0	42.0	2.0
Germany	55.9	47.5	47.5	47.5	-8.4	55.9	47.5	26.4	-29.5	55.9	23.7	26.38	-29.5	0.0	0.0	26.38	26.4
Finland	57.8	50.1	51.5	51.6	-6.3	28.0	28.0	32.0	4.0	28.0	19.6	27.20	-0.8	28.0	28.0	32.0	4.0
France	59.0	45.4	50.3	50.2	-8.7	25.0	29.0	62.0	37.0	61.3	29.0	43.40	-17.9	25.0	29.0	43.40	18.4
Greece	45.0	40.0	46.0	48.0	1.0	15.0	10.0	19.0	4.0	22.5	0.0	14.00	-8.5	20.0	20.0	19.0	-1.0
Ireland	46.0	41.0	48.0	48.0	2.0	26.0	20.0	41.0	15.0	46.0	41.0	51.00	5.0	26.0	20.0	43.00	17.0
Italy	46.0	44.9	47.8	48.8	1.8	12.5	12.5	26.0	13.5	12.5	12.5	26.00	13.5	12.50	12.50	26.00	13.5
Luxembourg	47.2	39.0	43.6	43.6	-3.6	47.2	10.0	10.0	-37.2	23.6	19.5	21.80	-1.8	0.0	0.0	0.0	0.0
Netherlands	60.0	52.0	52.0	52.0	-8.0	60.0	0.0	0.0	-60.0	60.0	0.0	0.00	-60.0	0.0	0.0	0.0	0.0
Austria	50.0	50.0	50.0	50.0	0.0	25.0	25.0	25.0	0.0	25.0	25.0	25.0	0.0	0.0	0.0	25.0	25.0
Portugal	40.0	42.0	56.5	56.5	16.5	20.0	20.0	28.0	8.0	25.0	20.0	27.4	2.4	0.0	0.0	28.0	28.0
Spain	56.0	43.0	52.0	45.0	-4.0	47.6	18.0	27.0	-20.6	47.6	18.0	27.0	-20.6	30.0	18.00	27.00	-3.0
Sweden	56.7	56.4	56.9	57.1	0.2	30.0	30.0	30.0	0.0	30.0	30.0	30.0	0.0	30.0	30.0	30.0	0.0
United Kingdom	40.0	40.0	45.0	45.0	5.0	40.0	40.0	45.0	5.0	40.0	32.5	37.5	-2.5	35.60	18.00	28.00	-7.6
EU15	52.1	47.1	50.4	50.2	-1.7	33.7	24.3	28.6	-5.2	36.2	22.7	28.2	-7.9	16.47	14.70	24.65	8.2
Bulgaria	40.0	10.0	10.0	10.0	-30.0	0.0	0.0	8.0	8.0	15.0	5.0	5.0	-10.0	40.0	10.00	10.00	-30.0
Estonia	26.0	21.0	21.0	20.0	-5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	26.00	21.00	21.00	-5.0
Croatia	41.3	53.1	47.2	47.2	5.9	0.0	0.0	0.0	0.0	0.0	0.0	14.2	14.2	0.0	0.0	0.0	0.0
Latvia	25.0	25.0	24.0	23.0	-1.0	0.0	0.0	10.0	10.0	0.0	0.0	10.0	10.0	0.0	0.0	15.00	15.0
Lithuania	33.0	24.0	15.0	15.0	-18.0	0.0	0.0	0.0	0.0	0.0	15.0	15.0	15.0	0.0	0.0	15.00	15.0
Malta	35.0	35.0	35.0	35.0	0.0	15.0	15.0	35.0	20.0	35.0	35.0	35.0	0.0	35.00	35.00	35.00	0.0
Poland	40.0	40.0	32.0	32.0	-8.0	20.0	19.0	19.0	-1.0	20.0	19.0	19.0	-1.0	40.00	19.00	19.00	-21.0
Romania	48.0	16.0	16.0	16.0	-32.0	1.0	16.0	16.0	15.0	10.0	16.0	16.0	6.0	0.0	16.00	16.00	16.0
Slovak Republic	42.0	19.0	25.0	25.0	-17.0	15.0	19.0	19.0	4.0	15.0	0.0	0.0	-15.0	54.60	19.00	25.00	-29.6
Slovenia	50.0	41.0	50.0	50.0	0.0	0.0	20.0	25.0	25.0	30.0	20.0	25.0	-5.0	0.0	0.0	0.0	0.0
Czech Republic	40.0	15.0	15.0	15.0	-25.0	15.0	15.0	15.0	0.0	25.0	15.0	15.0	-10.0	0.0	0.0	0.0	0.0
Hungary	44.0	40.0	16.0	15.0	-28.0	42.0	20.0	0.0	-42.0	20.0	25.0	16.0	-4.0	42.00	25.00	0.00	-42.0
Cyprus	40.0	30.0	35.0	35.0	-5.0	43.0	10.0	30.0	-13.0	23.0	15.0	17.0	-6.0	0.0	0.0	0.0	0.0
EU 13 ("new countries")	38.8	28.4	26.2	26.0	-12.5	11.6	10.3	13.6	2.0	14.8	12.7	14.4	-0.4	18.3	11.2	12.0	-6.3
EU 28	45.9	38.4	39.2	39.0	-6.7	23.5	17.8	21.6	-1.8	26.3	18.1	21.8	-4.4	17.3	13.1	18.8	1.5

Sources: European Commission (2016), ZEW (2015); own calculations.

Secondly, the share of wealth-based taxes in overall tax revenues has increased since 2002. However, this increase was mainly driven by real estate taxation (property tax and real estate transfer tax). There is a marked shift in wealth-related taxes from inheritance and net wealth taxes, which tend to focus on wealthy or very wealthy individuals/households, towards transaction taxes (particularly on immovable property) and towards taxes on immovable property, which affect a much larger part of wealth holders and wealth holdings, capturing also lower/middle wealth groups. Overall, the contribution of wealth-based taxes to overall tax revenues has remained rather limited, reaching 5.8 percent of overall tax revenues in the EU15 and 4.3 percent in the EU28.

Thirdly, the share of taxes on capital has shown a declining trend since 2002¹³ as a consequence, inter alia, of the general tendency described above of no longer applying the regular personal income tax schedule to capital incomes, but rather taxing them at relatively moderate flat rates observable in many Member States. The subdued development of taxes on capital incomes is also related to the significant downward trend of corporate income tax rates. Nominal corporate income tax rates were driven down by tax competition (see Hochgatterer and Leibrecht 2012) from 38% (35%) in the EU15 (EU28) to 25.9% (22.5%) between 1995 and 2016, and effective average corporate tax rates fell by 6 (8) percentage points from about 31% (29%) to about 25% (21%) between 1998 and 2015. Moreover, profit shifting leads to considerable losses in corporate tax revenues. According to a recent study conducted for the European Parliament (Dover et al. 2015) corporate income tax losses through profit shifting in the EU reach about € 50 billion to € 70 billion per year.

¹³ See also Iara 2015; Schjelderup 2015.

Fourthly, the value added tax with its overall regressive impact, following an international trend,¹⁴ has gained in importance, reaching a share of about one fifth of overall tax revenues on average. The majority of the EU Member States have increased their standard value added tax rates since 2009 as part of fiscal consolidation measures. Moreover, very recently a considerable number of Member States have increased reduced value added tax rates (OECD 2016). Together with other specific consumption taxes (e.g. on fuel, alcohol and tobacco consumption), which mostly also exert regressive effects, taxation of consumption overall contributes about one fourth to overall tax revenues in the EU.

Finally, corrective taxes, such as environmental taxes and "sin taxes" on unhealthy goods (in particular tobacco and alcohol), have become less important. They make up a rather limited and decreasing share of overall tax revenues. The share of environmental taxes decreased to 6.7% (7.4%) in the EU15 (EU28), and the share of other taxes on consumption (among them sin taxes on alcohol and tobacco) declined to 3.8% (4.9%) in the EU15 (EU28). The financial sector is still under-taxed (see Cannas et al. 2014), even though taxes on the financial sector would not only contribute to (perceived) fairness of taxation (IMF 2010), but can also be seen as useful tax tools to correct imperfections of financial markets (Schulmeister et al. 2008; Solilová et al. 2016).

Overall, these structural changes have several implications. First of all, the redistributive power of tax systems has weakened due to the decreasing progressivity of personal income and wealth-related taxes, the decreasing tax rates on capital and corporate income, and the increasing weight of consumption taxes in general and value added tax in particular. Thus, developments in the EU correspond to the international trend of decreasing progressivity of tax systems and the long-term decrease of taxes on capital income and wealth. Piketty, Saez and Stantcheva (2011) even suggest that the trend to reduce the tax burden particularly for high incomes and wealth during the last decades may have contributed to the long-term increase in income inequality observable in many countries.

Moreover, these structural changes imply a shift of the tax burden away from men towards women. Due to the unequal distribution of wealth between men and women, the relatively small share of females among top income earners, women's above-average consumption ratios, the comparatively high share of labour income, and the small share of capital income in women's total income, these long-term trends in Member States' tax policy overall tend to disadvantage women. In particular, the high and increasing tax burden on labour incomes (especially in the low and middle income groups) and on consumption, together with the decreasing taxation of capital income (high incomes in general) and wealth, has been shifting the tax burden towards women (Schatzenstaller et al. 2016; Schratzenstaller and Dellinger 2017). The long-term taxation trends described above may also have gender-differentiated incentive effects and impact on the distribution of paid and unpaid work between men and women. This will be examined more closely in the next chapters.

¹⁴ See for the OECD countries OECD 2016a.

5. PERSONAL INCOME TAXATION

KEY FINDINGS

- Gender aspects of taxation are most apparent in personal income taxation. The basic design of income tax schedules and social security contributions affects the distributional and allocative impact in regard to the disposable after tax income and incentive to work. For instance, dual income tax systems are not able to correct the unequal distribution of capital incomes between men and women, but rather accentuate it. Flat income systems with rather high uniform tax rates may impair work incentives for women as secondary earners.
- The disproportionately high tax burden for secondary earners in most Member States remains one of the main disincentives to women's labour market participation, often caused by joint tax and benefit provisions and the costs of childcare. Despite the trend to individual taxation, almost all national tax systems contain numerous joint provisions that influence decisions about paid and unpaid work but also impact on the individual after tax income of women and men.
- While tax expenditures are increasingly discussed with respect to foregone revenue and a lack of effective impact, benefits and effects for women and men are largely ignored, even though their impact crucially depends on socioeconomic realities. Scarce research indicates that tax expenditures are often less beneficial for women, adding to the shift of the tax burden towards women.

The taxation of personal incomes includes personal income taxes and social security contributions. Personal income taxes capture all kinds of personal income regardless of their sources, in particular income from dependent work and self-employment, profits made by non-incorporated firms, capital incomes (interest and dividend incomes, capital gains), and in some countries also transfer incomes (e.g. pension payments). Social security contributions are paid by employees on incomes from dependent work, sometimes also on incomes from self-employment.

5.1. Design of tax schedules and social security contributions

As mentioned above in Chapter 4, the system of global income taxation, i.e. applying a directly progressive income tax schedule to all types of income earned worldwide, has been increasingly losing ground in the industrialised world during the past three decades.

It has been replaced by the so-called Nordic dual income tax model, as it was first introduced in some of the Nordic countries (Sørensen 1994). The dual income tax system applies separate tax schedules to the individual income sources, taxing capital incomes at relatively moderate flat tax rates, while subjecting other incomes, in particular labour incomes from dependent work and self-employment, to partly progressive income tax schedules. Also, almost all other Member States have dualised their income tax systems by introducing rather moderate uniform tax rates for all or at least some types of capital income. This dualisation of income tax systems weakens the redistributive power of income taxation in general. From a gender perspective, dual income tax systems are not able to correct the unequal distribution of capital incomes between men and women, but rather accentuate it. At the same time, the direct progressive tax schedules applied to labour incomes in many countries foresee basic income tax rates at substantial levels, thus impairing work incentives particularly for women. In four Member States which are taxing labour incomes progressively the basic income tax rate ranges

between 21% and 25%. Three Member States apply basic income tax rates between 26% and 30%, and in another three Member States basic income tax rates exceed 30% (Bundesministerium der Finanzen 2016). In combination with social security contributions, which are substantial even for low incomes in many Member States, labour taxation thus imposes a considerable burden on low incomes, and it can be assumed that the high basic income tax rates discourage women and particularly second earners from extending low-paid jobs beyond the tax-free basic allowance.

A third income tax model has developed in a number of former socialist European countries, beginning in the mid-1990s in the Baltic States. In these countries the global income tax system was replaced by flat tax systems taxing all kinds of income at relatively low and uniform tax rates (Keen et al. 2006; Nicodème 2007; Evans and Aligica 2008). These flat rates range from 10% in Bulgaria to 15% in the Czech Republic, Hungary and Lithuania, 16% in Romania, 20% in Estonia, 23% in Latvia, and 25% in the Slovak Republic (Eurostat 2016). By granting personal basic allowances, flat income tax systems also have an indirect progressive distributional effect which, however, remains rather limited in comparison to directly progressive income tax system schedules. The gender implications of flat taxes – as those of dualised income tax systems – most interestingly have hardly received any attention in the public finance literature. Two – from a gender perspective ambivalent – features of flat income tax systems are remarkable. First, with regard to the distributional effects of income taxation, the ability of a flat income tax system to mitigate the unequal distribution of market incomes between men and women is very limited. Secondly, the influence of a flat income tax system on work incentives crucially depends on the level of the uniform tax rate it applies. At the low tax rates levied in most flat tax countries (between 10% and 16%), the impact of personal income taxation on participation decisions and the number of hours worked is limited. However, it must also be considered that flat tax systems by design foreclose the option to tax lower incomes at reduced basic tax rates. Thus regular uniform tax rates at levels above 20% (as in Estonia and Latvia) can be expected to impair work incentives for secondary earners.

Social security contributions, in particular in those countries having a Bismarckian tradition of financing social security mainly by contributions based on labour incomes, are relevant from a gender perspective first of all due to their distributional impact. Generally they are levied at flat rates, starting at very low income levels, and therefore impose a substantial tax burden on low incomes already. Thus they contribute significantly to the high tax burden for female workers in general as well as for secondary earners. This can be observed in a number of countries in particular. As social security contributions kick in at low income levels already in many Member States, they act as a barrier towards the extension of hours worked. In those countries where there is an upper limit above which additional incomes are contribution-free, social security contributions have an overall indirectly regressive effect as they benefit men, who are over-represented in the upper income groups, disproportionately. In general, social security contributions weaken or even neutralise the redistributive impact of progressive taxation.

5.2. Joint tax and benefit provisions and the secondary earner trap

5.2.1. Joint tax provisions in national tax systems

Joint tax provisions in family-based income tax systems belong to the tax provisions with the most immediate and obvious gender implications, both concerning allocative and distributional outcomes. They are sex-neutral but they really touch upon the intersections between gender, tax policy and the law. As joint tax provisions are household-based, and only recognise the labour income and not the in-kind income from the household production, they create many

examples of economic gender inequality (Mumford 2010; Young 1997). The joint tax unit, where traditionally the family or the spouses have constituted the tax unit, has had a strong justification in the equity principle of ability-to-pay and has supported the breadwinner family model by joint filing, allowing income splitting of the household income and the transferability of own income allowances, basic deductions, and loss reliefs between the spouses (Gunnarsson 2013). This type of joint provision was initially only applied to married couples, but has been extended to include other forms of partnership. This legal frame is representative of how law in general has been used to capture and control women's productive work and contribution to wealth accumulation within the domestic sphere. It has had a crucial distributional impact and marginalises women to become passive and dependant citizens in relation to the public economy (Lahey 2011).

The number of countries applying a conventional joint taxation model in its pure sense is decreasing. Since the mid-1980s there has been a general tendency in industrial countries to replace joint, family-based income tax systems. Individual-based income tax systems have also been supported by the European Commission for some time now. However, the move to the individual taxpayer as the filing unit is often combined with family-based tax reliefs and social benefits. Tax allowances and credits, such as child tax credits or a working tax credit, are often based on the family income to target families in need in order to improve tax fairness. The tax credits or allowances are also often transferrable to the spouse or partner if unutilised. This normally is the case when the other partner is not working (Bettio and Verashchagina 2009, 2013; Thomas and O'Reilly 2016).

According to a recent survey by Meulders (2016), five of the 28 EU Member States (Germany, Luxembourg, Portugal, Ireland and France) apply a joint taxation model as general standard, using the household as the tax unit. Four Member States (Spain, Estonia, Malta and Poland) have a voluntary system, leaving it to the spouses/couples to choose the joint or individual tax unit regime. However, there are many exemptions and deviations from pure individual taxation. Of the 19 Member States applying an individual tax unit, ten allow spouses to use tax advantages of various kinds, such as tax exemptions for dependent children, marriage allowances, and tax credits granted for sole earner couples. Sweden, Finland, Denmark, Greece, Bulgaria, Cyprus, Hungary, Lithuania and Croatia are not applying these types of regulations that are beneficial for families with one breadwinner. Of these nine countries Denmark, Hungary and Lithuania grant transferable tax allowances, which also function as a joint element in taxation. Meulders (2016) concludes that in the EU 28 only Sweden and Finland have a strictly individualised income tax system.

5.2.2. Inactivity and low income trap for secondary earners

All these joint measures create both disincentives for labour market participation and the extension of the number of hours worked for secondary earners. Very generally, secondary earners are those partners in married or cohabiting couples who are employed and earn less than their partners. In the EU Member States the majority of working women in couples are secondary earners, earning on average about one third of a couple's joint income (Rastrigina and Verashchagina 2015). In-work benefits and other social transfers based on the family unit and household income also contribute to the tax wedge on secondary earners. When certain transfer payments or tax reliefs are contingent on the intra-household distribution of paid work or on household income, so that tax rates for secondary earners entering into or extending employment are higher than for single individuals, a tax system contains a secondary earner bias (Bettio and Verashchagina 2013). Usually this bias affects women or mothers living in relationships whose labour supply is relatively elastic compared to men's and single women's. A large number of analyses show that work incentives for women are impaired by joint taxation (Jaumotte 2003; Bettio and Verashchagina, 2013; Bach et al. 2011; Kábatek et al. 2014). In the latest issue of their yearly publication "Taxing Wages" the OECD also examined the

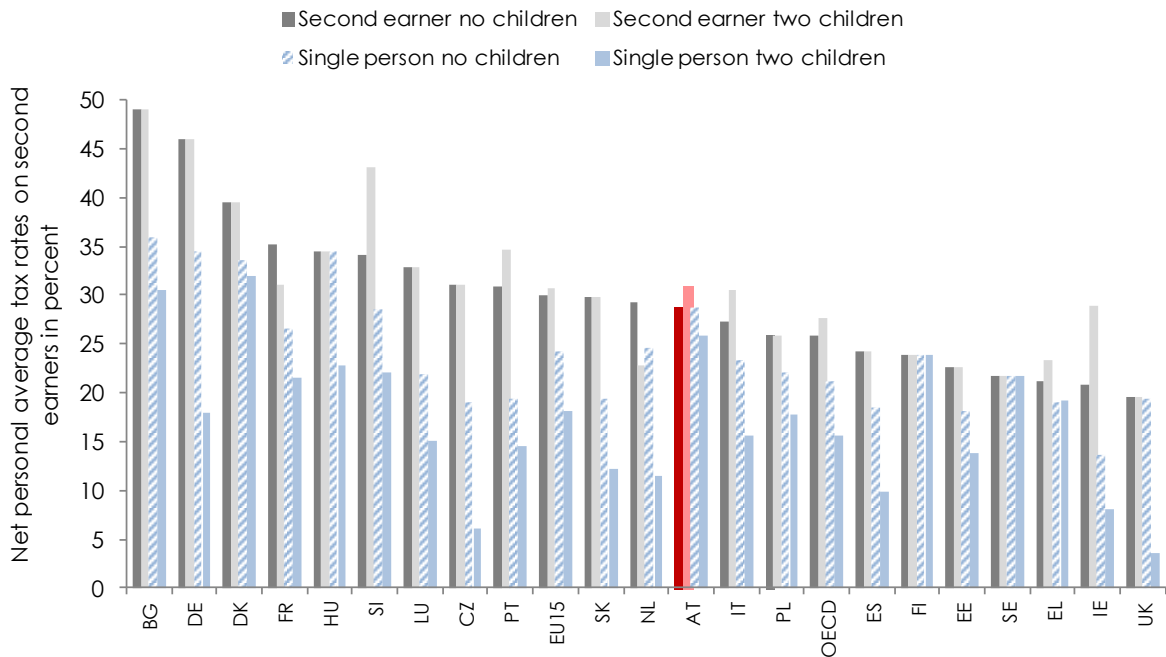
combined impact of the tax and in-work benefit systems, including tax and benefit provisions targeted at children. The OECD analysis shows that some of the European countries have very high tax wedges for the family-type of one-earner families with two children, with France and Belgium having the highest tax wedge of all OECD countries (OECD 2016:12).

In income tax systems applying a progressive tax schedule, individual taxation reduces the total income tax liability of a household with two working partners with identical labour incomes compared to a sole or secondary earner household with identical overall income. To avoid this effect in individual-based income tax systems, which is often perceived as discriminatory for sole or secondary earner households, many countries have introduced tax credits for sole earners or other provisions to alleviate the tax burden for sole and secondary earner households. Hereby the implicit assumption is that only the partner supplying paid work and thus labour income contributes to maintaining the household, while unpaid work provided by the other partner is neglected. This is the consequence of the fact that existing tax systems cover market incomes and market transactions only, while household production remains untaxed. Thus it is also neglected that double earner households that cannot provide childcare themselves in the form of unpaid work must make use of external childcare, which may incur substantial costs (Bettio and Verashchagina 2013; Rastrigina and Verashchagina, 2013).

Microsimulations, based on empirically estimated labour supply elasticities of men and women, shows negative work incentives for secondary earners caused by joint income taxation. Many of these microsimulation studies relate to Germany, which belongs to the small group of countries adhering to an income splitting system. One example is the microsimulation study by Smith et al. (2003) for West Germany, United Kingdom, Denmark and Ireland. According to this study the participation rate of married women would be considerably reduced by joint taxation in comparison to individual taxation. Simulations done by Stromand Wagenhals (1991), Gustafsson (1992) and Dearing et al. (2007) showed that replacing the income splitting system by individual taxation would markedly increase female employment. As male participation rates are assumed as given in these models, they are not influenced by replacing the system of household taxation by another one.

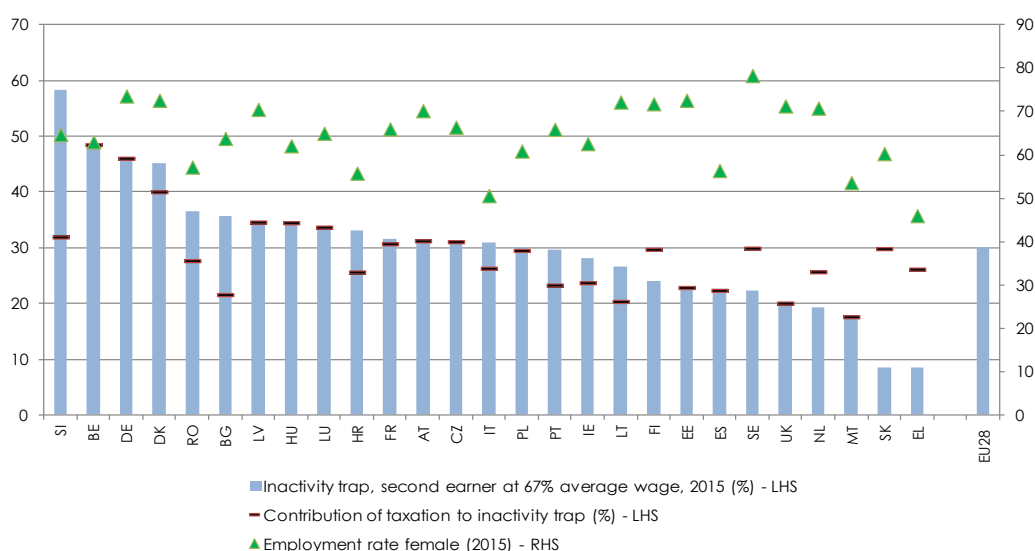
More recent microsimulation models are based on a model of household utility in which the partners' labour supply decisions are not made independently of each other. Steiner and Wrohlich (2004), for example, found that the introduction of individual taxation in Germany would increase female labour supply, while male labour supply would be reduced, albeit to a smaller extent (as confirmed by the simulations by Bach et al. 2011). Thus paid work would be redistributed within the household. However, due to the differing labour supply elasticities of men and women, the resulting redistribution of paid work would be asymmetric.

Figure 3 shows that the average tax rates (ATR) for secondary earners with two children reached 31% on average for the EU15 and 28% for all OECD countries. Hereby it is assumed that the primary earner earns 100% and the secondary earner 67% of an average wage. The ATR are calculated for childless couples and for couples with two children and include personal income tax and employees' social security contributions. For the average of the EU15 as well as for the OECD countries, ATR for secondary earners are high in general. Most remarkable, they are higher for secondary earners in couples with children compared to childless couples.

Figure 3: Personal average tax rates for secondary earners and singles 2014*Primary earner 100%, secondary earner/single person 67% of average wage*

Source: OECD (2016), own calculations. Average tax rate including income tax and employees' social security contributions.

The European Commission (2016) calculates the so-called inactivity trap and the low wage trap for secondary earners under the assumption that the primary earner receives an average gross wage. These inactivity traps can be interpreted as implicit tax rates on the return to the labour market of inactive persons and reflect the share of the earned gross wage which is taxed away at the take-up of employment, in the form of direct taxes (wage tax and social security contributions) and in the form of withdrawn transfer payments (in particular means-tested social assistance). Thus they measure the financial incentives to take up employment out of inactivity. On average, the inactivity trap amounts to about 40% for the EU and is to a considerable extent caused by tax provisions. The low-wage trap is defined as the rate at which taxes are increased and benefits withdrawn as earnings rise due to an increase in work productivity. Similar to the inactivity trap, taxation plays a very significant role in determining the level of the low wage trap in most Member States.

Figure 4: Inactivity trap for secondary earners in the EU Member States, 2015

Source: European Commission 2016/ Eurostat and European Commission tax and benefits indicator database based on OECD data.¹⁵

Eliminating tax related disincentives to female employment and incentives for the unequal intra-household distribution of paid and unpaid work, respectively, remains one of the most important objectives in taxation. To date, tax reforms have not been used enough to encourage women's employment (Rastrigina and Verashchagina 2015). Without increased efforts to eliminate tax and benefit related inactivity and low income traps for secondary earners, at both EU level and Member State level, gender equality will not be achieved.

Sweden successfully replaced a joint taxation model with individual taxation in 1971 with positive effects on female employment. However, when analysing the Swedish transformation to a pure individual tax system it is important to consider that the first step towards individualisation was launched in the context of a major Swedish tax reform with an extensive redistributive profile. It was also accompanied by family policy reforms to level out the transfer costs that occurred when mother's in-kind contribution to childcare support by unpaid domestic care work were replaced by the introduction of public day care and general services for children's welfare (Gunnarsson 2016; Gunnarsson and Eriksson 2017).

5.3. Childcare provisions

Female employment and intra-household distribution of work are also influenced by childcare costs, which can be seen as an indirect tax on female employment (OECD 2011; Mahringer and Zulehner 2015) and reinforce incentives for longer periods of interrupting employment in the first years of children's lives. An unpaid work bias results if the tax and transfer system does not account for the fact that a double earner household must buy external childcare on

¹⁵ Note: The trap data is for a second earner at 67% of the average wage in a two-earner family with two children; the principal earner earns the average wage (AW). 'Contribution of taxation' refers to the contribution made by taxation to the inactivity trap (other contributors being, e.g. withdrawn unemployment benefits, social assistance and housing benefits). The age range used is 20-64 years. The employment rate for women is used as proxy for second earners. It is recognised that these are not necessarily the same. The employment rate of women is not measured in full-time equivalents and therefore overestimates the extent of women's employment in many Member States. Recent inactivity trap data for CY is not available.

the market (as well as other goods and services which could be produced in the household), while these childcare services could be produced by an “inactive” partner doing unpaid work in a sole earner household (Bettio and Verashchagina, 2013). This unpaid work bias again is strengthened by tax breaks supporting the unequal division of paid work within a couple household (see section 5.2).

Table 2 shows out-of-pocket childcare costs for double earner households with two children (2 and 3 years old) at different earning levels for 2012. Measured in percent of gross and net family income, out-of-pocket childcare costs are considerable in the EU on average for all income levels and income constellations.

Table 2: Out-of-pocket childcare costs for a couple family, 2012

Double earner family at average income level of	In percent of	EU 15	EU OECD	OECD total
67% and 50%	Gross family income	12.6	13.0	13.4
	Net family income	12.3	12.3	12.8
100% and 67%	Gross family income	16.8	15.4	17.1
	Net family income	12.7	11.3	12.6
100% and 100%	Gross family income	17.7	16.0	18.2
	Net family income	11.7	10.3	11.6

Source: OECD (2015b). Data without Italy and Cyprus. Note: Full-time care at a typical childcare centre; two children (2 and 3 years old).

Table 3 contains childcare participation rates for transitions from labour-market inactivity to a full-time low-wage job for 2012, again differentiating between various household types. These childcare participation rates reflect the effective tax burden upon taking up employment by a secondary earner from inactivity. While the participation tax rates already reach considerable levels when personal income tax, social security contributions, and family-related transfers only are taken into account, they increase further to a marked extent by childcare costs.

Table 3: Childcare participation tax rates for transitions from labour-market inactivity to a full-time low-wage job, 2012

Double earner family at average income level of	Effective tax burden					
	including childcare costs			excluding childcare costs		
	EU 15	EU OECD	OECD total	EU 15	EU OECD	OECD total
50% and 50%	66.3	65.1	65.0	44.0	40.5	40.4
67% and 50%	61.1	61.0	62.3	35.9	35.1	35.4
100% and 67%	56.3	55.2	57.0	31.3	32.3	31.5

Source: OECD (2015b). Data without Italy. Two children (2 and 3 years old).

Tax exemptions for childcare costs reduce the costs of taking up employment as well as the costs of extending hours worked by secondary earners and thus support in particular employment by mothers. For example, Bonin et al. (2013) show that the German tax deduction for work related childcare costs slightly increases labour supply by mothers and fathers. The distributional impact of tax breaks for childcare costs, as well as their effectiveness, depends on the concrete design.¹⁶ Tax allowances (i.e. making childcare costs deductible from taxable income) generally have a regressive effect if a directly progressive income tax schedule is applied, i.e. their worth increases with income. Tax credits, which reduce the initial tax liability, have a progressive effect, i.e. in relation to income they benefit lower incomes over-proportionately. Both instruments, however, do not reach low income groups whose taxable income is below the basic allowance or who do not have any tax liability in the first place. Thus tax allowances for childcare costs, as granted in Germany or Austria, for example, do not provide any relief for low income groups.

That neither tax allowances nor tax credits provide any relief for low income groups is a particular problem for lone parents with relatively low taxable incomes, who often have to take on the lion's share of childcare. In couple households these tax breaks are more effective if they can be allocated without any limitations between the partners. In this case they also benefit secondary earners whose own income may be small, but who have a higher paid income. With regard to an equal intra-household distribution of paid work, tax credits are preferable to tax allowances; the latter provide an indirect incentive in directly progressive tax regimes where a given household income is earned by a primary or sole earner to maximize the household's tax savings. Tax credits avoid this undesirable effect on intra-household distribution of paid work. If they are made refundable they reduce childcare costs also for low income groups.

¹⁶ See for a general analysis of the redistributive consequences of tax allowances versus tax credits Avram (2014) and chapter 5.4.

5.4. Tax expenditures

5.4.1. Basic design and current considerations for reform

Tax expenditures refer to fiscal measures that deviate from what would otherwise be the standard tax treatment of personal income.¹⁷ They are widely used in personal income taxation, but also in corporate and consumption taxes. Tax expenditures reduce the tax base or the tax liability to create fiscal incentives for specific economic, social or environmental purposes. The provisions can take various forms, such as tax exemptions, allowances, deductions reducing the tax base, credits reducing the tax liability but also lower tax rates for income from certain sources.

The main tax expenditure items in the Member States' personal income tax systems include deductions related to work, pensions, housing, social security contributions, childcare and dependent family members. As instruments for promoting specific policies they are closely related to direct spending programmes (European Commission 2013).

Tax expenditures are increasingly being discussed in the context of fiscal consolidation, because they can significantly reduce the amount of the potential tax revenue. For instance, tax credits in the personal income taxation of the Czech Republic cost more than the entire revenue collected via the personal income tax system. Likewise, foregone revenue due to (personal income) tax allowances or tax credits exceeds 10% of total tax revenues in Denmark, Germany and Spain (Avram 2014: 41). It also seems that existing tax expenditures are often ineffective, either because they do not induce the behavioural effects they are aiming for, or because they do not deliver the redistributive effects they are supposed to achieve (e.g. Landais 2014).

5.4.2. Gender aspects of tax expenditures

The effects of gender differences are largely ignored in the purpose and design of tax expenditures, even though their impact crucially depends on socioeconomic realities, such as the level and type of income, employment patterns, or the share of unpaid work, which have been shown to differ between women and men. A comprehensive analysis of the gender impact of tax expenditures is complex, because distributional and allocative outcomes depend on the purpose of the specific measure and the design, including the qualifying conditions and the respective tax unit.

Existing research, based on gender-disaggregated data, indicates that women and men claim tax expenditures differently and women frequently benefit less. The differences are related to the purpose and the design of tax expenditures, which correspond more to regular socioeconomic realities of men. For instance, beneficiary tax provisions related to employment, such as tax exemptions for wage supplements or overtime hours, expenses for commuting or trips abroad, are more often used by male employees than by female employees, because the deductions correspond more to male employment patterns and labour market structures (Eder 2016: 15). Research from Germany indicates that tax privileged wage supplements or employer provided pension plans that allow for tax exempt contributions tend to be more common in male dominated branches and companies. One of the reasons is the higher coverage of collective agreements in male dominated branches (Spangenberg 2011, 2013). Gender-disaggregated data for tax credits in Andalusia shows similar results. The unequal

¹⁷ Clear distinctions between tax expenditures and the standard tax treatment are often difficult to make, because the understanding of the standard tax treatment depends on definitions and valuations, that are often controversial and may differ from country to country.

distribution is caused by employment patterns and access to housing,¹⁸ but is also linked to joint tax returns in partnerships, which tend to be filed by men (Gender Impact Commission of the Budget Andalusia 2012: 80ff.). Regular exceptions are tax reliefs for single parents, which more often benefit women (e.g., *ibid.*: 84).

Certain tax expenditures provide larger financial benefits for taxpayers with higher incomes (Lahey 2015a: 446). Tax allowances often reduce the tax base and in combination with a directly progressive tax schedule their worth increases with taxable incomes (e.g. Avram 2014: 43; Eder 2016: 15). Some Member States use tax credits, which reduce the tax liability and produce the same value of benefits for taxpayers at all income levels. But tax credits hardly benefit taxpayers with no incomes or too little income to take full advantage of them (Lahey 2015a: 446). Even payable (non-wastable) tax credits, which exist in some Member States (European Commission 2016d: 49) only reach those affected by the formal tax system. The amount of deductible expenses may add to the distributional implications linked to income differences (Spangenberg 2013). Given the employment and income differences between men and women, it is likely that overall women benefit less from tax expenditures (e.g. Eder 2016: 15 for Austria; Lahey 2015a: 446 for Canada).

The purpose and the design of tax expenditures may also distort the allocative gender impact of tax expenditures. For instance, tax privileges for overtime hours or single-earner tax credits not only tend to increase the after-tax income of male employees, but also create disincentives for a more equal distribution of paid and unpaid work (Schratzstaller 2015: 235). In contrast, (payable) tax credits or deductions for work related childcare expenses can offset some of the costs of buying substitutes for unpaid domestic work and thus remove obstacles for a more equal distribution of paid and unpaid work (*ibid.*; see chapter 5.3).

Another example is individual (or joint) tax allowances, tax deductions and tax credits for supplementary pensions as well as concessions for capital based pension insurance systems, intended to create incentives to invest in supplementary old age security. In Germany women often lack access to this kind of tax provision, because employer provided pension plans are less common in female dominated employment sectors and small firms. In addition, men tend to deduct higher expenses, caused by higher amounts of disposable income. The design of tax expenditures may therefore contribute to an increase in existing gender gaps in pensions (Spangenberg 2011; 2013).

Some of the most common tax expenditures are in-work benefits in the form of tax allowances, tax credits, cuts in social-security contributions or benefits for low income earners (OECD 2010). In-work benefits are generally conditional on employment and reduce the amount of taxes or social security contributions to increase the net income and/or create incentives for paid work. However, in-work benefits which are based on household income may increase the employment rate of single parents, but neglect the specific circumstances of secondary earners and can therefore create disincentives to take up or increase hours of work (Blundell et al. 2016 for the UK). Disincentives can also occur when the benefit is phased out, trapping women in part-time or even marginal part-time employment. In contrast, carefully designed (refundable) tax credits for secondary earners and single parents which are based on individual income may create incentives to expand hours of work up to a living wage able to guarantee women independent financial security (De Luca et al. 2012 for Italy; de Boer et al. 2014 for the Netherlands).

¹⁸ The tax credit for young entrepreneurs benefits almost exclusively male tax payers (94%). The gap has been compensated with a specific tax credit for female entrepreneurs (Gender Impact Commission of the Budget Andalusia 2012: 83).

6. CORPORATE TAXES

KEY FINDINGS

- Corporate taxation is often assumed to have no gender impact, as corporations are legal entities without a specific gender. To date, no comprehensive analytical framework to examine gender implications of corporate taxation exists, but gender-differentiated effects are most likely to result from gender gaps in corporate wealth and labour market structures.
- A first step to analyse the gender impact of corporate taxation is to obtain sufficient gender disaggregated data, e.g. with regard to the owners of businesses, shareholders, and employees.

6.1. Basic design and current considerations for reform

Corporate taxes are direct taxes imposed on the income or capital of companies and similar legal entities. The taxation of businesses resembles the taxation of individuals, although rules for corporate taxation differ widely across Member States.

Reform proposals for corporate taxation made by the European Commission within the evaluation of Member States' tax systems in the European Semester often focus on investment barriers caused by the complexity of tax systems, the design of tax incentives and the tax rates applied to companies which are generally considered to be detrimental to growth. Other recommendations address tax related distortions across business sectors and biases in the tax treatment of investments financed by debt or equity (European Commission 2016a; CSR 2016). Gender aspects of corporate income taxation are neglected in all relevant documents prepared by the EU Commission – be it the tax system evaluations within the European Semester or the numerous studies and policy documents related to the envisaged coordination in the realm of corporate taxation (see, e.g., the discussion about a common (consolidated) corporate tax base or the Action Plan for fair and efficient corporate taxation in the European Union).

6.2. Gender aspects of corporate taxation

Corporate taxation is often assumed to have no gender impact, as corporations are legal entities without a specific gender and only taxes on individuals are considered to have an impact on gender equality. This perspective ignores gender differences in ownership of businesses and shares, different business profiles regarding investors, employees, and consumers, and the distributional consequences of the overall tax structure (e.g., WBG 2016; Hodgson and Sadiq 2016). To date, no comprehensive analytical framework to examine gender implications of corporate taxation exists; there are only very few analyses of partial aspects to be found in the literature. One factor causing this research gap is the lack of data. A first step to analyse the gender impact of corporate taxation is sufficient gender-disaggregated data with regard to the owners of businesses, shareholders, and employees. Gender impact assessments for tax incentives may also require gender-disaggregated data concerning the size, the year of formation, or the legal status of a company (WBG 2016: 16).

One of the few examples of a gender-differentiated analysis of corporate taxes within Europe is the analysis of the distributional impact of changes in corporate taxation, provided by the Women's Budget Group in the UK. This analysis suggest that differences in corporate wealth

and labour market structures result in gender-differentiated effects of corporate taxes (for a similar analysis in Canada, see Lahey 2015b: 63-70).

Firstly, it can be assumed that the direct benefit women derive from an increase in after-tax corporate profits resulting from corporate tax reductions is smaller compared to men, as women are considerably under-represented in the group of business owners or corporate shareholders. The reductions of personal income tax rates on capital income observable in all Member States (see chapter 5.1) have been accompanied by considerable reductions of corporate income tax rates in all Member States, significantly lowering the overall tax burden on capital income, from which men presumably benefited disproportionately. Moreover, due to the relatively low proportion of women in corporate boards (in April 2016 women accounted for 23.3% of board members of the largest publicly listed companies registered in the EU countries) and among senior managers, women benefit less from additional bonuses allowed by corporate tax cuts (WBG 2011).

Secondly, the tax base or tax liability is often reduced by tax expenditures intended to promote particular activities undertaken by businesses, such as investment in research and development (R&D), or aimed at supporting particular groups of firms, such as small and medium-sized enterprises (SMEs) (Mourre 2014: 14; Bond 2014: 35). These kinds of tax incentives take numerous forms, such as higher tax allowances for certain costs incurred by businesses, lower tax rates for business income from certain sources, or for certain types of business. 25 Member States, for instance, are currently using fiscal incentives to encourage investment in research and development (European Commission 2016a: 21). Studies evaluating these kinds of incentives completely neglect gender implications (see, e.g., CPB Netherlands 2014). However, tax incentives granted to firms and business owners, respectively, may exert gender-differentiated effects, if participation rates of women in the particular subgroup of firms differ from those of men. Examples are tax incentives granted to early stage entrepreneurs, among which women tend to be under-represented. Also firm size and profitability play a role; tax allowances do not benefit firms which are too small to pay tax. Data for the UK, for example, show that, on average, businesses owned by women are smaller compared to those in male ownership. Therefore tax incentives may widen existing gaps between male and female new venture and business creation (WBG 2011).

Thirdly, (changes in) corporate taxation may have an indirect effect on individuals through a potential impact on employees. One of the most disputed issues in tax theory is the question of who bears the burden of corporate income taxation (see, e.g., Clausing 2012). However, recently mounting empirical evidence suggests that a substantial part of the corporate tax burden is borne by employees in the form of reduced wages (see Fuest et al. 2015). The gender impact in this context depends on the shares of male and female employees, which may differ with the size of companies and the industry sector, due to the occupational segregation of the labour market.

A fourth, more indirect, channel by which corporate taxation impacts on gender relations is corporate tax competition. Various empirical studies corroborate the hypothesis that company tax competition is one determinant of the above-mentioned shift of the tax burden to less mobile tax bases, in particular to labour incomes and consumption.¹⁹ As elaborated earlier, this tax shift is harmful for employment and growth and has undesirable distributional effects, also from a gender perspective. A serious accompaniment of international/European company tax competition is profit shifting by multinational enterprises to minimize corporate tax payments and exploiting nominal tax rate differentials or making use of special tax regimes including "treaty shopping". According to recent empirical studies profit shifting is indeed

¹⁹ See e.g. Schwarz (2007) and Winner (2005); for a review of recent literature, see Genschel and Schwarz (2012) also European Commission (2015c) for a brief overview of potential negative welfare effects of tax competition.

taking place on a large scale. For example, within its BEPS (base erosion and profit shifting) project the OECD estimates that profit shifting by multinational enterprises causes corporate income tax revenue losses of 4% to 10% world-wide. Again, corporate tax losses need to be compensated by increases of taxes on less mobile tax bases, which tend to burden women disproportionately.

7. TAXATION OF PROPERTY AND WEALTH

KEY FINDINGS

- Taxes on property and wealth remain low across the European Union. Options for reform tend to focus on recurrent and transactional taxes on real estate and the income taxation of housing.
- Aside from sparse research on income taxation of property and tax expenditures for housing, comprehensive empirical research about the distributional and allocative gender impact is lacking.

7.1. Basic design and current considerations for reform

Property taxes refer to taxation based on different forms of wealth. Property taxes include taxes on immovable property (real estate, such as land, building and other structures, including related rights, interests, and benefits) and other property-related taxes, such as taxes on net wealth, inheritance, gifts and other property items, and on financial and capital transactions, including transactions of real estate (European Commission 2016d: 307).

Reform options for taxes on wealth and property tend to focus on recurrent and transactional taxes on real estate. Recurrent taxes on immovable property have been found to be among the taxes least detrimental to growth. In contrast, transactional taxes are frequently considered as hindrances to market activities in property sales and purchases. Since recurrent property taxes remain low in most Member States, changes in land and real estate taxation are often suggested as a possibility to increase tax revenues particularly within fiscally neutral tax shifts aiming at reducing the high tax burden on labour (European Commission 2016a: 38; European Commission 2015a: 41).

The design of taxes on real estate, which exist in almost all Member States, differs widely between Member States with respect to taxed items, the definition and valuation of the tax base for each item, the structure of rates, and the presence of tax expenditures. The low level of real estate taxation observable in most Member States is often caused by out-of-date property values of land or buildings and low tax rates. Property taxes on real estate are closely linked to the taxation of income from housing, which often reduces overall tax revenues due to tax reliefs and exemptions, especially for owner-occupied housing. Except for the Netherlands and Luxembourg, imputed rent generally is not taxed²⁰ and homeowners often benefit from tax relief on mortgage interest payments in the form of tax credits or tax deductions. Many countries also reduce or defer the tax on capital gains made on the sale of the primary residence or exempt such transactions entirely from capital gains tax (European Commission 2015a: 41-44). Policy recommendations at the European level therefore concentrate on increasing recurrent taxes on immovable property and adjusting the taxation of housing (CSR 2016; European Commission 2016a: 39).

Other wealth related taxes are not addressed, although the taxation of inheritance and net wealth is not only considered growth friendly, but might reduce inequalities as a precondition to improve equality of opportunity. Inheritance taxes are levied in 20 out of the 28 Member States, but are increasingly eroded by tax exemptions and privileges granted for inheritances within the family and for transfers of business property. A net wealth tax has become an

²⁰ Imputed rent is the rental income implicitly accruing to homeowners.

exception in the EU, with France and Spain being the only Member States still levying a net wealth tax (Krenek and Schratzenstaller 2017).

7.2. Gender aspects of taxes on wealth and property

Gender differences in property taxes and property related taxes are becoming more important in the literature on gender and taxation, but require more systematic research (e.g., Grown 2010).

So far, gender analyses mostly refer to developing countries in which the taxation of household income earned from jointly-owned assets such as property and land sometimes gives rise to gender bias caused by the attribution of income to men (Valodia 2010: 310; Stotsky 1996). Some countries, e.g. India, even introduced a higher tax exemption threshold explicitly for women in order to provide incentives for increasing female property ownership (Chakraborty 2010: 103).

Scarce data on tax credits for persons who receive housing benefits or investments in usual residence in Andalusia suggests that tax expenditures related to property tend to benefit men, although the tax credits in Andalusia are intended to support low income groups (see Gender Impact Commission Andalusia 2012: 82).²¹ However, aside from sparse research on income taxation of property and tax expenditures for housing, there is no comprehensive empirical research into the distributional and allocative gender impact of property and property-related taxation across the Member States.

The increase of taxes on wealth, e.g. recurrent property taxes and net-wealth, can be expected to yield additional revenues, thus increasing the budgetary space for a reduction of the tax burden for low-income groups. Such a tax shift would have progressive distributional effects and – since women tend to own less wealth – would reduce the gender gap in wealth.²² Nonetheless, the specific gender implications depend on the type of tax, the design of the tax base, tax rates, allowances and exemptions as well as country-specific circumstances. The country-specific prevalence of owner-occupied housing in different income groups, for instance, crucially influences the (re)distributional impact of recurrent property taxes. An increase in residential real estate taxation could also result in a shift of the tax burden to the tenants, increasing the rent and thus limiting access to affordable housing for low-income groups, often including women. High rates of transactional property taxes may prevent women from purchasing or leasing premises (WBG 2016).

Gender analysis in regard to the taxation of property requires considerations about the way in which taxation impacts on property and wealth that men and women own. Transactional property taxes or property taxes on holdings may, for instance, discourage the transfer of real estate to another party and thus maintain the current gender imbalance in property holdings (Hodgson and Sadiq 2016). However, gender impact assessments in regard to the taxation of property and wealth depend on domestic laws regarding taxation, but also on property laws and (in common law systems) trusts (Garcia and Oats 2012; Scott-Hunt and Lim 2001).

The allocative impact for intra-household transfers is, for instance, influenced by common or civil law property laws. In many countries marriage creates some form of communal property (e.g. Belgium, France, Luxembourg, Italy). Property acquired after marriage (except e.g. gifts and inheritance) becomes joint property. In other European jurisdictions, the property remains separate during the marriage with deferred community of property (e.g. Sweden, Denmark)

²¹ The differences are presumably also linked to joint tax returns, which are often filed by men.

²² The taxation of inheritance might be more balanced between men and women (see Gender Budgeting Commission Andalusia 2012: 85-6), but comprehensive data are missing.

or certain compensation payments (e.g. Austria, Germany) upon divorce. In some Member States marriage does not change property rights (Scherpe 2016:149-165). (Dis)incentives to transfer property between spouses are also linked to the tax treatment of property transfers between close relatives and the allocation of income from property. Systems with joint tax provisions, where income from property is divided equally for tax purposes without requiring an equal share in legal ownership, do not support equal sharing of property.²³ In contrast, individual taxation of property can create incentives to transfer property within the household. Such a re-allocation of ownership may contribute to more intra-household equality, but might also be used as a strategy to avoid taxation (Hodgson and Sadiq 2016).

²³ The small gender gap in income from rent and lease of property in Germany also suggests tax planning mechanisms (Bach 2013).

8. CONSUMPTION TAXES

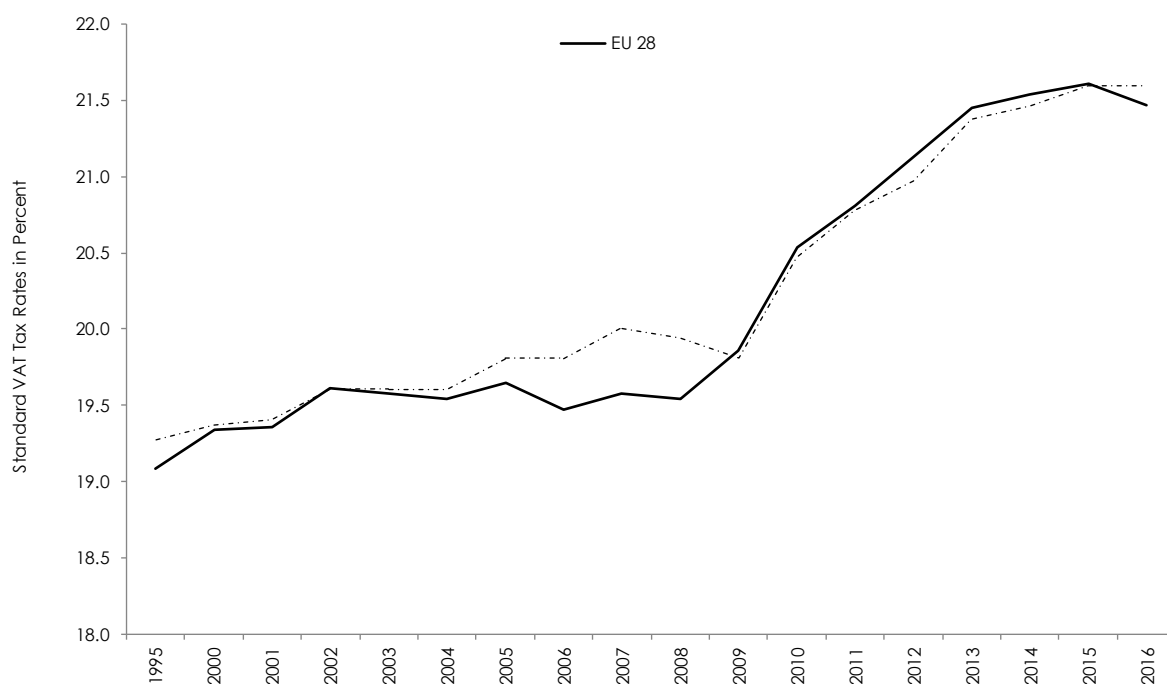
KEY FINDINGS

- Standard rates of value added taxes have been steadily increased as part of fiscal consolidation programmes launched as a result of the recent crisis and decreasing tax rates on capital and corporate income. Those reforms resulted in an increase of regressive forms of taxation, despite reduced rates and exemptions in national tax systems. Reduced rates and exemptions appear in numerous forms and are not always well targeted.
- Research suggests that consumption patterns of men and women differ, caused by socioeconomic differences in paid and unpaid work. Regressive taxes put a higher burden on women, due to lower incomes. The design of consumption taxes may also influence the distribution of paid and unpaid work. However, there is a lack of research for European countries.

8.1. Basic design and impact of tax rates

In addition to personal and corporate income, consumption constitutes a major tax base in all OECD countries. Taxes levied on consumption can take different forms. Excises and import duties are selective taxes on the sale or use of specific goods and services while Value Added Tax (VAT) is a general consumption tax. VAT is a non-cumulative multi-stage general consumption tax that replaced the non-cumulative forms in the Member States of the first signatories of the Rome Treaty, and later became mandatory for membership of the European Community. The implementation and the harmonization of VAT in Europe started in the late 1960s and is now governed by Directive 2006/112/EC on the EU's common system of value added tax. VAT is regarded as competitive neutral and efficient for both the economy and revenue-raising. VAT is technically an indirect tax, as it is not levied directly on the consumer. VAT is applied to transactions of goods and services by a taxable person such as a business or a trader, and builds on the economic assumption that the tax will be forwarded, at least in the long run, in the consumer price. The European Union also introduced several directives referring to excise duties for alcohol, tobacco, and energy.

Despite the framework provided by the directive on VAT, VAT systems differ widely across Member States in terms of standard and reduced rates, exemptions and other preferential treatment. Standard rates, commonly set at a minimum rate of 15%, range from 17% in Luxembourg to 27% in Hungary (OECD 2016b: 68-9). Standard rates of value added tax have been steadily increasing over time. The EU average increased from about 19 percent in 1995 to 21.5 percent in 2016 (graph 4). In the aftermath of the recent crisis, many EU Member States increased the regular VAT rate as part of their fiscal consolidation programmes. As the share of consumption expenditures falls with increasing disposable income, the VAT burden is regressive overall, notwithstanding that in most EU Member States this regressive impact is partially mitigated by reduced VAT rates for consumption goods covering basic needs.

Figure 5: Value Added Tax rates in the EU

Source: European Commission (2016), own calculations.

Excise tax rates vary in relation to each consumption item. These taxes are generally calculated on weight, volume, quantity or value, or a combination of price and quantity, as with the tobacco tax. As these types of taxes have existed for centuries, the taxable items have changed in relation to political priorities. Over time, governments have relied less on excise taxes as a revenue source, which is reflected in a shrinking share in overall excise tax revenues (for example, their share fell from 14.2% on average in 1965 to 7.6% in 2014 in OECD countries), and have tended to use these taxes as corrective taxes to influence consumer behaviour. The trend today is to levy excise duties to control consumption that is harmful for health or causes pollution, such as tobacco products, alcohol beverages, mineral oils or unhealthy food and drinks (OECD 2016b). Accordingly, taxable items have changed from products of scarcity, such as salt, pepper and paper, to items of value or luxury such as perfumes, sanitary products, cosmetics or jewellery. Most of these older excise duties have been abandoned in many Member States, but some still remain.

VAT has, as mentioned, distributional effects. One of them is connected to the price elasticity of demand. A low price elasticity means that the demand hardly responds to changes in the tax rate. High rates on goods and services with low price elasticity are vertically inequitable in the sense that poor people will pay a larger portion of their income on basic commodities. Of course, not all goods and services with low price elasticity are basic commodities. Goods such as tobacco and alcohol, which are disproportionately consumed by lower income groups, are not regarded as basic commodities but rather the opposite. Instead, Member States use excise taxes for corrective reasons, which justify the collected regressive effect on the consumer prices created by VAT and the tobacco and alcohol taxes.

A way of avoiding such regressive effects inside the VAT system is to apply zero rating, exemptions, or reduced rates for certain goods and services. However, reduced tax rates and exemptions are not always well targeted and cover a wide range of goods and services beyond basic essentials, such as medical and hospital care, food, energy products and water supply,

or activities considered as utilities or socially desirable. Furthermore, reduced tax rates might still be very high, such as 13% on water supply in Greece. The complexity of reduced rates and exemptions from the VAT tax base makes the distributional profile of VAT quite diffuse. The regressive effects have also been questioned, particularly from a lifetime perspective. In the literature lifetime income, which has been used instead of annual income as a reference for the incidence of VAT, shows the regressive effects of VAT to be significantly lower (Caspersen and Metcalf 1994). However, for a low-income individual with no possibility to borrow or without savings to consume, an increase of VAT on basic commodities is immediate and absolute for the well-being of that person (Murphy 2010). The way to overcome all these questions concerning the distributional profile is to revise the rate structure in every Member State and define what goods and services belong to the socio-cultural basic needs on which reduced rates would be justified (Schratzstaller 2015: 233). This would be a good initiative regarding the Action Plan on VAT.

More important than considering the isolated distributional effects is to see the combined effects of the tax mix and the distributional profile in the triangular relation between tax on labour incomes, social security contributions and VAT. The high tax burden on labour incomes, which can be observed in many EU Member States, negatively impacts the employment ratio. Even if labour supply should be inelastic, labour demand is reduced (European Commission 2015b). A tax reform approach, much debated in the last few years, aims at shifting the tax burden from labour to consumption, thereby inducing positive employment effects, as higher net wages should increase labour supply. However, such a reform approach may have undesirable distributional consequences. Due to basic allowances in the personal income taxes, which are relatively high in a number of EU Member States, a considerable proportion of employees have no or only low income tax liabilities. A reduction of progressive income tax which is compensated by an increase of regressive consumption taxes, would have undesirable distributional effects. Therefore, one alternative approach to a tax shift would be to reduce social security contributions which have, similar to consumption taxes, an (indirect) regressive character.

8.2. Gender aspects of consumption taxes

There has been a longstanding debate and increasing concern that the burden of VAT falls disproportionately on women, but there is an overall lack of research based on gender-disaggregated data that can show what impact specific rates and exemptions have in relation to certain consumption patterns. As women are generally over-represented among the poorest in a society and, due to the gender pay gap, are also over-represented in the lowest income deciles, they would spend a higher percentage of their income on consumption compared to individuals in higher income groups. Related is the assumption that women and men have differential consumption patterns and that women are primarily responsible for household purchases of basic goods and services (Joshi 2016). This argument was developed with special reference to developing countries where commodity taxes, and in particular VAT, were imposed by the IMF and the World Bank as part of the major structural adjustment programmes connected to investment loans. Potential regressive effects of VAT on basic needs are also at the heart of the present debate on tampon taxes, which obviously are goods only consumed by women. Studies on developing countries show a complex pattern of zero rating, differentiated rates and exemptions of basic commodities, partly questioning and partly supporting a tax policy strategy of using VAT in social and redistributive programmes to support women or fight poverty. However, the context and the design of the VAT regimes operating in developing countries are quite different to the situation in Europe, which makes it different to compare the experience of using the VAT as a redistributive instrument (Barnett and Crown 2004; Wanjala and Were 2011).

The gender-differentiated effects of the above mentioned tax shifts from labour to consumption appear to be ambivalent. On the one hand the female participation rate may increase due to the reduction of the tax burden on labour incomes. On the other hand, women tend to be affected more strongly by an increase in consumption taxes. Besides the negative distributional effects which will affect women over-proportionately, a higher VAT will increase the prices of market goods and will therefore make household production more attractive compared to market consumption, thus providing incentives for women to re-allocate time from paid to unpaid work. This outcome is related to the fact that women allocate their time differently compared to men between paid work, unpaid work, and leisure. In sum, this empirical evidence points out that women living in heterosexual partnerships have a high labour supply elasticity, so with increasing consumption taxes household production becomes more attractive compared to market consumption and may thus push women into unpaid work (Picos-Sánchez 2011; Rogerson 2009).

The Swedish experience from the comprehensive tax reform from 1991, which included a quite extensive tax shift from labour income to VAT, confirms that an increase in VAT on services that are substitutes for homework, like cleaning and restaurant services, also increases the value of homework, as it will be produced at a lower cost than the market price. The same effect was associated with the increase of income taxes on fringe benefits like free or reduced lunches for employees. For many, mainly low-income households, it became more attractive to produce these services themselves than to buy them on the market (Wennemo 1997; Aronsson and Palme 1994).

9. RECOMMENDATIONS

Most Member States have abolished tax regulations that implicitly differentiate between men and women. Still, tax systems and fiscal policy decisions affect women and men differently because tax regulations interact with gender-differentiated socioeconomic realities and thus gender gaps persist. Despite international, European and national obligations and commitments to prohibit discrimination and ensure gender equality in all policy fields, gender issues in taxation are rarely considered.

The following recommendations address:

- the most apparent and pressing gender-relevant issues with regard to tax design;
- the need for further research including gaps in sex disaggregated data;
- mechanisms to implement legal and political obligations and commitments concerning gender equality at the European and Member State level.

9.1. Strengthen policies to promote the equal intra-household distribution of paid and unpaid work

Eliminating tax-related disincentives to female employment and incentives for a more equal intra-household distribution of paid and unpaid work, respectively, remains one of the most important objectives in taxation.

Although most Member States have introduced individual taxation during the last decades, numerous joint tax and benefit provisions prevail, resulting in high tax burdens on labour incomes for secondary earners. Attention should also be paid to tax-related disincentives to increase hours worked, such as high basic income tax rates or in-work-benefits in the tax or social security system which are based on household income. (Payable) tax credits for work-related childcare costs reduce the costs of taking up paid employment and thus contribute to a more equal intra-household division of paid and unpaid work. Carefully designed (payable) in-work tax credits for secondary earners and single parents, based on individual income, can offset costs of taking up paid work in transitional periods to full individual taxation.

9.2. Strengthen the redistributive impact of taxation

The recent reappearance of redistributive objectives in tax policy and attention paid to the contribution of the tax system to increasing levels of inequality and wealth (e.g. European Commission 2016) is an essential step to combine growth and equality-enhancing perspectives in line with European obligations and political commitments, such as the Sustainable Development Goals. However, gender aspects are still neglected in assessments of fundamental tax policy design as conducted, for example, within the European Semester. The long-term trends in taxation that have taken place in EU Member States during the last few decades have weakened the redistributive power of tax systems, which also impacts on gender equality. Changes in the taxation of labour, consumption and wealth, observable for the last few decades across Member States, imply a shift of the tax burden to low income groups and thus particularly towards women, due to the unequal distribution of wealth between women and men, the small proportion of women among top earners, women's above-average consumption ratios, and their comparatively high share in labour income and small share of capital income.

Subjecting all types of income, regardless of their sources, to progressive income tax schedules mitigates the unequal pre-tax distribution of labour and capital incomes between men and women. The elimination of exemptions in value added taxes which are not related to basic

needs creates space for a reduction of regular value added tax rates, benefiting low incomes and thus women over-proportionately. Shifting the tax burden from labour incomes, particular in the low and middle income range, towards more growth and employment-friendly tax bases (in particular immobile property and inheritances) promotes inclusiveness of taxation in general and makes tax systems more gender-equitable in particular. Such a tax shift also increases growth and employment-friendliness of taxation in general and supports female employment in particular.

9.3. Take account of the distributional and allocative impact of tax expenditures

(Scarce) research suggests that the impact of tax expenditures, widely used in different tax categories, is often less beneficial to women, due to the purpose and design of tax expenditures which corresponds more to male than to average female socioeconomic realities. Thus, existing tax expenditures often add to existing gender gaps, but also make tax incentives less effective.

The Union, in its already existing efforts to evaluate and dismantle tax expenditures in Member States (e.g. European Commission 2015a; 2016a), should therefore ensure that reporting systems take account of the distributional and allocative impact of tax expenditures linked to gender gaps in employment, unpaid work, income, pensions poverty, and wealth.

9.4. Promote and conduct research on gender aspects of taxation and ensure the availability of appropriate gender-disaggregated data

There are numerous research gaps concerning gender aspects of taxation. Further research is for instance required with regard to gender-differentiated distributional effects of net wealth, property taxes, inheritance taxes, value added taxes and excise taxes, corporate taxes, tax expenditures and gender-differentiated allocative effects of corrective taxes (on alcohol, tobacco, unhealthy foods and drinks). Research should also address compliance of tax measures with legal gender equality obligations.

Although data on the taxation of labour incomes are probably most readily available, most Member States fail to collect or to evaluate individualised income tax data with respect to gender. In some Member States certain tax data are collected on a household level only, due to joint tax provisions. The data situation is especially poor for capital and entrepreneurial income, stocks and transfers of wealth, and with regard to tax exemptions. In particular, the following gender data gaps should be closed:

- *Taxation of wealth and capital incomes:* gender-disaggregated data on the distribution of inheritances and net wealth, stocks and transfers of real estate, capital incomes; gender disaggregated data on related tax payments.
- *Business taxation:* gender-disaggregated data on the distribution of entrepreneurial income and related tax payments by non-incorporated firms and self-employed, on distributed profits of corporations and related tax payments as well as on the use of tax exemptions.
- *Consumption taxes:* gender-disaggregated data on consumption patterns and use of reduced rates and tax exemptions (in particular concerning value added tax).

9.5. Take legal obligations to prohibit discrimination and ensure substantive gender equality with regard to taxation seriously

To date, neither the European institutions nor the Member States comply with legal obligations or political commitments to prohibit indirect discrimination and ensure substantive gender equality in with regard to taxation.

Tax measures adopted at the European level as well as national tax policies governed by European Law, such as VAT, have to comply with the prohibition of indirect discrimination, enshrined in European primary law. National tax provisions creating employment barriers for secondary earners may violate the directive on equal treatment of men and women in matters of employment and occupation.

The obligation to ensure gender equality goes beyond the prohibition of indirect discrimination and aims at substantive equality in socioeconomic realities. Compliance with these obligations requires gender-based analysis of current and proposed legislative tax measures and tax policy recommendations which inform the relevant stakeholders about the distributional and allocative impact of taxation with regard to existing gender inequalities, enabling them to take appropriate measures to reduce them.

Although the Union itself is not a signatory of CEDAW, it should promote the compliance of Member States' tax systems with international human rights treaties. For example, one option is to extend the existing monitoring of the Beijing Platform of Action by analyses of the gender-differentiated impact of taxation.

9.6. Ensure political commitment at the European level and define targets and indicators to achieve substantive gender equality with regard to taxation

The status of current gender equality commitments in the European Commission is inadequate to ensure gender equality in taxation. The obligation to reduce gender gaps in socioeconomic realities and to systematically analyse gender effects of taxation must be explicitly addressed in gender equality commitments adopted by the Council and the European Parliament. A coherent gender equality strategy defining objectives, indicators and institutional mechanisms to ensure gender equality in taxation, may also serve as a framework for Member States.

The exclusive focus of tax related gender equality objectives on increasing female employment rates disregards persistent gender gaps in income, the share of unpaid work, old age security, poverty and wealth. The focus of specific gender equality objectives also depends on specific inequalities in Member States. Considering the gender gaps prevailing in all Member States the design of tax systems and tax policies should contribute to:

- promoting employment providing for independent economic security throughout the life course;
- the equal distribution of paid and unpaid work between men and women;
- reducing the gender gap in income distribution and old age security;
- reducing gender gaps in poverty and wealth distribution.

9.7. Ensure the implementation of gender analyses and compliance with gender equality objectives with respect to taxation at Union and Member State level

Despite existing gender mainstreaming or gender budgeting strategies, explicit consideration of gender aspects in taxation remain exceptional at EU as well as at Member State level. The implementation of the existing legal obligations, such as gender analyses for all proposals concerning taxation, therefore requires effective mechanisms at national and EU level.

Since legislative tax competences remain largely with the Member States, the Union must systematically address gender aspects in Member States' tax systems within the European Semester. The obligation to reduce gender inequalities should be explicitly mentioned in the economic guidelines and priorities of the Annual Growth Survey. Reviews of Member States' tax systems within the European Semester, as well as country-specific recommendations, require thorough analyses with regard to effects on socioeconomic gender gaps and should also address the need for adequate institutional measures at Member State level. The exchange between Member States, social partners and EU institutions about priorities and appropriate measures must ensure equal participation of women. European funds which facilitate the implementation of country-specific recommendations in the Member States, should be extended to gender relevant research into the impact of taxation and respective consultation services.

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