Taxation and Gender Justice in the context of the 3rd UN Conference on Financing for Development

Public Domestic Resources are recognized in the Financing for Development debate as key resources that enlarge States' capacities to implement development policies. Policy space is critical to the ability of States to both mobilize domestic resources and design, implement and monitor policy interventions. Only with such policy space can States intervene in the redistribution of income, assets and economic opportunities.

"Taxation is the primary source of public resource generation, besides being also the most sustainable and predictable source of financing for the provision of public goods and services" (A/HRC/26/28 report 2014, Para 2)[1]. Operating in a gendered economic terrain, taxation is not gender neutral. It affects women and men differently because of their unequal status as workers, producers, consumers and asset owners. Women are overrepresented in the lower income population category and there is a tendency towards increasing feminization of poverty; women also have more restricted access to and control over economic resources; not least, they bear the burden of unpaid domestic and care work (thereby making a non-recognized contribution to the economy while facing more structural barriers to economic participation). Gender inequality interlinks with socio-economic inequality. The type of taxation system is therefore very relevant to gender equity. According to ECLAC (2010)[2] three factors affect fiscal revenue-raising capacity and how these resources are distributed throughout society: tax burden, tax structure and measures to combat tax evasion.

Regarding tax structure, evidence shows that regressive taxation imposes a heavier burden on women in lower-income and female-headed households. Tax systems that rely heavily on valued-added tax and other taxes on essential consumption items therefore negatively affect women's economic situation as well as gender equity. While direct taxation has more potential for redistribution outcomes, it might also fail in meeting this objective if there is extensive use of deductions and exemptions, which is often the case. For instance, deducting for an economically inactive/dependent spouse in Personal Income Tax is a gender discriminatory practice in two ways: first, because it mostly benefits men (who earn higher income and are more often the economically active spouse); second, because women who are considered economically dependent are actually the main providers of unpaid domestic and care work; yet the tax system neither recognises nor compensates their contribution, compensating instead the taxpayer, who then enjoys both a tax credit and the benefits of unpaid care work by his spouse.

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[1] A/HRC/26/28. (2014). Report of the Special Rapporteur on extreme poverty and human rights (No. A/HRC/26/28). Human Rights Council, United Nations. http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session26/Documents/A_HRC_26_28_ENG.doc

[2] ECLAC. (2010). Time for Equality. Closing gaps, opening trails. http://www.cepal.org/publicaciones/xml/1/39711/100604_2010-115-SES-33-3-Time_for_equality_doc_completo.pdf

Tax abuse is another main source of gender inequity. Low tax to GDP ratios are most often explained by the existence of extensive tax benefits provided to wealthy classes and to business and corporate entities which have the capacity to weild influence in political spaces. Besides, tax benefits are the most commonly used incentive to attract foreign direct investment. When this takes place, tax policy fails to generate enough revenue to fund government expenditure. This is translated into poor provision of social services (education, health, sanitation, public transport, social infrastructure, care services) which are critical for gender equity.

In the current state of debate towards the third international conference on Financing for Development, two main strategies are being proposed. First, the formalization of the informal sector. Second, the participation of the private sector as a key player to finance development, through blending finance and private sector engagement. This approach is heavily problematic from a women´s rights perspective.

Formalizing the informal sector mostly means, in practice, implementing taxes on small scale producers. This will negatively affect self employed women including small-scale market vendors, farmers and fisherpeople, and those in micro and small-scale enterprises. They will likely bear a disproportionately high tax burden, while big corporations and wealthy individuals continue to benefit from tax exemptions and avoidance. While it is important to extend social protection to informal workers, this should not be attached to their capacity to pay taxes, which is non-existent, given their low level of income, close to survival. Instead, social protection should be expanded with a view to universal coverage, and funded through structural progressive tax reforms at the national level. In addition, international tax cooperation is necessary to reverse "the race to the bottom" tax competition to attract Foreign Direct Investment, as well as to tackle illicit capital flows.

States have an obligation to mobilize maximum available resources to protect, promote and fulfil women´s human rights. This maximum is still to be reached. For that, a much stronger commitment than is stated in the Addis Action Agenda draft is needed. States must commit both to progressive tax system reforms and to combatting tax evasion, avoidance and dodging.

From an equity and human rights perspective, the tax base should be expanded in a progressive way. This requires a reform of tax structures, shifting the burden to progressive direct taxes, avoiding gender biases. It is also necessary to review indirect taxes in order to reduce their regressive bias and avoid higher relative burden in sectors with less contributory capacity.

There is also the need to support the strengthening of international tax cooperation through a UN Tax body, providing it with gender expertise and mandating it to review national, regional and global tax policy in line with gender equality and human rights obligations. An upgraded UN Tax Committee should promote the adoption of country-by-country reporting standards for all transnational corporations, automatic exchange of information between all tax authorities, and a review of tax incentives and structures in compliance with human rights obligations, gender equality and environmental standards.