WOMEN AND TAXATION – FROM TAXING FOR GROWTH AND TAX COMPETITION TO TAXING FOR SEX EQUALITY

feature

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For more than a generation, the IMF and the World Bank have pushed governments to prioritise economic growth over social justice in their approach to fiscal policy. The results of this experiment are now in; sluggish growth, steepening inequality and the continued subjugation of women. It is time for a new vision of development, in which real needs take precedence over the fantastical desires that incubate in the global institutions.

Taxing for Growth and Tax Competition vs Gender-Equal Taxation

The Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) was ratified in 1982, and the Beijing Platform for Action was adopted to accelerate the implementation of CEDAW in 1995. Despite the many steps taken around the world to put these international agreements into effect, women continue to experience significant economic inequality everywhere.

Many more women are poor than men. Very few women anywhere are as wealthy as men. As a result, political claims that tax cuts, low tax rates, and tax competition are essential for sustained economic growth have particularly undercut women's progress toward economic equality. Even in tax cut and low tax regimes, every component of 'taxing for growth' formulas increases tax burdens on women because they ignore women's economic realities: globally, with no exceptions, women have lower incomes, more unpaid work, more precarious and low-paid work, less income security, and less political stature than men in their countries.

How has this happened? It has happened because fiscal policies are constructed around one goal – taxing for growth – and largely ignore taxing for social needs. Advocates of market fundamentalism and free trade have promoted unregulated exploitation of domestic resources in search of higher business profits and privatization of government functions. Multinational corporations have exploited this policy climate by demanding that host countries give them special tax cuts, set up export production and tax free trade zones, and even donate lands, water, cheap mineral rights, and unregulated labour to induce them to set up operations in their borders.

The mantra of 'taxing for growth' has been promoted by the World Bank, the IMF, the OECD, the EU in making fiscal recommendations for high- and low-income countries alike. Their country-specific tax policy recommendations are adapted to national conditions, but the basic formula for 'tax cuts for growth' has been virtually the same everywhere: cut graduated individual and corporate tax rates, which generally range from low or zero tax rates on those with low incomes to high rates on the wealthy; raise more revenue with high-rate with 'flat' consumption taxes like the VAT and commodity taxes; give special tax breaks on investment incomes, savings, and capital gains; cut taxes on the rich; increase taxes on the poor.

In high-income countries, the result has been falling tax ratios (tax revenues as a share of GDP). This in turn has led to continued budget cuts to government services and programs – literally, permanent government austerities. In low-income countries, even those with increasing tax ratios, the result has been heavy reliance on gender and income regressive VAT and commodity taxes that are particularly hard on the poorest.

Globally, the end result of taxing for growth regimes has been increasing concentration of incomes and wealth in the hands of small numbers of very wealthy individuals and large corporations. Growing income inequalities between the Global North and South, between the rich and everyone else, and between women and men have reached crisis levels in countries at every level of development.

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Revisioning Fiscal Systems around Taxing for Sex Equality

There are no easy solutions to the growing gender and income inequalities resulting from growth and tax competition regimes. The negative effects of taxing for growth on the status of women, poverty levels, and human development has been pervasive and profound. Politicians now routinely think in terms of what remaining taxes can be cut, how remaining public programs and institutions can be further trimmed or transferred to the private sector to cut government spending or pay down deficits, and how to increase foreign direct investment in their countries by reducing taxes, business regulation, and labour costs.

Revisioning this discourse requires people to restate the fundamental principle that governments and taxes exist to meet the basic needs of all people – not just the wealthy. And of both women and men – not just men. In order to do this, both the technical mechanics of tax laws and of underlying economic policies have to be reframed around pursuing gender and income equality to secure the wellbeing of all.

Taxing for sex equality involves two vital steps. First, no jurisdiction should enact any new tax or spending laws, programs, or practices that increase market or after-tax income gender gaps. Second, the negative gender effects of all existing tax, spending, and other fiscal laws should be corrected as a matter of urgency.

On the spending side of government budgets, 'taxing for equality' calls for producing enough revenue to increase government investments in education and skills, care resources, transportation, health, food security, and housing resources in order to reduce women's markedly unequal shares of unpaid work and increase women's shares of market incomes, after-tax incomes, and political authority.

On the tax side of budgets, flat-rated and minimally graduated rates of personal and corporate income and capital taxes should be converted immediately to graduated income tax structures – 'progressive' tax structures – that base tax liability on ability to pay. Revenue systems designed to 'tax for sex equality' should have all these features:

- progressive personal and corporate income taxes generating at least 60% of all domestic revenues;
- supplementary allowances for all individuals in paid work earning less than above-poverty incomes;
- income supplements designed to promote not just part-time or occasional paid work, but fulltime permanent decent paid work;
- tax exemptions that ensure that no income taxes can tax individuals back into poverty;
- income tax rates that enable governments to redistribute market incomes from those with the highest incomes to those with the lowest incomes;
- cost of living mechanisms that keep progressive income tax rates in sync with actual costs of living;
- tax exemptions that do not tax anyone living below poverty levels combined with food, housing, education, and income supplements that raise everyone above poverty levels;
- tax all adults as individuals
- ensure that all tax benefits, cash benefits, and in kind government services are given to women as individuals in order to protect their financial autonomy;
- provide adequate tax-free allowances for dependent children during all schooling years;
- eliminate any provisions that deliver tax benefits in lieu of public or direct grants (i.e., eliminate all tax expenditures, which do not generally reach those with low incomes);
- repeal all tax, cash, and in kind benefits that subsidize women's unpaid work;
- eliminate use of presumptive or imputed incomes as the basis for taxation at all but moderate and high income levels;
- especially in low-income countries, restructure income security measures as direct contributory systems funded largely by employers and governments for all those unable to accumulate sufficient capital to provide for their own lifelong income security;
- reward workers and businesses entering the formal reported economy with meaningful supports, but prohibit the use of punitive tax compliance and regulatory measures.

Free trade agreements, globalization, and 'taxing for growth' formulas have all contributed to increased use of flat-rate VAT, commodity, property, and sales taxes in countries at all levels of development. Such taxes are all gender and income regressive, and, when continued in use at all, should be restructured to provide, as a minimum:

- full exemptions for all goods, services, lands, buildings, institutions, rights, and inputs into education, care, health, community and other public facilities, and government processes;
- such exemptions to include foods, medicines, personal care items, clothing, personnel, books, writing equipment, and other items typically used in those sectors;

- total revenues raised by such taxes should be at least 20% less in total value than the combined revenue raised through income and capital taxes.

Tax systems should also provide for progressive wealth and inheritance taxes payable only by the wealthiest (top 15%), with these features:

- limited opportunities for evasion;
- guaranteed life estates for surviving family members during educational, disability, and final years;
- abolition of the use of charitable foundations and donations beyond specified modest limits.

Tax systems should produce enough revenue to meet all of a country's infrastructure, social, human welfare, and economic development needs. Countries with natural resources should sequester nonrenewable and volatile renewable resource revenues in independent trusts that provide no more than 3% of annual trust incomes to annual national budgets.

Women's Fiscal Equality is Fundamental to all Human Rights

Governments around the world are presently negotiating the terms of the new Sustainable Development Goals (SDGs) to replace and expand the Millennium Development Goals that expire in 2015. SDG Goal 5 calls on all governments and international organizations to 'Achieve gender equality and empower all women and girls, and Goal 10, to 'Reduce inequality within and among countries'. All the SDGs in turn depend on achieving Goal 17, to 'Strengthen the means of implementation and revitalize the global partnership for sustainable development.'

The Universal Declaration of Human Rights declares that 'everyone is entitled to all the rights and freedoms set forth without distinction of any kind, including distinctions based on sex' (Article 28), and CEDAW recognizes the 'the equal rights of men and women to enjoy all economic, social, cultural, civil, and political rights' (preamble).

Now is the time to demand full endorsement of the SDGs as well as explicit reference in them to national and international obligations to raise the revenues necessary to realize these goals, to spend such revenues in ways that eliminate longstanding economic inequalities between women and men, between the politically disenfranchised and powerholders, and among countries at dramatically divergent levels of development and economic durability.

None of these goals can be achieved without ensuring that women everywhere live on terms of genuine fiscal equality.

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