Taxation and Gender

Pre-Budget Briefing

WOMEN'S BUDGET GROUP

Spring 2024

Taxation and gender

Pre-Budget briefing from the UK Women's Budget Group Spring 2024

Key points:

- Tax is important because it raises revenue that funds critical social infrastructure. This includes all our public services, such as the NHS, adult social care, education and childcare, and our social security system.
- Because of structural gender inequalities in the labour market and society – and because women are more likely to be unpaid carers - women rely heavily on public services. Cuts in public services therefore have a disproportionate detrimental impact on women.
- Wealth inequality has increased even more than income inequality over recent years. The under-taxation of wealth disproportionately benefits men because they have more wealth and reinforces gender gaps in income and wealth.
- High levels of wealth should be taxed progressively. Polling by YouGov in 2023 shows 73% of people in Great Britain would support taxing wealth over £5m.
- All forms of income and capital gains should be taxed in the same way as earnings.
- National Insurance Contributions should be made fairer by abolishing the Upper Earnings Limit and making NI payable on all forms on income and by those above State Pension age.
- The excess profits of oil and gas companies should be taxed at near 100% and the loopholes in the current Energy Profits Levy removed. New ways of using tax to prevent environmental damage that do not increase inequalities should be explored.
- A wholesale reform of the tax system – including how it taxes inheritances, wealth, capital gains, property, earnings and profits and the use of tax allowances – is needed to make it more progressive, less open to abuse and better able to contribute to the funding of public expenditure. Without such reform gender inequalities will widen.

Failure to invest in our social infrastructure over many years has left our public services close to collapse, our social security system in tatters and many households unable to afford even the basic necessities of life. But both the Government and the Labour party claim that rising debt and the state of the public finances mean that there is no money to spend. This is in part because both parties are unwilling to raise additional revenues through increased taxes on those who can easily afford them.

This tax briefing will show how the tax system could be changed so that the very wealthy, whose incomes and wealth have increased in the past few years, make a proportionate tax contribution that would enable public services to be revitalised and cost of living pressures mitigated.

Women, being more likely to take up caring roles, are particularly vulnerable to rises in the cost of living and cuts in state spending on public services and social security. Women are also less likely than men to be among those whose income and wealth have increased disproportionately over the last few years.[1]

This makes it particularly vital for women to have a fair taxation system which ensures that those who can afford to and/or have gained from current crises contribute to fund our public services and social infrastructure.

Fair taxation is the means by which individuals and companies can make their proportionate financial contribution to a well-functioning society. This requires public expenditure both to support those facing unaffordable rises in the cost of living in the short-run and to invest for the longer term in vital social infrastructure, including health, adult social care, education and childcare, neglected for too long even before the pandemic.[2]

It is difficult to justify further tax cuts to benefit the better off funded by reducing the resources for public services or social security. Although the current tax take may be high historically by UK standards[3], it is not high by those of better functioning European[4] and OECD[5] economies, and its impact could be distributed more fairly.

MAKING THE TAX SYSTEM FAIRER

The urgent need to rebuild our public services, deal with the climate crisis and ecological breakdown, and tackle rising inequality make this an opportune time to make the tax system fairer by ensuring that those with the greatest wealth and highest incomes pay the greatest share of tax.

For such tax reform to gain popular support, it needs to be actively recognised as the best way of enabling fair financial contributions to society. A significant change in attitude towards tax in the rhetoric and actions of UK politicians is needed within and outside parliament, resisting the temptation to portray higher taxes as inherently undesirable. Conversely, tax cuts are not costless and tax breaks should be costed in exactly the same way of other forms of expenditure.

FAIRER TAXATION OF WEALTH AND INCOME FROM WEALTH

Wealth inequality has increased even more than income inequality over recent years.[6] Wealth itself is not taxed directly, and income from wealth, dividend and savings income and the capital gains that arise from holding wealth, are substantially under-taxed compared with income from employment. Since wealth is highly correlated with income, the under-taxation of wealth and income from wealth increases both income and wealth inequality, reinforcing external tendencies towards inequality and the long-term pressures on the tax system that inequality

[1] R. Palmer (2020) Wealth, tax and gender. Paper for the Commission on a Gender Equal Economy; HMRC (2023) Income and tax, by gender, region and country: 2020 to 2021.
[2] Commission on a gender-equal economy (2020) Creating a caring economy: a call to action.
[3] IFS (2023) This will be the biggest tax-raising parliament on record
[4] M. Conte, H. Miller and T. Pope, (2019) How Do Other Countries Raise More in Tax than the UK? IFS Report R160

[5] Tax Policy Associates (2023) Is the UK over-taxed or under-taxed?; P. Narayanan P (2023) Fairer taxes, smarter spending: A recipe for sustainable growth, IPPR.

[6] A, Advani, G, Bangham and J. Leslie (2021) The UK's wealth distribution and characteristics of high-wealth households; Ahmed, Nabil; Marriott, Anna; Dabi, Nafkote; Lowthers, Megan; Lawson Max; Mugehera, Leah (2022) Inequality Kills: The unparalleled action needed to combat unprecedented inequality in the wake of COVID-19. Oxfam.

produces. It also reinforces gender gaps in income and wealth.

WBG supports the call of many organisations, including Tax Justice UK[7], Oxfam[8], Bright Blue[9], IPPR[10] and Common Wealth[11] for wealth taxation and/or more effective taxation of income and gains from wealth. The IMF[12], the Resolution Foundation[13] and the IFS[14] have also called for a reform of wealth taxes.

TAXING WEALTH DIRECTLY

Tax Justice UK (TJUK) calls for a wealth tax of 1% to 2% on assets over £10 million that would raise up to £22 billion a year by demanding a fair contribution from those who have benefited from structural economic changes over the last decade. TJUK claim that by affecting just 0.04% of the population, such a wealth tax would be easier to administer than if set at a lower threshold[15].

The Wealth Tax Commission's Tax Simulator shows that taxing net assets over £5m, at a progressively rising rate (with net assets of £10m taxed at 1%) could raise £27bn annually from the wealthy, most of whom have gained enormously from structural economic changes over the last decade.[16] Alternatively, a one-off, or periodic, 5% tax on net wealth over £2m could raise £81bn.[17]

The Wealth and Assets Survey shows that, on average between April 2018 and March 2020, men held £359,926 in wealth, while women held £267,164, 35% less.[18] At the household level, a single-person household has a median wealth of £110,600, while a lone-parent household (typically a lone mother[19]) with dependent children has £29,400.[20]

The composition of wealth varies by gender. For women more than 50% of their wealth comes from shared sources of wealth (property and physical wealth shared with other household members). In contrast, over 60% of men's wealth comes from private pensions and financial wealth.[21]

Since men predominate among those owning high levels of assets, introducing wealth taxation would contribute to reducing gender inequalities in wealth holdings.

There is public support for the taxation of wealth. Polling by YouGov[22] found 73% of people in Great Britain would support taxing wealth over £5m.

INHERITANCE TAX

Inheritance of wealth hinders social mobility. Taxation of the unequal gains made from inheritance is only fair. It was rumoured[23] that the Government was considering a pre-election give-away in the form of cuts to, or even the abolition of, inheritance tax. This would further reduce social mobility as well as the Government's ability to raise revenue.

The current structure of inheritance tax, with its many allowances and reliefs, is inadequate for tackling social mobility and only raises £7bn (0.3% GDP) a year[24]. Tax reliefs within it only serve to concentrate inherited wealth, as does Capital Gains Tax (CGT) forgiveness at death. In particular, Business Relief and Agricultural Property Relief are widely used as loopholes to avoid paying inheritance tax, pushing up land prices. Similarly, pension pots are outside the scope of inheritance tax. Abolishing agricultural and business reliefs and bringing pension pots

[7] Tax Justice UK (2023) Six wealth tax policies that could raise £50 billion
[8] Oxfam (2023) Survival of the Richest
[9] S. Robinson and R. Shorthouse (2022) Rightfully rewarded. Reforming taxes on work and wealth.
[10] P. Narayanan (2023) Fairer taxes, smarter spending: A recipe for sustainable growth. IPPR.
[11] J. Evans, C. Hayes and G. Dibb (2022) Buy back better. The case for raising taxes on dividends and buybacks. IPPR and Common Wealth.
[12] V. Gaspar, M. Kee, A. Klemm and P. Mauro (2021) A Covid-19 Recovery Contribution. IMF.
[13] G. Bangham, A. Corlett, J. Leslie, C. Pacitti, J. Smith (2020) Unhealthy finances. How to support the economy today and repair the public finances tomorrow. Resolution Foundation.
[14] IFS (2023) Is it time for a UK wealth tax?
[15] Tax Justice UK (2023) Six wealth tax policies that could raise £50 billion
[16] Wealth Tax Commission (n.d.) Tax Simulator. These figures include British citizens from the Sunday Times Rich List who are not resident in the UK.
[17] Wealth Tax Commission (2020) A wealth tax for the UK: Final report
[18] I. Pinto (2023) Why taxation of wealth is a feminist issue. A gendered analysis of wealth in Great Britain. UK Women's Budget Group.
[19] ONS (2022) Families and households
[20] ONS (2022) Total Wealth: Wealth in Great Britain. July 2006 to March 2020. Table 2.9: Distribution of household total wealth, by household type.
[21] I. Pinto (2023) Ibid.
[22] Fintan Smith (2023) YouGov tests support for tax reforms on the richest portion of the population.
[23] J. Fitzgerald (2023) Autumn Statement 2023: When is it and our predictions for Jeremy Hunt's announcement. The Telegraph.
[24] Advani & Sturrock (2023) Reforming inheritance tax, IFS

within the scope of inheritance tax could raise up to £1.5bn annually in additional revenue.[25]

In the longer run the system of Inheritance and Capital Transfer Taxes should be reformed so that lifetime receipts, rather than bequests, are progressively taxed at income tax rates (possibly allowed to be spread over many years[26]), incentivising the distribution of wealth to more recipients.

Although inheritance tax is said to be unpopular, most people support it. A survey conducted by Demos[27] showed that 3 out of 4 people think that inheritances over some threshold should be taxed. The survey also found that people are less inclined to favour taxing inherited wealth that has arisen through earned income than wealth accumulated in other ways.

INCOME FROM CAPITAL AND CAPITAL GAINS

Income from savings and dividends, having an additional tax-free allowance, are not taxed as highly as income from earnings. Women are less likely than men to have income from savings and dividends and have lower levels on average of such income.[28] 76% of those who received more than £100,000 in income from property, interest, dividend and others in 2020-21 were men.[29]

Capital Gains tax (CGT) is levied at much lower rates than income tax. Men hold, on average, 177% more than women in UK shares[30], being more likely to make capital gains and benefit from their low taxation.

Unearned income should not be taxed more favourably than earned income. Capital Gains Tax (CGT) should be charged at income tax rates. The Office of Tax Simplification estimated in 2020 that the latter move could raise up to £14bn a year.[31]

In any reform of CGT, consideration should be given to abolishing or reducing any special treatment for transfers between spouses, to prevent its use for tax minimisation purposes, and to extend independent taxation to capital gains. CGT forgiveness at death should be abolished but charged at whatever point inherited assets are sold, raising around £1.6 billion a year.[32]

HOME OWNERSHIP

The favourable tax treatment of home ownership for CGT encourages an additional demand for housing, as does the additional allowance within inheritance tax for housing passed on to family members. Both measures advantage those who can afford to 'get on the housing ladder', inflating house prices and rents, while making suitable housing unaffordable to many, and channelling funds into raising house prices rather than more productive investment.

Such tax relief is biased towards those who can afford expensive property, often through parental support, hampering social mobility and increasing inequality. Men are more likely to be able to afford to buy a property on their own than women.[33]

Instead, the taxation of housing should be reformed by abolishing any permanent relief from CGT (while possibly allowing some of its payment to be delayed across successive house purchases and transfers between residents). Consideration might also be given to imputing and taxing the in-kind rents that owner-occupiers enjoy. Any revenue raised by these measures could be redirected to tackling the housing shortage by building social housing.

COUNCIL TAX

Although charged on occupants rather than owners, council tax is the nearest that we have to a property tax. However, it is highly regressive, with those in lower bands paying more in proportion to the value of their house than those in the highest bands. It is based on outdated property values, reducing the amount paid by those who have done best out of increasing

[25] Ibid
[26] Special provision would be needed for the less well-off widowed and for a joint residence.
[27] D. Goss, B. Glover (2023) The Inheritance Tax Puzzle. Challenging assumptions about public attitudes to Inheritance. Demos.
[28] Scottish Widows (2021) Women and Retirement 2021
[29] HMRC (2023) Income and tax, by gender, region and country: 2019 to 2020; R. Palmer (2020) Wealth, tax and gender. Paper for the Commission on a Gender Equal Economy
[30] I. Pinto (2023) Why taxation of wealth is a feminist issue. A gendered analysis of wealth in Great Britain. UK Women's Budget Group.
[31] Office of Tax Simplification (2020) Capital Gains Tax Review – first report: Simplifying by design
[32] Advani & Sturrock (2023) Reforming inheritance tax, IFS
[33] WBG (2019) A Home of Her Own: Women and Housing

house prices. The banding is in urgent need of reform, as is the system of redistribution between councils.

There is a strong case for a new settlement for local government funding. Councils in more deprived areas are not able to fund adequate provision of public services through council tax alone. Recent research by the Institute for Fiscal Studies found that the most deprived fifth of areas received a share of local government funding that is 9% lower than their estimated need, while the least deprived areas received 15% more.[34] This results in the communities with the greatest needs having to make the greatest reductions in services. Many local authorities are having to sell vital community assets[35]. Larger and more redistributive central funding is required to support all local authorities, especially the poorest. Local authorities need more funding if public services are to be prevented from declining further[36], let alone restored to their pre-2010 levels.

This particularly affects women in poorer areas, who tend to be more dependent on the services that local authorities provide, both directly for themselves, and, because they often make up for the lack of such services, by undertaking unpaid care and domestic work.[37] It has also affected women's opportunities for employment, since women are more likely than men to be employed by local authorities.

It is vital that the Fair Funding Review, now delayed until at least 2025-26 [38], results in a long-term method of funding that reduces inequalities in what local authorities can do, rather than increasing their reliance on council tax and business rate receipts, exacerbating these inequalities further.[39]

Consideration should be given to replacing council tax with a local income tax combined with a land value tax. In the absence of such a change, council tax should be reformed to reflect current property values more accurately and progressively. Replacing Council Tax and Stamp Duty and the under-occupancy penalty[40] with a single proportional property tax could reduce the tax paid by 19 million households, increase fairness and simplify the tax system.[41]

FAIRER TAXATION OF INCOME AND EARNINGS

INCOME TAX

The UK raises less than similar European countries from income taxes and social security contributions (15% of national income, compared with an average of 20% across G7 countries and 25% in Scandinavia).[42] But in the absence of wealth taxes, income tax is the fairest way of raising revenue that we have.

For the income tax system to promote gender equality and be fairer, and at the same time provide increased revenue, it needs to be more progressive and inclusive, with a steeper rise in rates from a lower basic rate as well as a lower personal allowance.

In its 2019 manifesto, the Government committed to not raising the rates of income tax, National Insurance or VAT.[43]

Yet the revenue collected from income tax has increased by freezing thresholds until 2028, which is equivalent to lowering thresholds in real terms, and by a large amount since inflation has been high in that period. Both basic and higher income tax thresholds have now been frozen since 2021/22 until 2027/28 and the threshold for additional tax lowered from £150,000 to £125,141[44].

[34] IFS (2023) How much public spending does each area receive? Local authority level estimates of health, police, school and local government spending
[35] Ryan Swift (2023) People want, expect and deserve change, The MJ
[36] SIGOMA (2023) One in ten SIGOMA councils facing Section 114 notice; BBC News (2023) Bankrupt Birmingham: Why the council went bust.
[37] WBG (2019) Triple whammy: the impact of local government cuts on women
[38] IFS (2023) The economic and fiscal outlook: modelling the impact on local government
[39] WBG (2021) Local government, gender and Covid-19
[40] Also known as the “bedroom tax”.
[41] Fairer Share (n.d.) Proportional Property Tax
[42] M. Conte, H. Miller and T. Pope, (2019) How Do Other Countries Raise More in Tax than the UK? IFS Report R160,
[43] Conservative Party Manifesto 2019 p15
[44] HMRC (2023) Income Tax rates and allowances for current and past years

When he was chancellor, Rishi Sunak made a pledge to cut income tax rates by 1p in 2024/25[45]. It is not clear whether that pledge will be fulfilled, but to do so while freezing thresholds would be highly regressive. It would allow inflation to bring more people into paying tax at each level, while reducing the amount those with higher incomes must pay. As a result, it would also worsen gender inequality in disposable incomes.

Abolishing the personal allowance and using the extra revenue to fund a flat payment to all adults (similar to a partial Basic Income), would make the system as a whole more progressive.[46] To fund such a payment by raising income tax rates, especially for those on higher incomes, would be even more progressive.

INDEPENDENT TAXATION

Two measures brought in since 2010 undermine independent taxation of income, impeding gender equality. They should be abolished:

i) The Marriage Tax Allowance allows the lower earner in married or civil partnership couples to transfer up to 10% of their annual personal allowance to the higher earner, if neither pays income tax at more than the basic rate.
ii) The Higher Income Child Benefit Charge “withdraws” child benefit from a higher rate taxpayer's income if they or their partner have claimed Child Benefit.

Both these measures make one partner's tax liability depend on the other's income, thereby undermining the right to independent taxation, an important contribution to women's equality, introduced in 1990 with all-party support. The Marriage Tax Allowance also increases the incentive for low- to middle-income couples to have just one earner, although the tax reduction does not go to the partner at home but to the greater earner – 85% of whom are men.[47]

TAXATION AND NATIONAL INSURANCE CONTRIBUTIONS ON DIFFERENT WAYS OF EARNING

Differences in how earnings are taxed create opportunities for undesired behaviour in tax avoidance and can also lead to workers losing employment rights.[48]

Earnings taken in the form of company profits are taxed at lower rates; this option is not generally available to most employees, but is taken by some of the highest paid, most of whom are men.

Further, National Insurance Contributions (NICs) are payable only on earnings, and at a reduced rate for the self-employed (including those in the gig economy, classified as "self-employed", but more like employees in many respects).

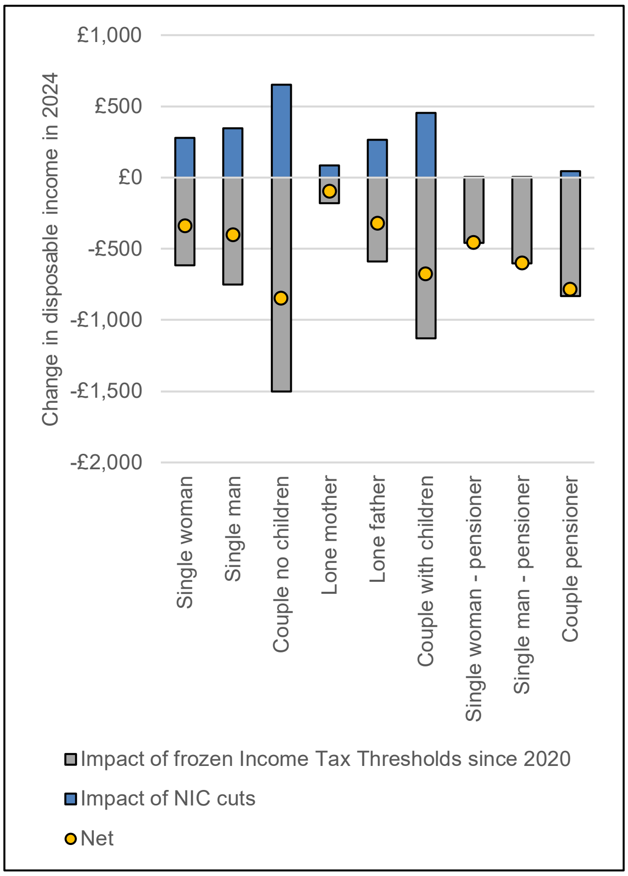
Legislation should be brought in to prevent employers treating workers that are effectively employees as self-employed, who then lose employment benefits and protection. NICs rates and benefits for the self-employed should be harmonised with those of employees.

To ensure that all forms of income are taxed similarly, a surcharge equal to the NICs paid on earned income NICs should be payable on all investment income, on rent from property, on capital gains and by pension-age individuals. Doing so would raise at least £12 billion, even if pension income continued to be exempt.[49] The regressive structure of NICs should be reformed by abolishing the Upper Earnings Limit, ensuring that the rates paid on higher earnings match those paid by lower earners. These reforms could raise at least an additional £20 billion.[50]

In his Autumn Financial Statement 2023, the Chancellor reduced the rates at which employees and the self-employed paid NICs. Although presented as part of the Chancellor’s tax cutting agenda, for no group does the cut in their NICs rate compensate for the extra income tax raised through the freezing of income tax thresholds during this parliament (see Figure 1).

[45] HMT (2022) Spring Statement 2022
[46] New Economics Foundation (2019) Nothing Personal: replacing the Personal Tax Allowance with a Weekly National Allowance
[47] See more detail discussed in WBG briefing on Transferable Tax Allowances(2013) Recognising marriage in the tax system will not benefit women
[48] Stuart Adam (2016) Tax and benefit reforms, IFS post-Autumn Statement briefing 2016
[49] Advani et al (2021) Fixing National Insurance: A better way to fund social care, CAGE Policy Briefing no. 33
[50] ibid

Figure 1: Impact on annual disposable income of tax decisions – 2024



Notes: AHC equivalised disposable annual income for 2024. Comparison of the current scenario and a hypothetical scenario where the income tax personal allowance and thresholds for the basic rate (20%), higher rate (40%), and additional rate (45%) increase in each fiscal year, based on the inflation of September of the previous year, from 2020/21 to 2024/25. WBG calculations using UKMOD[51] B.109 with 2019 FRS data.

The WBG is against cutting taxes in such an *ad hoc* way when public services are in urgent need for greater funding.

FAIRER TAXATION OF COMPANIES

CORPORATION TAX

The headline rate of corporation tax is now 25%. This full rate applies to businesses with profits of £250,000, about 10% of firms. A small profits rate (SPR) of 19% has been maintained for firms with profits of up to £50,000, about 70% of firms, and the increase tapered above that level. Raising the headline rate to this level was a welcome move. However, the rate could be raised further, particularly now that there is international cooperation on corporation tax levels and on where profits are declared for tax purposes.

The Chancellor also confirmed in his Autumn Financial Statement that the system of tax allowances known as “full expensing” would become a permanent feature of UK Corporation tax, allowing all companies to claim 100% relief for qualifying capital expenditure.[52] This will benefit only large companies spending more than £1million in one year on investment, because £1 million of qualifying capital expenditure already receives 100% relief under the Annual Investment Allowance.

A wholesale review of existing tax reliefs and allowances should be instituted for business reliefs. Any tax reliefs, allowances and exemptions that remain, should be treated like any other government expenditure with their gains rigorously assessed against their costs and their equality impacts considered.

TAXING OIL AND GAS COMPANIES

The "Energy Profits Levy", a windfall tax on energy companies' increased profits resulting from rising energy prices, is now 35% and will run until March 2028.[53] For every £100 companies invest in oil and gas extraction they can claim back £91.40 in tax relief. A temporary 45% levy also applies to "extraordinary returns" from low-carbon electricity generators in the UK.[54]

Energy prices are still high causing hardship to millions and energy firms are still profiteering from those high prices. Such excess profits should be taxed at near 100% and the loopholes in the current Energy Profits Levy removed. Tax exemptions and reliefs for oil and gas companies should be abolished and fiscal incentives transferred to green and clean energy sources.

TAXING SHARE BUYBACKS

Some of Britain’s largest companies are transferring profits to their shareholders at record levels by buying back their shares. A share

[51] UKMOD is maintained, developed and managed by the Centre for Microsimulation and Policy Analysis at the Institute for Social and Economic Research (ISER), University of Essex. The results and their interpretation are WBG’s sole responsibility.

[52] HM Treasury (2023) Autumn Statement 2023
[53] HMRC (2022) Energy (Oil And Gas) Profits Levy
[54] BBC news (2023) What is the windfall tax on oil and gas companies and how much do they pay?

buyback tax at President Biden's proposed 4% rate would have raised £2.2 billion in 2022 in the UK[55], disincentivising companies from channelling profits to their shareholders rather than investing in the real economy.

An additional emergency windfall tax at a higher rate of 25% targeting share buy backs by fossil fuel companies experiencing excess profits due to rising fuel prices would have raised a further £11 billion a year, £4.8 billion of which would have come from Shell and BP alone[56].

FAIRER INDIRECT TAXES[57]

THE ENVIRONMENT

High energy and fuel prices continue to cause major disruption to the economy. This is partly because the tax system has not been reformed to incentivise industry, households and car owners to move to more efficient fuel use and lower carbon fuels. Instead, we have had more than 12 years in which fuel duties were not increased, indeed occasionally reduced[58], and price competition between energy suppliers has been prioritised over encouraging greener energy sources or reducing consumption.

The OBR estimated that the cumulative cost of freezing fuel duty rates since 2010/11 had already a year ago reached around £80bn[59], while Carbon Brief analysis shows that UK's carbon dioxide (CO2) emissions are around 7% higher than they would otherwise have been.[60]

As well as having severe revenue and environmental costs, cuts in fuel duty primarily benefit men, who are more likely to drive and drive longer distances than women.[61] They also benefit better-off households as, unlike on many other consumer goods, the proportion of income spent on fuel is roughly proportional across the income distribution.[62]

Urgent measures are needed to encourage a move to a lower carbon future. Taxes can play their part in this. Rises in fuel duty should be reinstated, as well other environmental taxes, with financial support given to those in fuel poverty and those for whom reducing their use of fossil fuels is exceptionally costly.

ALCOHOL DUTIES

There are significant economic and social costs related to alcohol consumption, with estimates placing the economic burden between 1.3% and 2.7% of GDP.[63] While in the UK duties on alcohol are high relative to many other countries, they do not cover the costs of alcohol-related harm, including violence to women and girls. Many studies have shown that increasing the price of alcohol reduces consumption and harm.[64]

VALUE ADDED TAX (VAT)

The regressivity of VAT in the UK is reduced by most foods and children's clothing being zero-rated. Indirectly this reduces the incidence of VAT on households with women members, since women are more likely than men to live with children, particularly in poorer households.[65] In the absence of progressive reform of the overall tax system, the zero-rating of food and children's clothing for VAT should continue.

TACKLING TAX AVOIDANCE AND EVASION

The system of tax allowances leads to large reductions in tax collected, particularly from both wealthy individuals and large corporations, who can pay for advice as to how to reduce their taxable income through tax reliefs. Such tax breaks also give official endorsement to the view that payment of tax is an undesirable burden that

---

[55] IPPR (2022) Buy back better: The case for raising taxes on dividends and buybacks
[56] IPPR (2022) Buy back better: The case for raising taxes on dividends and buybacks
[57] There are a number of reforms of indirect taxation that the WBG advocates. Here we concentrate on the most significant.
[58] HMRC (2023) Historical hydrocarbon oils duty rates
[59] OBR (2023) Economic and fiscal outlook – March 2023
[60] CARBON BRIEF (2023) ANALYSIS: FUEL-DUTY FREEZES HAVE INCREASED UK CO2 EMISSIONS BY UP TO 7%
[61] Department of Transport (2016) Road Use Statistics Great Britain 2016
[62] IFS (2018) IFS Green budget 2018
[63] Public Health England (2016) The Public Health Burden of Alcohol and the Effectiveness and Cost-Effectiveness of Alcohol Control Policies
[64] ibid
[65] De Henau, J., Himmelweit, S. & Santos C. (2010) "Gender Equality and Taxation: A UK Case Study" in C. Grown and I. Valodia (eds) *Taxation and Gender Equity: A Comparative Analysis of Direct and Indirect Taxes in Developing and Developed Countries* (pp 261–298).

can legitimately be avoided by clever schemes, rather than being a necessary and desirable contribution to a well-run society.

The current system of poorly designed tax reliefs, allowances and exemptions undermines the integrity of the tax system as a whole, by creating opportunities for tax avoidance that go far beyond the original intentions of their design. In practice, the reliefs tend to go to the better-off, largely men, and are not subject to the same levels of scrutiny as other forms of public expenditure.

Corporate tax avoidance, especially through tax havens, worsens gender equality not only in the UK, but worldwide. It makes other necessary legislation, such as on employment and safety regulation and on minimum wages, harder to implement. These factors impact especially on women in poorer countries, who are often employed at low wages in industries that are free to move to countries with less regulation, lower taxes and less social protection, weakening those workers' bargaining power.

Men are not only more likely to gain from tax avoidance, they are also more likely to be employed, and to be better paid, within the financial services sector, much of which specialises in advising firms on 'tax efficiency', and where some of the most spectacular gender discrimination has been demonstrated by court cases in recent years.

NON-DOMS

The tax treatment of non-domiciled residents in the UK ('non-doms') could be made fairer. Non-doms receive at least £10.9 billion in offshore income and capital gains each year on which they are not taxed in the UK. Taxing this income would raise more than £3.2 billion in additional tax revenue each year and also remove their current disincentive to invest in the UK.[66] 67% of non-domiciled taxpayers are men.[67]

CONCLUSION

Substantial additional revenues could be raised by taxing wealthy individuals and large corporations more highly and abolishing many of the allowances by which tax can be avoided. This is urgent given that politicians on all sides consider current revenues to be insufficient to invest in our public services and alleviate cost of living pressures. Instead of giving tax breaks in an attempt to court popularity, policy makers should realise that public attitudes to tax, particularly to its role in enabling good quality public services, are more fluid.[68]

The tax system needs substantial reform to make it more progressive, more inclusive and to challenge the view of tax as a burden. Such reform should be underpinned by gender and distributional analysis, examining not only taxation's incidence on men and women (and other groups), but also the total revenue raised, given how vital enabling public spending is to women and those on lower incomes.

[66] Advani, Burgherr and Summers (2022) Reforming the non-dom regime: revenue estimates, CAGE Policy Briefing no. 38
[67] HMRC response to WBG's FOI request about non-domiciled taxpayers in the UK disaggregated by gender. February 2023.
[68] R. Brown (2022) Autumn Statement 2022: What are the public's priorities for taxation, welfare and public spending?. National Centre for Social Research.

Written by:
Susan Himmelweit, Emeritus Professor of Economics,
The Open University. susan.himmelweit@open.ac.uk

Edited by Ignacia Pinto, Senior Research and Policy
Officer, Women's Budget Group.
ignacia.pinto@wbg.org.uk

UK Women's Budget Group, February 2024
Contact: press@wbg.org.uk

WOMEN'S BUDGET GROUP

Spring 2024