Women's Budget Group call for evidence on tax

Oxfam submission

Tax systems are, globally, seen as putting women at the margins, and not just in terms of the how taxes affect income, wealth and behaviours directly. They are not designed in a way that gives sufficient attention to the **net** effect that tax and spending systems combined, both on paper and in practice, have on the immediate needs or strategic priorities that underpin gender inequalities. In this submission we outline ways Oxfam thinks tax policies and systems can be reformed to help them contribute to creating a gender-equal economy.

1. How should the tax system be reformed?

Background
In addition to UK national and sub national commitments, the 63rd session of the UN Commission on the Status of Women (CSW63) concluded with a commitment by UN Member States to safeguard and improve women's and girls' access to social protection systems, public services and sustainable infrastructure, ensuring that their design and delivery is transformed to prevent discrimination and create a 'level playing field' for women and girls. It calls on Member States to 'take steps to significantly increase investment to close resource gaps, for example through the mobilization of financial resources from all sources, including public, private, domestic and international resource mobilization and allocation, including by enhancing revenue administration through modernized, progressive tax systems, improved tax policies, more efficient tax collection and increased priority on gender equality and the empowerment of women in official development assistance to build on progress achieved and ensure that official development assistance is used effectively to accelerate the achievement of gender equality and the empowerment of women and girls'.[1] The Sustainable Development Goals (SDGs) also include a raft of commitments across multiple goals, that require sufficient funding to address gender inequalities, and also include an indicator to measure progress countries' systems to track and make public allocations for gender equality and women's empowerment (5.1.c).[2]

It is clearly important to consider tax (for individuals and the tax system) from a gendered and transformative perspective; tax is a tool for tackling economic and gender inequality and the causes of those inequalities. But it is one tool alongside other budgetary, regulatory and voluntary measures. Oxfam works on tax and wider fiscal and governance issues, focusing on economic and intersectional inequalities (see for example our 'Time to Care' report). This includes a focus on the UK alongside other countries and regions, and globally especially in relation to critical institutions such as the IMF, WB, UN and OECD that to varying degrees influence economic models and narrative, tax policy advice and decisions.

Process:
Fundamental reform of the system - The UK tax system will be more sustainable if it is appraised holistically and if fiscal objectives are revised, speaking to the realities of women and men. Perhaps building on the current discussion to officially promote 'levelling up' across regions and nations in the UK, the government should adopt fiscal gender equality as an overarching objective. This objective should be supported by formal inclusion of women's rights organisations in the budget and other key processes, and the (re) adoption of gender impact assessments of specific policies.

The *Green Book* and other budget documents should include an overall gender impact assessment,

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[1] https://www.unwomen.org/-/media/headquarters/attachments/sections/csw/63/conclusions63-en-letter-final.pdf?la=en&vs=3258
[2] https://unstats.un.org/sdgs/metadata/

and the government should commit to not proposing a budget which worsens gender and intersecting inequalities (eg by reference to protected characteristics) – through a legal mechanism if necessary. Distributional analysis should be disaggregated by income, wealth and gender; where data do not exist, the government should mandate the Office of National Statistics to develop relevant indicators, working with women's rights organisations.

Women and men as active fiscal citizens - There is still little civic education on tax and related spending (from school to adulthood), including what tax is, what it is used for, the context of the social contract and historical evolution and role that taxation has played. Accessible communication should be stepped up around for example, changes to taxation, who is paying and what the overall social wage is, and what is lacking. There is limited involvement of women in defining fiscal theory, models, and policy solutions, and insufficient diversity (class, gender, race) in critical economic institutions. All citizens could be invited to engage in setting budgets and discussing implications and trade-offs, for example through local hearings or assemblies, using qualitative and quantitative data and lived experience gather and shared by women's rights actors or women directly. Such citizen-centred discussions would seem even more critical now that the additional challenge of carbon emission reduction is widely accepted but recognizing the need for a carbon transition that is gender just.

Women's rights organisations as critical catalysts for change – These organisations require core funding to allow them the flexibility to provide the relevant analysis and advice on intersectional issues such as gender and age, or gender and geography, to play their role in building understanding at grassroots level, in channeling information up to and down from policy spheres, in participating actively in budget analysis, and in maintaining pressure/accountability on decision makers and budget holders, to focus and deliver on agreed priorities.

Building tax and wider governance morale in society - Tax can play an important role in upholding the social contract between citizens and the state. Whilst there has been a recent increase in interest in 'tax morale' this has been trying to identify how individuals generally will perceive themselves as taxpayers in relation to the tax system. But there is not much understanding of how groups of taxpayers or communities as a whole perceive issues of tax morale and how this is reflected in support for tax reforms. It is conceivable that those who pay a higher effective tax rate despite having a lower income perceive the tax system as unfair. Similarly, those who are more reliant on underfunded public services may perceive a greater fraying of the social contract. By ensuring better civic understanding of tax and spending, sound and sustainable funding of social policy and public investments including in critical areas such as housing and care, and by promoting accountability of government to all citizens, effective tax systems can be associated with a 'virtuous circle', whereby the generation of government tax revenues leads to improved service provision and reduced inequalities at societal level. This in turn increases citizens' willingness to support tax progressive reform.

Taxing for revenues - Tax is not the only way for governments to raise revenues, but if it is done well it can be progressive by requiring those with greater income or wealth to pay more. Financing public services through borrowing can also be progressive. Increased and improved tax or other public revenues can be more powerful – ensuring progress across multiple inequality objectives - when used to fund explicit gender-just economic architecture such as a feminist Green New Deal.

Tax and public services to tackle gender inequality - The need for infrastructure, social protection and the use of public services is currently heavily gendered (see also Annex) and addressing the underlying factors is critical. Women are more likely to need health services, as mothers or other care givers, for example. Yet the kind of public services which would help reduce gender inequality –

such as mandatory options for flexible or part-time working, free and comprehensive care provision – are generally no nearer now than they were ten years ago. Where they exist they are not fully accessible or attractive (paternal leave) and lacking supporting measures to ensure design and uptake is challenging gendered roles. Whilst women's labour force participation – a common indicator of women's economic equality - rates have risen, much of those gaining new income are in precarious jobs or working informally to try to build a business alongside caring responsibilities. These hidden challenges would be easier to manage with better public services, paid for through progressive taxes.

In theory, taxes combined with transfer mechanisms are powerful in addressing inequalities, but it depends on who is being taxed, who is benefitting from spending and leakages or inefficiencies along the way. When spending is focused on areas and investments that serve large corporate interests above those of less 'powerful' actors, coupled with structural detaxation and regressive taxation, redistribution can end up going the wrong way. For example, in Tanzania, regardless of the poverty line used, poverty is higher once direct taxes and transfers and subsidies are considered. A comparison of poverty measured at $2.50/day for market income and post-fiscal income reveals an increase of 4.8% in the poverty headcount ratio. The effect is entirely or mostly reversed, depending on the poverty line, once in-kind transfers are considered, with the move to final income (Younger et al., 2016: 13)[3]. This points to the importance of adopting a comprehensive approach that encompasses both tax and spending.[4]

Tax rises do not necessarily lead to increased spending that reduces inequality, but evidence is that tax cuts (such as under austerity packages introduced around the world) do often result in reduced spending where it matters. This includes on policies that may preference men but where cuts may hit women harder – for example UK pension reforms; in cuts to civil service, but at levels and for positions that are less permanent/ full time and more junior.

Progressive taxes for redistribution

The government should use progressive taxation where possible to redistribute income and wealth. By design, progressive taxes reduce economic inequalities. A broader understanding of progressiveness should lead to consideration of how taxes can redistribute unpaid care and domestic work between women and men. Since women and BAME women especially, tend to dominate lower income quintiles and have less wealth than men, progressive taxes are an important way to move to a more gender-equal economy. Therefore, personal income tax, national insurance contributions, corporation tax and wealth taxes should be designed to ensure that the principle of ability to pay is consistently applied in practice. Some taxes – such as income tax deducted at source – are harder for one taxpayer to 'push' onto another; whereas others such as council tax may ultimately be paid by a tenant rather than an owner, exacerbating inequality.

Income tax - Recent changes to some of these taxes have undermined their progressiveness, likely exacerbating gender inequality. For example, increasing the tax-free threshold for personal income tax disproportionately benefits wealthier taxpayers, the majority of whom are men. Similarly, cutting the additional personal income tax rate from 50% to 45% benefits the already well-off. Such measures are worsened when regressive taxes (like VAT) are raised, and/ or when the spending or quality of public services reduces.

Oxfam works with colleagues and partners in many countries around the world on issues of national tax policy and practice. Our global *Commitment to Reducing Inequality Index* highlights which

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[3] https://www.odi.org/sites/odi.org.uk/files/resource-documents/10387.pdf
[4] https://www.odi.org/sites/odi.org.uk/files/resource-documents/10387.pdf

governments have more progressive tax systems. The UK would score better if there were additional personal tax bands at the top end, including capturing very high incomes with additional rates. There is also likely to be potential to review and reform specific aspects of income tax in practice which create undesirable outcomes. For example, for households with children entitled to child benefit where one income taxpayer earns between £50,000 and £60,000, the ‘clawback’ of child benefit payments combined with the higher rate income tax creates a higher marginal tax rate than for an additional rate taxpayer. Perhaps even more deleterious are similarly high marginal effective income tax rates for those earning low incomes who continue to be entitled to Universal Credit- the effective marginal tax rate can be over 60%, hardly ‘making work pay’. Women are disproportionately represented in this group.

Corporate taxes - At the same time, it is important that the rate of corporate income tax is not lowered; indeed, progressive taxation policy implies increasing it to at least the level of the basic rate of income tax (20%) else one of the key attributes of corporate tax policy (as a defence or backstop to income tax) is undermined. Furthermore, Oxfam’s research shows that there is wide variation within and between large companies on their effective corporate tax rate.[5] Many large companies have had effective rates significantly below the headline rate of corporate tax – which itself has been cut substantially from 28% in 2010 to 2019 today. Whilst there is debate about the impacts of these cuts, the research on effective tax rates over the medium term suggests that a combination of tax incentives, allowances, international loopholes and other factors mean many highly profitable companies are paying significantly lower rates on their net income than many employees or small business people.

As well as entrenching economic inequality in its own right, this trend also leads to greater income in the form of dividends and share value for publicly listed companies, and for the owners of private companies. The highly gendered nature of company ownership means that higher corporate profits disproportionately benefit men. Aside from questions of whether such corporate gains are merited, there is a strong case for levying equivalent tax rates on capital gains as on labour. This would help address wealth inequality directly, and raise revenues which could be invested in key public services that address gender inequality. IPPR’s research suggests that equalising capital gains tax rates with income tax rates would raise in the order of £90 billion over five years, the vast majority of which would be paid by the wealthy.[6]

Wealth taxes - Oxfam also supports a wider review of wealth taxes to identify how existing ones can be made fairer by increasing progressivity. Such a review could look at the regressivity of the current Council Tax model (see the Resolution Foundation’s research on this[7]), regressive changes to inheritance tax and whether changes to pension tax reliefs and stamp duty have been progressive in practice. Oxfam recommends the government also considers introducing a net wealth tax in the UK. Our research suggests that implementing such a tax based on the Spanish model would raise around £10bn annually, nearly all paid for by the top 10%.[8] Improving wealth taxes is key to reducing wealth inequality which has worsened in the UK even as some measures of income inequality show little change in recent years. Available data shows that wealth inequality is heavily gendered[9], perhaps partly explained by higher pensions for men compared to women.

[5] https://policy-practice.oxfam.org.uk/publications/british-based-corporations-and-the-tax-race-to-the-bottom-620871
[6] https://www.ippr.org/files/2019-09/just-tax-sept19.pdf
[7] https://www.resolutionfoundation.org/app/uploads/2018/03/Council-tax-IC.pdf
[8] https://views-voices.oxfam.org.uk/2019/08/why-taxing-wealth-more-effectively-can-help-to-reduce-inequality-and-poverty/
[9] https://www.ft.com/content/8c20ba50-40fe-11e9-9bee-efab61506f44

VAT - Oxfam is concerned that the UK government – in common with many others – has increasingly relied on regressive taxes to raise revenues. VAT makes up a large proportion of tax revenues and despite important exemptions for some basic goods, and lower rates for others, its overall impact remain regressive. This regressivity is gendered since women have lower average incomes than men, meaning their effective tax rate on a given product or service is a higher as a proportion of their income. The government should identify how reforms can make VAT less regressive, including using a gender distributional analysis of consumption and corresponding tax incidence. (And even if VAT exemptions are secured, the impacts can be variable and very context specific. VAT exemptions do not mean costs to consumers will be reduced. There is clear evidence in the case of Colombia, for example, where campaigners won a reduction in consumption tax rates on menstrual products that were not subsequently reflected in reduced prices for consumers of the same products.)

Tax incentives - Some tax expenditures may be justified on gender equality grounds. And in some cases, even when the impact of tax incentives reinforces existing gender inequalities, women may not want certain incentives (eg fuel subsidies) to be removed, for fear that the government would not spend the reclaimed income in their interests). But in general, there are too many tax expenditures which disproportionately benefit businesses, and without even orthodox economic cost/benefit analysis. The government should conduct a holistic review of tax expenditures with the objective of getting rid of ones which don't contribute to a progressive social objective. By design, tax incentives tend to favour one set of taxpayers, thus disadvantaging those who do not pay the relevant tax in the first place. Rather than using incentives, governments should start from the premise of providing free, universal and quality public services, and infrastructure which means that targeted, wasteful and inequality-exacerbating incentives are not needed.

For individuals, the government could look at providing a single level of tax relief on pensions which would reward all savers equally, rather than providing greater benefits to higher earners. For companies, too many incentives are concentrated on apparently high tech, physical industries whereas sectors which underpin much of the economy, such as care, do not have supportive tax policies.

Tax for care - Care is widely recognised to be in the social good. People know that good care, paid and unpaid, strengthens relationships, provides fulfilling childhoods, and offers dignity for disabled people and the elderly. But too often people do not appreciate that the economy is built on the back of care work performed by women. Like physical infrastructure, such as transport, it enables people to go to work who wouldn't be able to otherwise. It helps develop the next generation of workers. Care work is both the beating heart of our society and the foundation of our prosperity.
Yet we do not treat it so. Our care services are underfunded, our care workers are underpaid, and our carers and parents are more likely to be poverty.

Women, who do the vast majority of care work, suffer the consequences. We know that cuts in public services such as social care have meant a greater amount of unpaid care work being undertaken in communities by women, limiting their economic independence and ability to learn and work. Cuts have resulted in the paid care work that women perform being underpaid and under-resourced. This also hits the children, disabled people and elderly denying many the fulfilling lives and dignity they deserve. Introducing a gender equal taxation system would enable us to fund care as it deserves, giving child care and care workers good wages, providing good quality services for families, disabled people and the elderly, and enabling parents and carers to choose whether to work.

We should introduce a gender equal taxation system both as a hard-headed investment in our economy, and as way to improve our society. This would be essential to tackling the care crisis by raising the revenue needed to invest in a care system that meets everyone's needs, without relying on unpaid and underpaid work by women. Taxes pay for government provision of childcare, healthcare, education, social protection and infrastructure that societies need to sustain life and economic activity. Public services such as health and education can redistribute and reduce the care workload and provide women with opportunities to choose the future and the employment they want.

Further, as well as providing revenue, taxes can redistribute, helping to address inequality head on. However, when governments choose not to invest in these much-needed equalizing policies, they leave the most marginalized women and girls to fill the gap pushing them further into time and income poverty. In support of taxing for care, we should explore and test the idea of Ruth Pearson, of a transaction tax that could be introduced as a 'hypothecated' source of funding for, amongst others, gender transformative investments.[10]

Too many governments shy away from taxing high incomes and wealth that would ensure a fairer contribution by those who can most afford it. According to Oxfam's calculations, taxing an additional 0.5% of the wealth of the richest 1% over the next 10 years is equal to investments needed to create 117 million care jobs in education, health and elderly care and to close care deficits.

2. What would the impact on gender equality be?

Higher and fairer taxes to invest in public services
A more progressive taxation system would raise more revenue from wealth to pay for public services which women are most reliant on. The economy is built on the back of care work performed by women both paid and underpaid. As a society we are comfortable with taxation paying for infrastructure which we consider beneficial to the economy such as transport and construction but we do not see the amount of work being performed by women in enabling the economy to function as underpinning the economy in the same way. Society views public services, benefits and care as being hand-outs which we give to those in need as a social good rather than as the essential infrastructure needed for the economy to function.

Improving care - Better resourcing this caring infrastructure would mean a better performing and effective economy as well as advancing gender equality. We know that cuts in public services such as social care has meant a greater amount of unpaid care work being undertaken in communities by women, limiting their economic independence and ability to learn and work and that also this has resulted in the paid care work that women perform being underpaid, this in turn affects care quality. Because most care work is performed for free paid care work is viewed as being menial and unskilled.

Social security - We know that an insufficient social security system makes women to 'poverty managers' trying to make insufficient resources cover life's essentials and further limiting their opportunities for economic empowerment. We also know that the cost and availability of childcare has an enormous impact on women's ability to be able to earn enough to make ends meet. A fairer taxation system which funded adequate social security, paid care work fairly, provided adequate childcare, adequately resourced the delivery of quality social services would help enable women to be more economically autonomous. Further, if the essential public services described above were rightly recognised as part of the vital infrastructure of the economy then investment in them would be seen as essential and the corresponding taxation justified.

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[10] Reflected in WBG's budget submission 2012

Engaging positively in fiscal decision-making - There are examples of how tax and care issues can be connected in campaigning and activism, as well as research - see Peru's linking of tax incentives with cancer medication access. These show that social movements can be energised and achieve greater success when linking egregious tax incentives to the lack of public funding for essential medicines which should be provided as part of universal healthcare coverage commitments.

There is an important role for tax to allow sufficient funding of women's rights actors - they are critical to securing and maintaining pressure on gender equality economies. Even tampon tax revenues are not being used to full effect, despite government promises, in terms of providing core funding for women's rights organisations.

Annex

Women are more reliant on tax revenues to fund public services, infrastructure and social security payments for the following key reasons:

i. Women need specific public services for physiological reasons – notably, to meet sexual and reproductive health rights. Women live longer than men and people need more services when they are older.

ii. Beyond physiological differences, social and economic differences are very crucial in determining women's 'dependence' on public purse:

  a. Women tend to marry older men, often living alone in older age. Men also marry women who are younger than they are, so that women are likely to outlive their partners far beyond biological age differences. They are more likely to live on their own when old and frail.
  b. Women provide the majority of care for others, notably those who use public services. Their role as carers means women are more likely to have in their households others who also need public services, including children, disabled adults and elderly people.
  c. Women are likely to be more eligible for public services - caring responsibilities and employment practices and policies mean women are more likely to be self employed, work in the informal economy, work fewer paid hours and suffer from pay gaps, as well as having fewer savings, assets and inheritances. Women are less likely to be able to afford private services and are more likely to be eligible for public ones.
  d. A larger proportion of women as opposed to men's employment is in the public sector - including many roles which substitute for the unpaid labour largely carried out by women and which are therefore seen as more suitable for women. Public sector employment can also be more compatible with family responsibilities, as a way of attracting women workers in the first place.
  e. Women are more likely to fill gaps in public services because of their unpaid care roles and because unequal pay means that their earnings are more expendable.
  f. Women make greater use of certain social security payments - they may receive benefits for their work as carers and for other specific family responsibilities, which they are more likely than men to have. They are generally poorer than men and less likely to contribute to public or private social security or pension schemes. Even then, changes to such schemes can still impact more on women – for example, pension reforms where eligibility rules have been changed in ways that disadvantage women. (POL but covers lots! We might want to use these paragraphs to unpack the policy issues here – we can use the list approach I-VI)