Statement regarding the public hearing on “The Impact of Taxation on Gender Equality in the EU.”

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Introduction

Jane Stotsky 1996[1] wrote a pathbreaking working paper for the International Monetary Fund that have had a world-vide impact regarding insights on how tax systems treat men and women differently. By addressing the implicit gender bias in fiscal policies and tax laws new questions have been explored with the ambition of improve gender equality.

Already in a report from 1984 the European Community (EC)[2] examined whether EC tax systems were neutral with respect to women's labour force participation. The main concern was that secondary earners faced a high marginal tax rate under a system of joint filing that would create a disincentive for married women to work.

In a subcall under the Horizon 2020 programme[3], the European Commission expressed concern about the potential consequences of globalization, internationalization, and human and corporate mobility for national tax systems. This concern had its base in earlier financial crisis and economic recessions in Member States. To protect a sustainable economic and monetary union in Europe, the Commission called for a total revision of fundamental aspects of tax regimes was called for. Our project under the title *Revisioning the ‘Fiscal EU’: Fair, Sustainable, and Coordinated Tax and Social Policies*, given the acronym FairTax was granted.[4]

The Horizon 2020 research and innovation programme shows clearly the transfer of the European Union from an Economic Community that now also include a social dimension in which gender equality is one of fundamental values and objectives. The Fairtax-project addressed gender equality as a core issue for future sustainability-oriented tax policies at Member State and EU level, and the work-package on gender equality and taxation had a central position in the project. One of the first conferences I was invited to as a coordinator was a minister conference on individual taxation and employment under the presidency of Luxembourg in 2015. My task was to speak on the Swedish reform on the introduction of individual income tax in 1971.[5] A general conclusion that could be drawn from the conference was that little progress had been made by the EU Member States since the EC report from 1984.

Joint income taxation

1 Stotsky, Janet G. 1996. Gender Bias in Tax System. IMF Working Paper 99/96, Washington: International Monetary Fund.
2 European Communities. 1985. The EC Commission on Income Taxation and Equal Treatment for Men and Women. Memorandum of December 14, 1984 presented to the EC Council," Bulletin of the International Bureau of Fiscal Documentation, Vol. 39 (June), 262 66.
3 H2020-EURO-SOCIETY-2014 Subcall EURO-1-2014 work programme topic ‘Resilient and sustainable economic and monetary union in Europe.’
4 For a comprehensive presentation of the FairTax-project: Fair and Sustainable in the EU. *Intereconomics. Review of European Economic Policy*. 2019, Vol 54 Nr 3.
5 Imposition individuell et emploi. 2016. Ministère du Travail, de l’Emploi et de l’Economie sociale et solidaire. Luxembourg.

Joint tax elements for spouses and partners in the national income tax systems have continued to feed the secondary earner trap. When challenging the traditional view in tax laws and fiscal policies that captures women under the control of their husbands, the embedded and implicit gender bias in joint taxation becomes obvious. Spouses and families are not neutral economic entities. The division of unpaid household work and market income is gendered, so is the distribution of income and wealth accumulation within the households. Conclusively, from this perspective the imaged neutrality of using the ability to pay principle to advocate for joint taxation is strongly criticized. Instead, it is regarded as a support for a particular family-model such as the bread-winner family, with a well-documented consequence of the negative impact on labour supply for secondary earners.[6]

For economists it is not strange to see the family as a small economy, engaged in untaxed household production of goods and services that also is provided by the market, and the exchange of various forms of care that creates an implicit wage.[7] A large number of economic studies, based on micro-simulation models prove, that work incentives for women are impaired by joint taxation as well as joint social transfers.[8] However, legal scholars that normally are serious about the importance of the hierarchies of principles and normative conformity, don't seem to take legal obligations on gender equality seriously in the field of tax laws. It is obvious for many feminist scholars that this approach represents the deeply rooted division of public and private life, in which is the family institution is excluded from legal intervention.[9] The conservatism regarding the private sphere of the family in jurisprudence, explains why many European jurisdictions have had and still have a tradition of tax regulations that disadvantage women.[10]

Taxation trends

The tax policy trend in EU Member States is a fall of progressivity in income tax schedules. Examples on tax reforms that have contributed to the decrease of a progressivity of income tax systems are reforms on flat tax regimes in the transforming economies, and the introduction of rather moderate, proportional tax rates for all, or at least some types of capital income in almost all Member States. Most extreme are the Dual Income Tax (DIT) system that apply separate tax schemes, one for capital and one for labour income. This dualization is a deviation from the

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6 Gunnarsson, Åsa. 2013. Gendered Power Over Taxes and Budgets. In The Ashgate Research Companion to Feminist Legal Theory, edited by Davies, Margaret and Munro, Vanessa, E. Ashgate Publishing.

7 Apps, Patricia. 2017. Gender equity in the tax-transfer system for fiscal sustainability. In *Tax, Social Policy and Gender. Rethinking equality and efficiency*, edited by Miranda Stewart. Australian National University Press.

8 Fink, Marian, Janová, Jitka, Nerudova, Danuse, Pavel, Jan, Schratzenstaller, Margit, Sinderman, Friedrich, Speilauer, Martin. 2019. Policy Recommendations on the Gender Effects of Changes in tax Bases, Rates and Units. Results of Microsimulation Analyses for Six Selected EU Member States. FairTax Working Paper Series 2019, No. 24; Rastrigina, Olga and Verashchagina, Alina. 2015. Secondary earners and fiscal policies in Europe [Online]. Brussels, European Commission; Cohelo, Maria, Aishwarya, Davies, Klemm, Alexander and Osorio Buitron, Carolina.2022. Gendered Taxes: The Interaction of Tax Policy with Gender Equality. International Monetary Fund.

9 Mumford, Ann. 2010. Tax Policy, Women and the Law. Cambridge University Press; Brooks, Kim, Gunnarsson, Åsa, Philipps, Lisa and Wersig, Maria. 2011. *Challenging Gender Inequality in Tax Policy Making: Comparative Perspectives*. Oxford: Hart Publishing.

10 Wersig, Maria. 2011. Overcoming the Gender Inequalities of Joint Taxation and Income Splitting: The Case of Germany. In *Challenging Gender Inequality in Tax Policy Making: Comparative Perspectives*, edited by Brooks, Kim, Gunnarsson, Åsa, Philipps, Lisa and Wersig, Maria. Oxford: Hart Publishing; Hemels, Sigrid, The Position of Married Women in Dutch Income Tax Law Since 1893 (July 24, 2018). Available at SSRN: https://ssrn.com/abstract=3219003 or http://dx.doi.org/10.2139/ssrn.3219003

ability-to-pay driven model of a global income tax system. Overall, the over-taxation of labor in relation to the under-taxation of corporate profits as well as top capital incomes and top wealth owners, combined with a distinct trend on a shift to VAT, gives a distributive profile that is undermining social justice and solidarity principles. Moreover, based on the socio-economic realities of gender equality these structural changes imply a shift of the tax burden away from men towards women. Due to the unequal distribution of wealth between men and women, the relatively small share of females among top income earners, women's above-average consumption ratios, the comparatively high share of labour income, and the small share of capital income in women's total income, these long-term trends in national tax policy tend to disadvantage women. In particular, the high and increasing tax burden on labour incomes (especially in the low- and middle-income groups) and on consumption, together with the decreasing taxation of capital income (high incomes in general) and wealth, shifted the tax burden towards women.[11]

Challenges to overcome

Usually, policymakers do not consider gender inequalities when designing tax laws, even though many aspects of taxation have a substantial effect on gender-related socioeconomic inequalities. Although most tax laws apply equally to men and women, tax systems and fiscal policy decisions affect men and women differently. The persisting gender differences in employment rates and patterns and gender gaps in unpaid care work, employment rates, income, old age security, poverty and wealth are all closely linked to the allocative and distributional outcome of tax regulations.

During the last decades tax reforms have shaped tax systems that are contradictory to the resource mobilization and redistribution that are necessary for the realization of women's rights. It is obvious that Agenda 2030 demands a reset of this development and the reformation of fiscal systems with the ambition to combat poverty, which are relevant issues for particularly women with low incomes and limited resources. It is also obvious that the shutdown of parts of the social infrastructure and female labour markets during the pandemic, has led to economic setbacks for many women, amplified by the negative redistributive profile of tax systems.[12] In this context it is very disappointing to read the report from EIGE on the evaluation of National Recovery and Resilience plans (NRRPs) that applied for support from the NextGenerationEU (NGEU) fund. The general conclusion was that the gender equality provisions of the Recovery and Resilience Facility Framework fell short regarding the legal and policy commitments to gender equality stipulated in Framework. A strong ambition was to mitigate the social and economic impacts of the COVID-19 pandemic for especially women.[13]

Overall, this development is opposite to the optimistic belief, carried by feminist scholars in growing welfare economies, that Governments redistributive ambitions to reduce economic inequalities for the well-being of citizens through social and fiscal reforms could break unequal gendered patterns in economy.[14]

A general observation is also that issues regarding women and taxation are at the margin in domestic tax laws and policies, being paid very little attention during the development and

[11] Gunnarsson, Åsa and Spangenberg, Ulrike. 2019. Gender Equality and Taxation Policies in the EU. *Intereconomics. Review of European Economic Policy*. 2019, Vol 54 Nr 3.

[12] Gunnarsson, Åsa. 2021. Fair Taxes to end Poverty. In *Research Handbook on Human Rights and Poverty*. Martha F. Davies, Morten Kjaerum and Amanda Lyons (eds.). Cheltenham, UK and Northampton, MA, USA: Edgar, Elgar Publishing; Lind, Yvette and Gunnarsson, Åsa. 2021. Gender Equality, Taxation, and the COVID-19 Recovery: A Study of Sweden and Denmark. *Tax Notes International* 101(5), 581-590.

[13] EIGE. 2023. Evidence to Action: Gender equality and gender mainstreaming in the COVID-19 recovery.

[14] Sainsbury, Diane. 1996. *Gender Equality and Welfare States*. Cambridge University Press.

governance of tax states.[15] One basic problem is, that even though numerous states and global entities guarantee political and economic gender equality, tax policies and tax laws, in general, are not based on considerations related to these goals. It is also obvious that the long-term tax policy agenda need to change in order to empower women in line with both Agenda 2030 and legal gender equality obligations. The basic question is how to turn both tax policies and legislation in that direction. How to implement substantive rights into the doctrines of tax principles, tax practices and legislations, is a great challenge. I agree with Laura Seelkopf (2021)[16] when she argues for the need to complete the existing economic knowledge on the socio-economic realities and outcomes of taxation, with increased knowledge on women as tax payers, voters and policy makers. Without that knowledge in our toolbox, it will be hard to identify a powerful strategy for tax reforms with the ability to empower women.

Suggestions for reform and research

In 2017, the European Parliament's Committee on Women's Rights and Gender Equality (FEMM Committee) commissioned a study on gender equality and taxation in the EU.[17] The study was one of the sources for a resolution proposal on gender equality and taxation policies in the EU that also became adopted.[18] The resolution of the European Parliament contains a list of important recommendations to the Member States and the European Commission. These recommendations not only address the underlying socioeconomic differences as one reason for gender differentiated outcomes of the tax system but explicitly call for changes in the tax system itself.

A central demand from the European Parliament to the Member States, is to phase in full individual taxation, including the elimination of tax expenditures and benefits based on joint income. Another important demand is the elimination of tax incentives related to employment and self-employment, that discriminate on the base of gender and the call for a tax system that actively promotes equal sharing of paid and unpaid work, income and pension rights. The European Parliament also calls on the Member States not to reduce the progressive nature of their income tax system and to pay attention to the role of taxes on corporations, wealth and capital, that play a crucial role in reducing inequalities. Recommended reforms include, for instance, subjecting all types of income to progressive income tax schedules, eliminating exemptions in value-added taxes which are not related to basic need and shifting the tax burden from labour incomes towards more growth and employment-friendly taxes, such as immobile property and inheritance. Further recommendations address for instance the elimination of tax rates in consumption taxes, that discriminate on the ground of gender, the evaluation of breaks in corporate taxation and the amendment of legislation, that allows for aggressive tax planning.

To adequately address gender aspects in taxation, it is also important to tackle the many research gaps. Further research is for instance needed concerning gender-differentiated distributional

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[15] Mumford 2010; Lahey, Kathleen, A. 2011. The 'Capture' of Women in Law and Fiscal Policy: The Tax/Benefit Unit, Gender equality, and Feminist Ontologies. In *Challenging Gender Inequality in Tax Policy Making: Comparative Perspectives* edited by Brooks, Kim, Gunnarsson, Åsa, Philipps, Lisa and Wersig, Maria. Oxford: Hart Publishing; Stewart, Miranda. 2017. Gender inequality in Australia's tax-transfer system. In *Tax, Social Policy and Gender. Rethinking equality and efficiency*. Stewart (ed.). Australian National, University Press.

[16] Seelkopf, Laura. 2021. Taxation and Gender. In Handbook on the Politics on Taxation, edited by Hakelberg, Lukas and Seelkopf, Laura. Cheltenham, Northampton: Edward Elgar Publishing.

[17] Gunnarsson, Åsa, Schratzenstaller, Margit and Spangenberg: Ulrike. 2017. Gender equality and taxation in the European Union. Study for the FEMM Committee, http://www.europarl.europa.eu/ supporting-analyses, European Union.

[18] European Parliament, Resolution on gender equality and taxation policies in the EU, 2018/20195 (INI).

effects of net wealth, property taxes, inheritance taxes, value added taxes and excise taxes, corporate taxes, tax expenditures and gender-differentiated allocative effects of corrective taxes. Research should also address compliance of tax measures with legal gender equality obligations. Although data on the taxation of labour incomes are readily available, most tax data are collected on a household level only. There is also a lack of gender-disaggregated data related to taxation of wealth, capital incomes, business, and consumption, on tax compliance and tax fraud issues.

The establishment of the World Inequality Lab has made major contributions to fill some of these knowledge gaps. In their report from 2022 they show how global wealth inequalities are more pronounced than income inequalities. The poorest, representing the half of the global population, owns just 2% of total wealth, and the richest 10% of the global population own 76% of all wealth. The report also provides the first estimates of the gender inequality in global earnings. Overall, women's share of total labour incomes is less than 35%, and the progress has been slow at a global level over the last 30 years.[19]

Against this background I want to make the recommendation that the European Institutions and the Member States - within their respective areas of tax competences – fulfil the legal obligations to at the least initiate regular impact assessments of all fiscal policies from a gender equality perspective, including proposals for tax legislation and soft law procedures, such as the European Semester. I also suggest that European Institutions and the Member States follow the recommendations made by the European Parliament resolution on gender equality and taxation policies in the EU, 2018/20195 (INI).

19 Chancel, Lucas, Piketty, Thomas, Saez, Emmanuel, Zucman, Gabriel, et al. World Inequality Report 2022, World Inequality Lab wir2022.wid.world.