



# Gender Equality and Fair Taxation



The project is funded by the European Union's Horizon 2020 research and innovation programme 2014-2018, grant agreement No. FairTax 649439



# General taxation trends

- **Taxing for growth** – focusing on allocation function not redistribution function
- **Lack of gender perspective** in the EU and national tax policies → **current gender gaps** (employment, unpaid work, income, pension, poverty, etc.) and **disincentives for women**





# General taxation trends

- Contrary Europe 2020 strategy, **gender aspects tend to be disregarded** in priorities and recommendations, particularly those relating to taxation
- High taxes on labour, abolishing of net wealth taxes, decreasing corporate income taxation → **redistributive power has weakened → shifting of tax burden to low-income earners, mainly women**  
→ negative impact on gender equality





# General taxation trends

- **Unequal distribution of income between men and woman** - small share of women among top-income earners, and the comparatively high share of labour income and small share of capital income in women's total income
- **CIT dropping** from 40% in 80's to 21.9% in 2019, while the rate of consumption taxes steadily increasing since 2019
- Some MNE's having effective CIT tax rate less than 1%





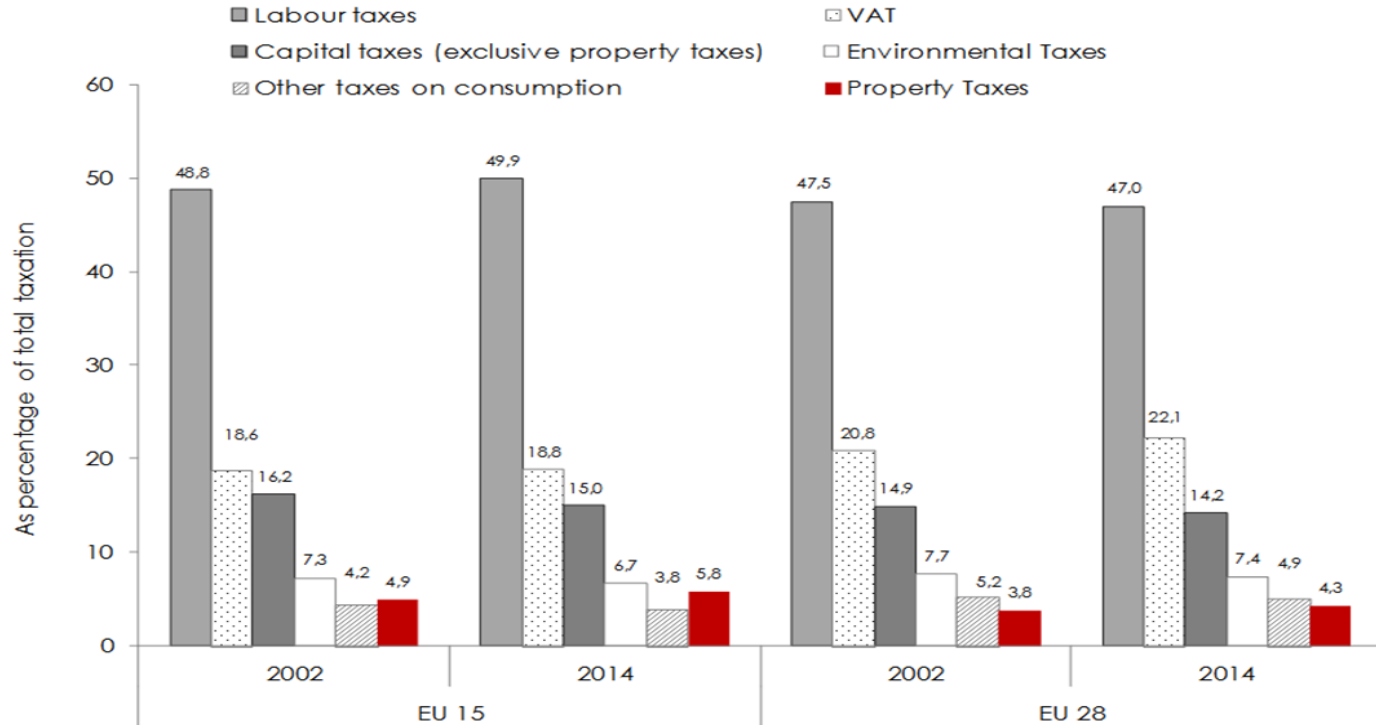
# General taxation trends

- **Loss of revenue due to aggressive tax planning** estimated around EUR 75bn a year, resulting into missing revenues → cutting expenditures → underfunded public services, disproportionately affected access to social services for low-income earners
- **Dualisation of income tax systems** lessening the redistributive power of income taxation





# Taxation structure in the EU



Source: Gunarsson, A., Schrazenstaller, M., Spangenberg, U.  
 Gender equality and taxation in the EU - Study for FEMM  
 Committee



The Fair Tax project is funded by the European Union's Horizon 2020 research and innovation programme 2014-2018, grant agreement No FairTax 649439



FairTax

# Gender gaps

- Formally gender neutral tax systems and tax policy decisions produce gender differentiated outcomes due to the fact that distributional impact of taxation is closely linked with socioeconomic reality characterized by **gender gaps** in areas:
  - **woman labour force participation on the market**
    - female employment rate ranging from 46% in Greece to 78% in Sweden
  - **division of unpaid work**
  - **distribution of income**
    - **gender pay gap** – ranging from 2% in Slovenia to 27% in Estonia





FairTax

# Gender gaps

## → old age security

- **gender pension gap** – 39% on average (ranging from 4% in Estonia to 47% in Luxemburg)

## → risk of poverty

- women are usually represented in lower income groups → facing higher risk of poverty
- Risk of poverty differs according the age groups

## → distribution of wealth

- existent researches proving the existence of gender wealth gap (financial assets, property, business assets, insurance entitlements or pension savings)







# Gender equality

- Precondition of sustainability
- Taxing for equality
- Mentioned in:
  - 2030 UN Agenda for Sustainable Development
  - Sustainable Development Goal indicators
  - Strategic engagement for gender equality 2016-2019
  - OECD Millenium Developments Goals





# Sustainability gaps in EU Member States' tax regimes

1. High and increasing weight of labour taxes
2. Decreasing importance of Pigovian taxes
3. Intense tax competition including profit shifting
4. Tax compliance and tax fraud
5. Decreasing progressivity of tax systems





# Gender equality in the field of taxation

- **explicit gender bias** – tax provisions explicitly treating women and men differently
- **implicit gender bias** – tax regulations written in gender-neutral terms affecting men and women differently due to socioeconomic inequalities



# Personal income taxation

- **Global income taxation loosening the ground and dual income taxation** (uniform tax rates for most types of capital income) **entering the scene**
  - global income taxation model
  - dual income tax model – 3 MS more than 30%
  - flat tax system – 10% to 25%
- disproportionately high tax burden for secondary earners represents the main **disincentives** for women to participate in the labour market



FairTax





# Personal income taxation

- **Net personal average tax rates** for secondary earners with 2 kids is 31% on average for EU OECD MS
- **joint vs. individual taxation** – when household income is pooled to calculate the tax base, women may be effectively taxed at higher tax rate
- **Sweden and Finland** the only countries with strictly individualised income tax



# Personal Income tax

- **Inactivity and low income trap for secondary earners**
  - 40% on average
  - considerable extent caused by tax provisions
  - SSC lower and upper threshold
- **Tax reductions for dependent spouse**
- **Childcare provisions** – fail to recognize the diversity of family situations
  - deduction from tax base – regressive effect
  - tax sale – progressive effect
  - payable tax benefit





# Tax expenditures

- Reducing the tax base
- Provisions having various forms
- In EU mainly deductions connected with housing, SSC, work, childcare or dependent family members
- Currently being discussed in the context of fiscal consolidation
- Gender effects of tax expenditures largely ignored





# Tax expenditures – gender perspectives

- Women frequently benefit less
- E.g. Beneficiary tax provisions connected with work (expense for commuting or wage supplements for overtime hours)
- Very often in the form of tax credits – cannot be decuted by very low income earners







# Corporate Income Tax

- **Fundamental source** of revenue for proper functioning of welfare system
- Usually considered not having impact on gender
- Gender differences in ownership
- Lack of gender disaggregated data





# Corporate Income Tax

- Low participation of women in corporate boards (23%)
- UK study → differences in corporate wealth result in gender-differentiated effects of CIT – 4 examples:





# Corporate Income Tax

1. less benefit from corporate tax reductions
2. tax incentives granted to start-ups, R&D or pre-seed businesses
3. changes in CIT having indirect effect on individuals through impact on employees
4. impacting gender through tax competition





# Taxation of property and wealth

- **Playing crucial role** in reducing inequality through redistribution
- The contribution to overall tax revenues rather limited (5.8% in EU-15, 4.3% in EU-28)
- Net wealth tax abolished in many states (currently levied only in France and Spain)
- Inheritance tax levied in 20 MS, but being increasingly eroded by tax exemptions granted within the family





# Taxation of property and wealth

- Net wealth taxes could yield additional revenues and thus increasing budgetary space for a reduction of the tax burden for low-income groups





# Consumption taxes

- **regressive character**
- **steadily increasing**
- **consumption pattern differ for men and women**
- **higher burden on woman due to lower income** (increased rate on services, impact on the distribution of paid and unpaid work)





# Recommendations

## 1. Strengthen policies to promote the distribution of paid and unpaid work in household

- income tax system should be individualised
- tax credits should be in the form of payable tax credits
- attention should be paid to benefits and tax rate for low income workers and thresholds in SC scheme

## 2. Strengthen the redistributive impact of taxation

- not to reduce progression in personal income taxation
- Shifting the tax burden from labour income towards more growth friendly taxation (inheritance and immobilities)





# Recommendations

- 3. Taking into account the distributional and allocative impact of tax expenditure**
- 4. Promote research on gender aspects of taxation**
- 5. The ensure gender equality aims compliance with respect to taxation**







# Tax policy in CIT in the EU

- After 2010 main role plays FAIR TAXATION, not harmonization
- EC defines aggressive tax planning as behavior, when entities use technical aspects of tax systems and loopholes between national tax systems to decrease their tax liability





# EC recommendation towards aggressive tax planning

- Change in the text of DTT
- Introduction of GAAR
- Missuse of DTT (treaty shopping)
- Introduction of standards for good tax governance:
  - Access to the information
  - Exchange of information
  - Admittance to the information





# EC Action plan for fair and effective corporate taxation

- The aim of tax policy in the area of CIT should be:
  - To re-establish the link between the place of economic activity and place where the profit is taxed
  - To ensure that Member States in its jurisdiction evaluate properly the activity of corporations





# EC Action plan for fair and effective corporate taxation

- To create competitive and growth friendly tax environment in the EU
- The protection of single market and measurements for the implementation of OECD BEPS project results
- Solution of the problems with non-cooperating tax jurisdictions





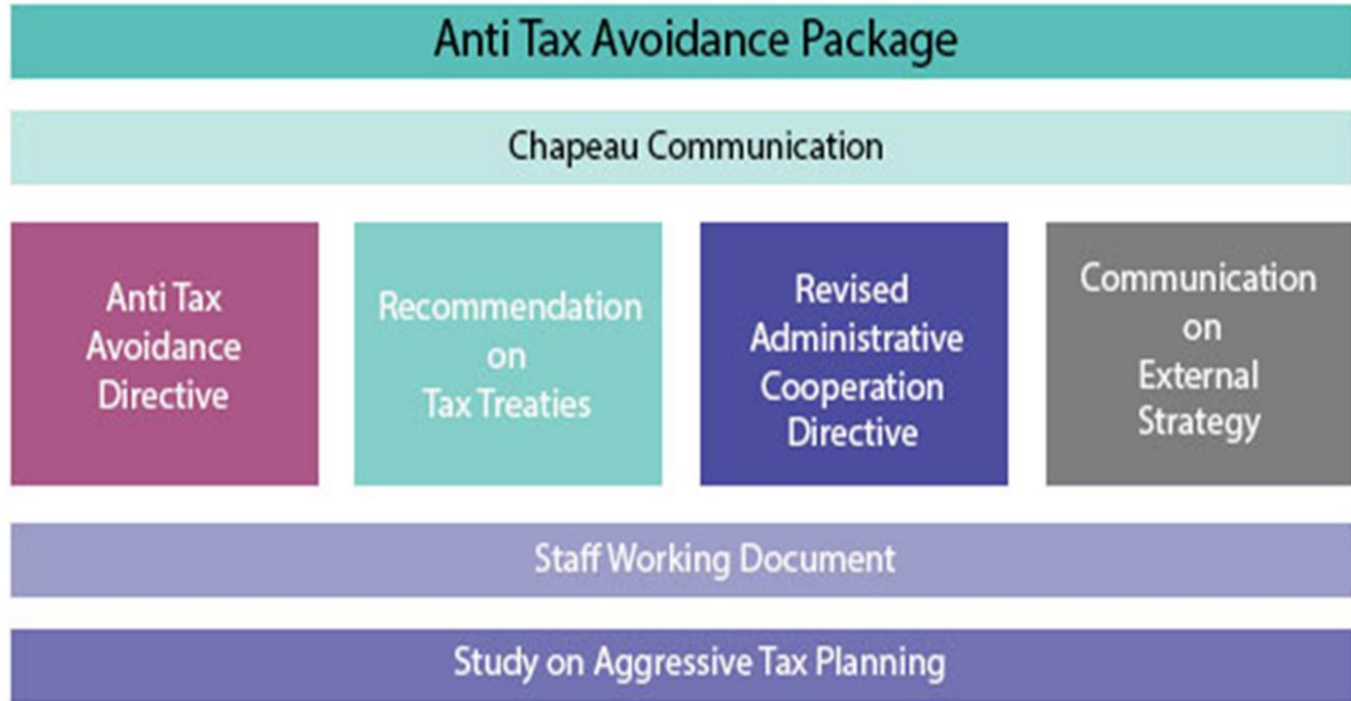
# 5 key areas of the plan

- Common consolidated corporate tax base (CCCTB) as complex solution
- Effective taxation of the profit in the place, where it has been generated
- Measurements to improve the tax environment in the EU
- Developments in the area of tax transparency
- Measurements of EU for the coordination





# Anti-avoidance tax package





# ATAD Directive

- Limitation of deductibility of interests (limit set on 30% of EBITDA, 3 mil EUR max)
- Exit taxation
- GAAR (general anti-avoidance rule)
- CFC (controlled foreign tax régime)
- Hybrid mismatches





# Tax Transparency Package

- Automatic Exchange of tax rulings
- Country-by country reporting for MNEs with group turnover over EUR 750 mil
- Revision of Code of conduct for business taxation
- Abolition of Savings directive







# OECD

- Searching for the suitable tool to tax digital economy
- Two pillar approach:
  - Re-allocation of taxing rights
  - Proposal on effective minimum tax (global anti-base erosion proposal)
- The aim to come up with global solution for CIT





**FairTax**

Thank you for your attention!



The Fair Tax project is funded by the European Union's Horizon 2020 research and innovation programme 2014-2018, grant agreement No FairTax 649439