Gender Implications of Tax Policies

MARCH 2013

CBGA

Author: Neha Hui

Editorial Inputs: Ritu Dewan, Praveen Jha, Pooja Parvati, Sona Mitra

Designed by: Cogent Reach, 252 A (First Floor), Shahpur Jat, New Delhi

Printed by: Bhavya Offset, 252 A (First Floor), Shahpur Jat, New Delhi

Christian Aid supports CBGA for its efforts pertaining to enhancing public understanding of taxation issues in India.

Published by:

Centre for Budget and Governance Accountability
B-7 Extn./110 A (Ground Floor), Harsukh Marg,
Safdarjung Enclave, New Delhi – 110029
Ph: +91-11- 49 200 400 / 401 / 402, Fax: +91-11- 4050 4846
Email: info@cbgaindia.org
Website: **www.cbgaindia.org**

Views expressed in this paper do not necessarily represent the position of the organisation.

Gender Implications of Tax Policies

Contents

	List of Tables and Boxes	4
	Abstract	5
1.	Introduction	6
2.	Gender and Taxation: Theoretical Aspects	8
3.	Gender and Taxation in the Indian Context	10
4.	Assessing Gender Equity within Indian Tax Structure	14
5.	Gender Implications of Direct Taxation	19
6.	Gender Implications of Indirect Taxation	21
7.	User Fees	25
8.	Policy Implications	27
	References	29

List of Tables and Boxes

Table 1	: Direct Taxes vs. Indirect Taxes in India's Total Tax-GDP Ratio	11
Table 2	: Tax-GDP Ratio across G20 Countries	11
Table 3	: Income Tax Brackets in India for the financial year 2012-13	12
Table4	: Employment Indicators	14
Table 5	: Average Daily Wages in Regular Casual and MGNREGS work (in Rs.)	15
Table 6	: Percentage Distribution of Workers by Activity Status	15
Table7	: Average Land Held per 1000 Male and Female Headed Households	16
Table8	: Rural Women Who Inherited Land as Daughters and as Widows	17
Table 9	: Adult and Children by Sex in MPCE Deciles for every 1000 households(All India)	21
Table 10a	: Monthly Per capita Consumer Expenditure (MPCE) by groups of items for Households in different Consumption Deciles (All India, Urban)	22
Table 10b	: Monthly Per capita Consumer Expenditure (MPCE) by groups of items for Households in different Consumption Deciles (All India, Rural)	23
Table 11	: Overall Tax Incidence by Household Type, West Bengal	23
Table 12	: Medical Expenditure as percentage of Total Non-food Expenditure	26
Box 1	: Hindu Undivided Family	18
Box 2	: Tax Rules for Special Economic Zones (SEZs)	20
Box 3	: Marginal and Average Propensities to Consume	21

Abstract

Given that women in our country confront a number of gender-based challenges, it is difficult to think of any domain of public policy that could be perceived as 'gender neutral'. In the discourse on gender responsive budgeting in India, a lot of attention has been paid over the last decade to expenditure policies of the government from the perspective of gender. However, the efforts to scrutinise the revenue generation policies from the perspective of gender have been limited. Hence, this paper attempts to assess gender implications of revenue generation policies in India. This has not been easy as literature available on gender implications of taxation is limited. It has also been difficult to get sex-disaggregated data of tax incidence, as a result of which empirical studies in this area, especially in the context of India, have been rare.

Gender implications of taxation policies is a critical concern as, in the case of India like in several other countries, there are a number of problems that mostly affect women. Unequal property ownership, disproportionate contribution in unpaid labour within the family, wage discrimination between men and women and the resulting unequal distribution of power within the household – all of these need to be taken into account in the way taxation policies in the country are designed.

Income tax in India is progressive but only a very small section of the country's population falls in the income tax bracket and hence the benefits accruing from the progressive nature of income taxation is limited to women falling within the high income group. Furthermore, the recent revamp of the income tax structure has resulted in broadening of tax brackets, especially for higher income groups, implying an increased tendency of favouring higher income groups in revenue collection; this is again a compromise with the equalisation principle of taxation. Indirect taxes are regressive in nature and some studies (like those from West Bengal) have shown that the incidence of indirect taxes is highest among female-headed households. In the Indian context, it is important to note that almost two-third of the country's total tax revenue is collected from indirect taxes.

User charges (on services delivered by public institutions) also have a negative impact on women both directly, because higher user charges imply more out of pocket expenditure, and, indirectly, as higher user charges means that a family's access to public services reduces (like, in the case of institutional health care, where higher user charges tend to have a greater adverse impact on women in the family).

Thus, revenue generation policies in India should rely primarily on taxation, and tax policies need to focus more on direct taxes and less on indirect taxes as these tend to be more regressive. In the domain of indirect taxes, however, one possibility is to increase the reliance on capital goods tax and trade tax, which are less regressive than indirect taxes like Value-Added Tax (VAT) that directly affects women. Similarly, in the domain of direct taxes, taxes on foreign exchange transactions are more progressive as they are less likely to affect women, especially poor women. Emphasis should also be on collection of higher magnitudes of wealth tax, which can improve the progressivity in the country's tax system and enable the government to expand its tax base.

1. Introduction

Taking women as a separate category, the direct impact of broad macro-policies can be discerned as often resulting in adjustments in consumption levels of women within the household, in their ability to participate in the labour market and in the investment and asset procurement decisions of women. The impacts are also often indirect and manifest themselves in terms of economic entitlements and equality. The purpose of this paper is to understand the gender implications of taxation policies and imposition of user charges as part of revenue generation policies of the government.

We begin from the premise that, tax policies, as part of the broader macro-policies, are at the heart of the political debate of a nation and discuss the level of public services that should be provided and who should pay for them. To engage in this debate from the perspective of gender implications of taxation, it is important to understand the concepts of taxation and their limitations. Taxes are needed to generate revenue for public expenditure and also serve the purpose of ensuring redistribution within the society.

Standard theories of public finance emphasise that democratic principles require an equitable and efficient tax system that is easy to administer. Kohonen and Mestrum (2009) point out that the principle of equity requires taxation to promote justice in a process through which inequality can be reduced in the society. Tax policies can be based on the principles of progressivity and on the ability-to-pay in which higher income earners pay taxes proportional to their income which can bring about equity. Taxes can also be about both horizontal and vertical equity. While horizontal equity suggests that taxpayers who are equally economically situated should be treated equally for tax purposes, vertical equity implies that taxpayers who are not identical from an economic standpoint, and are differently situated, should be treated differently for tax purposes. The principle of equity also implies that benefits received from taxation should be distributed evenly among the population.

There also exists the concept of 'efficiency' within taxation. This is linked to the concept of maximising social welfare and minimising social costs. According to standard theories of taxation, when taxes reduce social welfare – both directly and indirectly – by more than the amount of revenues they generate, they are considered to be 'inefficient'. The loss to society is then referred to as the 'excess burden' of taxation. Thus a good tax policy should be one directed towards maximization of redistribution of social goals, environmental protection, etc. and minimization of distortions and social costs.

Thus, both equity and efficiency in taxation indicates redistribution as one of its goals. However, both the concepts have their own limitations while treating women as a separate category. Both the principles of equity and the concepts of efficiency have been looked upon critically in the feminist economics discourse in terms of having both implicit and explicit impacts on women. This has been discussed in detail in the next section.

A tax system also needs to be easy to administer. Low literacy, poor infrastructure, large number of small business establishments as well as poor communication between the tax collecting authorities and tax-payers often end up in impeding the implementation of tax laws. Tax evasion and avoidance are rampant when the revenue system is complicated and difficult to administer, in which case, it ends up favouring the rich who can afford lawyers and accountants to sufficiently use the elaborate mechanisms in their favour and misuse the loopholes to evade/avoid taxes.

Keeping the above in mind, an analysis of tax policy would then essentially seek to identify the impact of such policy options on individuals, households, businesses, and economic growth and development. More specifically, gender analysis of tax policy would then seek to identify the differential impact on women and men of tax alternatives given that their social and economic roles and responsibilities are different. Such an analysis would be more important for the developing countries where the incidence of poverty among women is higher and hence an analysis of both income and gender equity would be central to tax policy analysis.

This paper primarily deals with analysing the existing tax structure in India on the basis of the redistribution aspect of taxation, i.e. from the purview of tax justice. The focus of the paper is on the literature available on taxation in India as well as around the world on the gendered implications of taxation and points towards ways of formulating policies for a more gender-sensitive tax regime. The scope of the paper is limited since the idea of looking at tax regime through a gender lens is relatively new to the discourse owing to the absence of either the methodology or the disaggregated data to arrive at significant results. The purpose, however, is to point towards lacunae in the existing tax regime and to open up avenues for further research.

2. Gender and Taxation: Theoretical Aspects

The literature on the gender implications of taxation is limited and relatively recent. Studies on gender and taxation have mainly been centred on case studies by countries or comparative analyses of gender dimensions of tax policies. However, given non-availability of gender disaggregated data in most developing countries, it has been the case studies by country that provides the differential impacts of taxation on men and women. Majority of the studies examine the gender impact of taxation in industrialised countries focussing on the impact of personal income taxes on labour supply, gender biases in systems of joint versus individual taxation and gender biases in social security taxes. The developing country studies focus on gender biases of indirect taxes and the gender dimensions of user fees.

An important theoretical contribution to the literature has been by Nelson (1996)who gave a feminist economic interpretation of income tax, especially in the case of the United States where the secondary earner is taxed at a higher marginal rate than the primary earner due to the fallacy in the unit of taxation which is the household. While the lower income earner, due to the prevailing gender bias of the society, are mostly women within the households, such higher marginal rate of taxation for women ends up in affecting women's labour-force participation negatively. The appropriate unit for personal income taxes has been a subject of some debate in the economics literature. Nelson (1996) argues that the "proper" unit of taxation, whether individual or household, is a contentious issue. The notion of household does not have a uniform definition and also has embedded gender implications due to the persistently skewed power relations within it. The notion of individual as a unit emerges from interpersonal relationships and pushes dependency to the background when one considers family dynamics. The discourse on individualism seems to imply that children are consumption goods to their parents. The parents' decision to spend on children is not seen to be different from their decision to spend on cars or other consumer goods. The reluctance to treat children as individual beings with welfare needs further intensifies the problem. While Nelson's work is primarily a feminist enquiry into the justice/equity aspect of personal income taxation, others have pointed to the gender implications from the efficiency point of view as well. Alesina et al. (2007) argue that the tax rate on women should be lower as they show higher elasticity of labour supply as compared to men.

A related but methodologically different theoretical contribution is from Stotsky (1997) who has distinguished between explicit and implicit bias against women in taxation around the world. Explicit forms of bias exist because of provisions within the legal system that differentiate between men and women while the implicit forms of bias are due to provisions which result in a differentiated response because of social arrangements/norms even though these may not be articulated differently for men and women.

Stotsky notes that explicit bias in the case of joint filing might arise because of tax preference related to the spouse. For instance, in the U.S.A., a higher marginal tax rate is levied on the secondary earner (usually the wife) as opposed to the primary earner. Both implicit and explicit gender bias exist in household/joint filing as well as in individual filing. However, joint filing can also result in a lighter burden on women if income earned from property has to be filed by men as is the case in Argentina. This, Stotsky contends, is an explicit bias caused because the responsibility to comply with tax laws primarily rests with the husband. There can be explicit bias towards men in allocations of tax preferences and deductions. Morocco, for instance, grants reduction of tax for dependents' benefits to men and not to women, as noted by Bouazzaoui et al. (2010)in a recent paper.

Barnett and Grown (2004) identifies certain major taxes such as consumption taxes, trade taxes and corporate taxes to have implicit bias to the extent that they impact female and male taxpayers differently in the way that payments are linked to the receipts of benefits under social insurance programmes. Grown and Komatsu (2010) in another study notes that single female-headed households in Argentina, Ghana, Morocco and South Africa face higher tax burdens. They also maintain that single earner (with dependent spouse) households face a lower tax burden than dual earner households (with the same family income), thereby encouraging women to stay at home and reinforcing gender stereotyping. Further an implicit bias against women is obvious when a family business is filed in the name of the male head of the family, which means that women face a distinct disadvantage, especially in case of a divorce, as their contribution in the family business is not documented. Allocation of tax preferences or deductions may also have an implicit bias against women in the case of individual filing. For instance, Ssewanyana et al. (2010) observe that in Uganda, inheritance tax exemptions are biased against women as paternal inheritances go primarily to the sons rather than daughters.

Stosky's framework on implicit and explicit bias is a useful tool to analyse taxes from a gender perspective albeit with limitations. Elson (2006) notes that the term “bias” is normative with negative connotations that reinforce the gender stereotypes as opposed to an “unbiased” system which treats them at par. However, she argues that biases in the system can be tackled through positive discrimination towards those groups and communities which are marginalised. Elson's arguments therefore call for an end to traditional gender roles and gender discrimination in society facilitated by the equality principle of taxation. This includes taxing men at a higher rate than women since men have higher ability to pay, the guiding principles should accommodate tax incentives and breaks for women in order to break through the typical gender stereotypes. This would definitely have a bearing upon the gender implications within a society where incidence of poverty is higher among women, more so in the female headed/dominated households (Chant, 2004 and Gangopadhyay and Wadhwa, 2004). Redistribution of assets in favour of women would eventually work towards positive changes in power relations within the family and society.

The concept of efficiency, on the other hand, has been critically looked at by feminist economists. Efficiency in neo-classical economics refers to a “distortion” free operation of the market where the profit-maximising individuals can operate without barriers. Criticising this notion, Elson (1999) argues that efficiency is often conceptualized and measured in ways that focus only on market-oriented production and ignores the unpaid processes of social reproduction in its entirety. Such notion of efficiency can lead to policy actions which simply shift costs from the paid (public and private) economy to the unpaid economy, with no genuine increase in efficiency in the sense of attaining maximum social welfare. Efficiency here is seen in terms of collectively agreed upon social and economic goals whereby the objective is collective maximisation of welfare. One such option may be the creation of gender-egalitarian microeconomic policies that provide the ways and means to eradicate financial and other forms of discriminations against women.

Against this backdrop we look at the situation in the Indian context in the following section. India has historically had a progressive Personal Income Tax structure with positive discrimination in favour of women falling under the tax bracket, till 2012-13, after which the positive discrimination for women taxpayers were dismantled. However, even when the sex-differentiated personal income tax bracket was in place, it had marginal impact as only 0.3 percent women in India comes within the personal income tax bracket.

3. Gender and Taxation in the Indian Context

In the context of examining the present tax regime in India for gender equity, it is important to know briefly about the past structures. Tax system has existed in India since ancient times and has had its own gender implications. The ruling class/castes have traditionally had the prerogative to tax the working class and the lower castes. Women of course faced the direct and indirect consequences of such tax systems. Certain texts prescribed remission of tax for women but that was primarily because women were seen as dependents and incapable of earning an income (Sarkar, 1978). However, an exclusive taxable occupation for women in ancient India was the sex trade. In medieval and modern India, tax principles and tax structures varied with the rise and fall of dynasties. Taxation in the British Raj was highly regressive and a disproportionate burden fell on the peasant class. It constituted of both direct and indirect taxes. British export policies, in the wake of colonisation and the Industrial Revolution was marked by exemption of duties on export for raw materials, causing a massive drain of resources from the country (Naoroji, 1901). The authority of taxation was often relegated to the local elites which further crystallised the class rigidity of society. In terms of impact on women, an example of a direct personal tax in Kerala in the early 19th century was the Mulakaram ("breast tax") whereby women from lower castes had to pay a tax for covering their breasts in public and for breast feeding.

In the current context, the tax regime followed in India is not based on the rationale of 'progressivity'. In India, like in several other developing countries, a major part of tax revenue comprises revenue from indirect taxes (Table 1), which has affects the well-being and disposable income of the poor and vulnerable. In India, a measure of the social implication of taxation is the ratio of tax revenue to Gross Domestic Product (GDP). This is a useful measure as it indicates the availability of resources for expenditure to reduce poverty. It also points to the government's commitment towards achieving a more equal society (Grown, 2010).

In India, the post-liberalisation period saw a steady decline in the tax-GDP ratio following a reduction in the rates of customs duty and excise. During the early years of the new millennium, the tax-GDP ratio showed an increasing trend, with the direct tax collections almost doubling from 3.6 percent of GDP in 2002-03 to about 6.4 percentof GDP in 2007-08 (Table 1). Indirect tax revenue also went up, though not very significantly. Post 2007-08, however, the tax-GDP ratio started sliding again.

The collections from indirect taxes have declined from nearly 12 percent of GDP in 2006-07 to about 9 percent of GDP in 2010-11. This fall has been exacerbated by the recent economic crisis. It is also noted that the increase in direct taxes has not been in proportion to the increased surplus of the private corporate sector, which has grown significantly in the wake of post-liberalisation subsidies and duty exemptions.

Table 1: Direct Taxes vs. Indirect Taxes in India's Total Tax-GDP Ratio

Year	Direct Tax (Percent of GDP)	Indirect Tax (Percent of GDP)	Tax-GDP Ratio (Percent)
2002-03	3.56	10.96	14.52
2003-04	3.98	11.06	15.04
2004-05	4.23	11.02	15.25
2005-06	4.54	11.38	15.92
2006-07	5.39	11.77	17.16
2007-08	6.39	11.06	17.45
2008-09	5.88	10.53	16.41
2009-10	5.83	9.67	15.5
2010-11(R.E.)	5.48	9.25	14.73
2011-12 (B.E.)	5.99	10.65	16.64

Source: Indian Public Finance Statistics for 2011-12 and 2010-11, Ministry of Finance. Govt. of India

Compared to the Organisation for Economic Cooperation and Development (OECD) countries, India's taxes as a percentage of GDP are significantly lower (Table 2). As of 2009, the average level of tax-GDP ratio for the OECD countries was 24.6 percent, while that for India was a much lower 15.5 percent. Among the developing or rapidly growing economies, South Africa has a tax-GDP ratio of 26.5 percent and similarly Brazil has a ratio of 25.4 percent (as of 2010). The South-east Asian economies also have a higher tax-GDP ratio than India averaging at around 20 percent (IMF, 2011).

Table 2: Tax-GDP Ratio across G20 Countries

Country	**Year**	**Total Tax Revenue as % of GDP**
Italy	2010	28.7
UK	2010	28.5
South Africa	2010	26.5
Canada	2010	26.4
Australia	2010	25.9
France	2010	25.6
Brazil	2010	25.4
Argentna	2009	24.7
OECD Avg.	2009	24.6
Russia	2010	22.9
Germany	2010	22.4
Turkey	2010	21.1
Korea	2010	19.4
China	2009	18.9
US	2010	18.4
Japan	2010	16.5
India	**2009-10**	**15.5**
Mexico	2009	14.5

Source –Prakash, Prashant (2013), "Property Taxes across G20 Countries: Can India Get It Right?", Oxfam India – CBGA publication, January.
Note: TheTax-GDP ratios reported here are those in which the tax revenue figure does not include social security contributions (if any).

We may also note here that the tax-GDP ratios reported here are those in which the tax revenue figure does not include social security contributions (if any). However, the methodology adopted in some of OECD's publications does make a strong case for including social security contributions (which are compulsory, unrequited and made to the government) in the tax revenue figures for countries. Hence, if we take into account the tax-GDP ratios for all these countries including the social security contributions, the differences between their figures and those of India would be even bigger.

Among developing and under-developed countries, low tax-GDP ratios are not characteristic only of India. A 2005 survey by Fox and Gurley (cited by Grown) observed that low income countries like Myanmar, Nepal, Guatemala, Haiti, Niger, Chad and some central African countries have tax-GDP ratios of less than 10 percent.

In India, tax revenue collection occurs at three levels. The Central government is responsible for collecting direct taxes like income tax and corporate tax, and indirect taxes like excise and customs. The State government's primary sources of revenue are indirect taxes like Value Added Tax (VAT) besides tax on property and capital transaction and entertainment tax. The third level of revenue collections is the local bodies such as panchayats and city councils, which have the authority to levy some minor taxes. The two major direct taxes levied in India by the central government are personal income tax and corporate tax. Personal Income Tax is a tax on the income of individuals and firms (other than companies) and is progressive in nature. The highest marginal rate of personal income taxation in India is 30 percent (as of 2012-13). Table 3 shows the various tax brackets applicable for the Financial Year 2012-13.

Table 3: Income Tax Brackets in India for the Financial Year 2012-13

Income Bracket (general below the age of 65)	Rate	Income Bracket (Senior Citzens)	Rate
<Rs 2,00,000	0	<Rs 2,50,000	0
Rs 2,00,001<x<Rs 5,00,000	10%	Rs 2,50,001<x<Rs 5,00,000	10%
Rs 5,00,001<x<Rs 10,00,000	20%	Rs 5,00,001<x<Rs10,00,000	20%
>Rs 10,00,000	30%	>Rs10,00,000	30%

Source: www.finmin.nic.in

Corporate Tax is levied on the income of companies under the Income Tax Act, 1961. The bulk of the total revenue of the country is from corporate taxation (more than 17 percent). In the post-liberalisation years however, the government has been cutting taxes and providing deductions to various enterprises in order to give incentives to the private sector. Important deductions include those provided to enterprises engaged in infrastructure development undertakings (a deduction of an amount equal to 100 percent of the profits and gains derived from such businesses for 10 consecutive assessment years). In recent years, the government has provided major deductions for Special Economic Zones, also called SEZs (Box 2).

Historically, India has had a tax structure which had lower tax brackets for women. This positive discrimination towards women encouraged them to enter the job market and had some (albeit low) degree of equalization, though only among women and men in middle and lower income groups. However, there are more nuanced implications in increasing the gap between the women (and men) working in the organized sector and those working in the unorganized sector. However, since 2012-13, the new tax slabs have been introduced that no longer differentiates between the sexes thus removing the existing positive discrimination in the Indian tax structure. It is also to be noted that the tax bracket for the higher income groups has been significantly widened (from Rs .200,000 to Rs. 500,000 at 10 percent, Rs. 500,001 to Rs. 10,00,000 at 20 percent and Rs. 10,00,001 and above at 30 percent in 2012-13), implying both lower revenue to the government and lower commitments to reducing income inequality.

The gender implications of corporate tax (and the deductions) are more indirect. For example, if the deductions are more for female labour-intensive industries (like garments) compared to male labour-intensive ones (like automobiles), there may be an increase in female workforce participation. Similarly, if there are deductions for small-scale industries that are more often run or managed by women, it may have a positive impact on women. However, marginal deductions for small-scale establishments are rare. One of the very few deductions for small establishments is from profit gained by newly-established small-scale industries in certain areas (IT Act, 1961).

Property tax is a direct tax that the state government levies on property holders. The rate can vary from state to state and on the basis of the type of property owned. Most states usually have deductions for property held in the name of women. For example, Delhi has a deduction of 30 percent for women (and senior citizens and the physically disabled) property owners. This legislation provides incentives for more equitable distribution of property within the family (Tables 7 and 8 illustrate this unequal distribution of property between men and women).

There are various indirect taxes charged by the Government of India, the most important being the excise and customs duty. Customs duty and excise (and deductions on these) have similar gender implications as corporate tax. With liberalisation, the rates of customs and excise duty have decreased to face international competition in the manufacturing sector, and as a result, the revenue from these taxes shows a downward trend.

VAT is a consumption tax implemented at the state level and structured in a way that there is a difference in the output and input rates. To bring in a progressive element to VAT, some basic food commodities have been exempted from it. The rates of tax in most of the states that implement VAT are 1 percent, 4 percent and 12.5 percent respectively. Basic food items like cereals and vegetables, clothing, stationery and books are exempt from VAT. Jewellery and ornaments are taxed at the rate of 1 percent. Food items other than basic, processed fruits and vegetables, household goods, medicines and input goods are taxed at the rate of 4 percent. Beverages, processed food, food in restaurants, electronic goods, some medical equipment and expenses, household goods classified as 'luxuries and other items not listed in the other categories' are taxed at 12.5 percent. Certain luxury consumptions are taxed at 16 percent as well.

4. Assessing Gender Equity within Indian Tax Structure

While assessing gender equity in the Indian tax structure, it is important to recognise and situate women as economic agents in the socio-political fabric. Working women do not get the same status as working men due to the inherent patriarchal structure which confers a superior status to men. How this inequity operates within the existing tax structure and what has been its impact on gender equality requires a brief discussion of some of the economic indicators such as women's employment and wages, women's contribution to social reproduction, ownership of assets and sense of empowerment.

Women in Employment and Wage Earnings

The most important issue while analysing women's work is the entry barrier that women face in the world of work. There exist qualitative as well as quantitative differences within the world of work for men and women. Quantitatively women workers are fewer than men. This is evident from the existing labour force and workforce participation rates (Table 4) and suffers from wage discriminations (Table5).

Table 4: Employment Indicators

Indicator (Usual Status)	Male (Rural)	Female (Rural)	Male (Urban)	Female (Urban)
Labour Force Participation Rate[1] (2009/2010)	548	208	556	128
Worker Participation Rate[2] (2009/2010)	537	202	539	119
Labour Force Participation Rate (2004/2005)	556	265	559	146
Worker Participation Rate (2004/2005)	547	261	543	138

1: Labour Force Participation Rate is defined as the number of persons/person days in the labour force employed plus unemployed per 1000 person/ person days
2: Worker Participation Rate is defined as the number of persons/person days employed per 1000 person/person days Source: NSSO 2010

Qualitatively women are more likely to be seasonal or part-time workers while men generally have full-time work. Women are also more likely to work in the informal sector, which puts them outside the personal income tax net and their income often goes unreported. Women often work under highly exploitative circumstances with no or fewer non-wage benefits, often in occupations that have long term physical and psychological repercussions.

Even when women form a significant section of the labour force, the remuneration that they receive is on an average lower than that of men. Table 5 depicts the existing wage difference between the male and female workers. While wage discrimination in regular employment seems much lesser, that in casual work is quite stark. It is important to note here that casual employment among women is much higher than regular employment and is also an indication of women's greater involvement in the informal sector. This fact is also evident from the Table 6 that shows increased presence of women workers in the self-employed category of paid work. Self-employment among women comprises of mostly home-based work/ part-time work.

Both qualitative and quantitative nature of women's paid work signifies the informal, discontinuous and poorly-paid nature of women's work. This although does not have a bearing upon equity from a Direct taxes perspective

Table 5: Average Daily Wages in Regular, Casual and MGNREGS Work (in Rs)

Type of work / Wages in Rs.	2009-10				2007-08			
	Rural		Urban		Rural		Urban	
	Male	Female	Male	Female	Male	Female	Male	Female
Regular wage/Salaried Employees	249.15	155.87	377.16	308.79	175.3	108.14	276.04	212.86
Casual Labour in Public works (other than MGNREGS)	101.53	68.94	131.92	76.73	76.02	70.66		
Casual Labour in other work	98.33	86.11	90.93	87.20	66.59	48.41	86.58	51.34
Public work under MGNREGS	90.93	87.20			78.84	79.00		

Source: NSSO 64th and 66th Rounds

as most women workers would not be income tax payers at all, but it does have an implicit impact of indirect taxation. The existing situation points that women end up paying larger share of their incomes on indirect taxes for consumption goods. Their access to benefits received may also be considerably lower because of their status as informal workers.

Women and the Unpaid Economy

Recognition of women's contribution to the unpaid care economy emerges as another contentious issue while analysing impact of taxes on horizontal equity between men and women. All women are workers whether within or outside households. However, only those who are in paid activities are recognised as workers. Table 4 shows that only 20.8 percent women in rural areas are in the labour force as compared to 54.8 percent men. This is even lower in the case of urban areas where less than 13 percent of women are in the labour force.

Table 6 takes a glimpse at women's contribution as unpaid workers as part of self-employed workers. Close to 44 percent of women (both rural and urban) are unpaid family workers, as compared to only about 14 percent of men. This percentage is even higher in the case of rural women, where nearly 48 percent are unpaid family workers. However, this estimate does not take into account the SNA activities performed by women within the care economy, i.e. unpaid household chores of cooking, cleaning, maintenance, care of children, sick and elderly, the burden of which falls entirely on women and is not accounted for, in the existing systems of statistical accounting.

Table 6: Percentage Distribution of Workers by Activity Status

Population Segment	Self Employed			Regular salaried/Wage Worker	Casual Worker	Total
	Own Account Worker and employer	Unpaid Family Worker	Sub total			
Rural Male	41.90	16.59	58.48	8.93	32.59	100
Rural Female	15.94	47.98	63.92	3.68	32.41	100
Urban Male	36.2	8.42	44.62	40.84	14.4	100
Urban Female	24.14	23.05	47.19	35.97	16.84	100
Total Male	40.23	14.2	54.43	18.26	27.31	100
Total Female	17.28	43.91	61.18	8.95	29.86	100

Source: Swaminathan, P (2009) "Outside the Realm of Protective Labour Legislation: The Saga of Unpaid Labour in India" Economic and Political Weekly,Vol. XLIV No. 44

The percentage of self-employed people in a decision-making position in self-owned enterprises, referred to as the "own account and employer" category, is only 17 percent for women as compared to about 40 percent for men. This indicates skewed power relations between men and women in family-owned enterprises. Only about nine percent of women workers are regular salaried or wage workers (as compared to a reasonably low level of 18 percent for men), which again points to a gender bias from the socio-economic perspective.

The indirect tax structure prevalent in the country, impacts the women workers both in unpaid and paid work negatively. On the one hand, while certain types of indirect taxes often increase unpaid activities of women and consequently form a strong barrier for them to enter into paid work thus impacting their earning capacities, consumption taxes eat away a large portion of the disposable income of women which is frequently spent on essentials related to education and health care consumption and forms a core component of social reproduction of labour.

Women and Property Rights in India

In India, ownership of resources (especially productive resources) has remained skewed in favour of the rich. Apart from the fact that ownership of land and other productive resources have historically been concentrated among the rich and upper caste strata of society, women in most Indian families do not traditionally own property. Further, according to studies, male-headed households are likely to have larger land holdings than those headed by women. Table 7 shows that female-headed households either hold small and medium-sized land, or hold no land at all. On the other hand, the ownership of larger land holdings is more than twice as likely to be in male-headed households.

Table 7: Average Land Held per 1000 Male and Female Headed Households

Size Class of Land Possessed (Hectares)	Male-Headed Households	Female-Headed Households
0	85	73
0.001-0.004	107	188
0.005-0.40	434	551
0.4-1	169	98
1.01-2	103	51
2.01-4	70	29
>4	33	10

Source: NSS Report No 537: Employment and Unemployment Situation in India 2009-10, Page A-18

Land ownership within households is more likely to be by male family members (Table 7). Agarwal (1994) argues that property, especially productive assets, being concentrated in the hands of male members of the family has an adverse effect on women on several counts. From the welfare point of view, intra-household inequalities stem from unequal distribution of household resources. This also leads to a systematic bias against women and children regarding access to basic necessities such as childcare and food.

Access to healthcare as well as the risk of poverty among women and children depend significantly on women's direct access to income and productive assets rather than access mediated through the other male members in the household. Ownership of productive assets also has implications on the productive capacity of women. Control of productive assets like titles of arable land and ownership of household enterprises by women could significantly increase output by increasing access to credit, technology and so on. Agarwal also argues that unequal distribution of property reflects unequal societal and gender norms.

Women and Division of Resources within Households

Unequal division of resources within the household, in addition to traditional gender norms has historically meant that men have been the decision makers within the family, particularly regarding financial matters even when there are earning female members in the family. Unequal status of women in the family has varied implications on its female members right from the difference in education expenditure on children of both sex, unequal health expenditure on male and female members, difference in consumption pattern (especially luxury commodities)upto the incidence of violence against women within the family (such as domestic violence and dowry deaths).

Table 8 reveals how unequal power relationship between men and women within the family is perpetuated through the process of inheritance. Agarwal quotes a study showing that only 13 percent of those in the sample of rural women inherited land as daughters and about half inherited land as wives and argues that the incidence of violence within the family reduces significantly when women have access to property.

Table 8: Rural Women Who Inherited Land as Daughters and as Widows

Region/State	Total Sample	Father owned land	Women who inherited as daughters		Husband owned land	Women who inherited as widows	
North India	262	229	18	8	193	98	51
Bihar	71	70	2	3	57	16	28
Uttar Pradesh (hills)	50	50	1	2	45	23	51
Rajasthan	49	42	2	5	39	27	69
West Bengal	92	67	13	19	52	32	62
South India	283	241	43	18	87	45	52
Andhra Pradesh	79	77	12	16	37	18	49
Kerala	104	65	28	43	15	10	67
Tamil Nadu	100	99	3	3	35	17	49
All Region	545	470	61	13	280	143	51

Source: Martha Chen's results from her 1991 survey quoted in Agarwal (2002)

Taxation has various implications on the unequal distribution of power within family. First, since ownership patterns are generally skewed in favour of men, any deductions on property and inheritance tax will be biased towards them. Hence, the benefits of family tax rebates due to savings are likely to accrue to male members as investment decisions are made primarily by men. Secondly, consumption expenditure patterns may differ between men and women, especially in lower income households, with men spending money on personal consumption, including on alcohol and tobacco, and female expenditure being on family necessities and childcare and hence the implication of indirect taxes would differ between men and women.

Another important and far-reaching consequence of a traditionally unequal family structure is the use of the institution of Hindu Undivided Family (HUF) as a unit of taxation (Box 1). Traditionally, the HUF norms resulted in consolidation of ownership and partition rights to solely the male members. Female members only had the right to maintenance within this system. Income of ancestral property was taxed as income from HUF. The Hindu Succession Act in 1956 resulted in a significant reduction of bias since it conferred full and heritable capacity to heritable female members.

Box 1: Hindu Undivided Family

Income tax can be filed individually or jointly through the legal provision of Hindu Undivided Family (HUF) under the Hindu law and IT Act 1961, as it is a separate taxable category. Though the Income Tax Act, 1961 mentions HUF as a taxable unit, there is no definition of it in the Act. However, sub clause (ii) of the Act states, "(t)he expression 'Hindu joint family' in the Income Tax Act is used in the sense in which a Hindu joint family is understood under the various schools of Hindu law". Within this subclause, the Karta (or the male head of the family) files income tax returns for both men and women in the family.

However, the HUF continues to have implicit bias against women since it perpetuates traditional gender norms in subtle ways. As Dewan (2009) observes, filing income tax as HUF proves to be a disincentive for women members of the household to contribute to the labour market, since with joint taxation, the higher the difference between income of the spouses, marginal taxation on the lesser income earner (usually the female earner) would be higher.

Studies by Dwyer (1988) and Handa (1996) have shown significant differences in financial behavior and tax incidence between female headed household, male headed household, single (male/female) income earner household, dual income earner household number of dependents, as the resulting decisions in consumption, investment and savings differ significantly.

However, the impact of direct and indirect taxation on women in India needs to be analysed separately.

5. Gender Implications of Direct Taxation

Within direct taxes, the paper looks at tax policies for three types of taxes in this section - income tax, corporate tax and property tax in order to better understand and comment on the gender implications of these. As mentioned, India has moved from a positively discriminating system of direct taxation to a supposedly 'gender neutral' system of taxation that treats men and women equally. This means that the existing tax incentive for women joining the work force is no longer available to women and could further enforce gender stereotyping. The gender equalizing aim of taxation is getting pushed to the background.

Income Tax

Till recently, the existent personal income tax structure in India favouring women did not necessarily reach a huge proportion of working women in the country. As is clear from Table 4, less than four percent of rural women and about 36 percent of urban women were employed as regular salaried or wage employers with less than eight percent of the total labour force being employed in organized sector. Thus it is unlikely that the equalizing effect of a positively discriminating income tax structure had a widespread effect.

The implicit bias against women in the personal income tax structure is again reflected in the case of family business. Existing gender relations within Indian families inevitably result in the tax on profit from family business usually being filed in the name of the male member (with the female members being unpaid family workers). This has negative implications for women on three counts. First, resources are distributed unequally within the family and are not in proportion with the women member's contributions. Second, it promotes gender stereotyping with the women not being identified as workers or earners. Third, since the business is officially in the control of the men, women face problems in claiming ownership of the business in case of separation or divorce.

Aside from the flaws pertaining to the gender equalisation principle, there are problems of implementation due to various loopholes and deductions within the tax structure, even though the statutory rates of personal income tax might be perceived as progressive.

In the next financial year, the Direct Tax Code is proposed to be introduced and replace the Income Tax Act, 1961 to 'improve the efficiency and equity of our tax system by eliminating distortions in the tax structure, introducing moderate levels of taxation and expanding the tax base'. (Finance Minister's speech in 2009-10 budget, Rao and Rao (2009)). The purpose of the Code has been to move away from a tax system characterized by exemptions and deductions that reduced the tax base and also made the tax system complicated and lost resources. While the proposed Code has some aspects that are welcome, in some respects,it appears regressive in nature and needs to be looked at in greater detail.

One important aspect of the Code which is markedly different from the Income Tax Act is in its treatment of savings. The new Tax Code introduces a system of Exempt-Exempt Tax (EET) which provides exemptions on savings and accumulation and accretion till the time they remain invested, but all withdrawals at any time are subject to tax at the applicable marginal rate of taxation (Central Board of Direct Taxes, 2010). This ends up being taxation on consumption rather than income per se, and may imply that the burden of EET falls disproportionately on senior citizens and people without secure sources of income, including single, widowed and deserted women.

The new Tax Code proposes substantial changes in the tax brackets for personal income tax. The proposed new brackets are respectively 10 percent for individuals earning income up to Rs. 100000 per annum, 20 percent for individuals earning income between Rs. 100001 and Rs. 250000 and 30 percent for individuals earning income above Rs. 250001. While the exemption for income tax has been kept unchanged, the proposed change in income tax means that people earning less than Rs. 3 lakh per annum do not benefit from the changed structure and about 97 percent of tax payers are within this bracket, as noted by Rao and Rao. This is not only a cut on resources, but it also has negative implications on the distributional aspect of taxation.

Corporate Tax

The ramifications of Corporate Tax deductions or exemptions on gender relations are more intricate than that of personal income tax where the effects are more obvious. Economic policies prescribed by supply-side economists' advocate for deductions in corporate tax and income tax on profit to stimulate growth. Corporate tax deductions may affect gender relations in two ways: at the level of management and at the level of employment generation. If corporate (with simultaneous excise/customs) exemptions at the level of management are given only to large enterprises, it may lead to implicit gender biases since women are more likely to be managing small-scale enterprises. Even if the exemptions are irrespective of the size of the enterprise, the effect may be implicitly biased as only 17 percent of working women are self-employed in own accounts or are employers as compared to 40 percent of working men.

The SEZ sector has been excessively favoured with respect to tax breaks and exemptions in the post-liberalisation phase (Box 2). The rationale behind the tax sops is to boost industrialisation, thereby creating more employment as also to be competitive in the international goods and services market. Murayama and Yokoto (2008) notes that 37 percent of the employment generated through Indian SEZs constitute women, with a higher concentration in enterprises specialising in garment production. This means that the tax breaks have a positive effect on gender relations by increasing the female work force participation. However, the tax breaks provided to SEZs are to be seen in the context of various other exemptions. SEZs also operate within a flexible labour regime and working conditions and wage rates are highly exploitative and resemble the working conditions of urban informal sector. On the positive aspects of Direct Tax Code, the recognition of Capital Gains as taxable income is a welcome improvement. The code prescribes that capital gains from all investment assets of an enterprise and capital assets of individual will be subject to tax upon realization(Rao and Rao, 2009).

Box 2. Tax Rules for Special Economic Zones (SEZs)

Special Economic Zones are geographical areas which enjoy total or very high levels of exemption from the national laws with regard to labour and taxation and operate largely under the free-market policies. In India, SEZs are regulated under the Special Economic Zones Act, 2005, which gives corporates operating within the identified zones special fiscal benefits. Companies are exempt from customs duty and tariffs on goods and services imported into and exported from the SEZs. Companies are also exempt from excise duty. They are not required to pay service tax and are entitled to 100 percent income tax deduction from profits for the first five years and 50 percent deduction in the following five years.

Property Tax

These taxes are usually progressive in nature, and can have equalizing effect. Property tax is collected at the state level, and most states have a tax rebate for female property owners. As is evident from Table 5, property ownership is heavily skewed towards male members. Tax rebates provide incentives to move ownership from males to female members. Ownership of property by the women members increases their bargaining power within the family, as has been noted by Agarwal. However, in India, the level of property tax is very low and though the Direct Tax Code seeks to introduce Wealth Tax, the proposed amount is just one percent over wealth worth Rs. 1 Crore. This trivial amount only indicates a symbolic gesture and no committed efforts at controlling wealth concentration through taxation. Inheritance tax that also has the potential to be an equalizer of wealth, does not exist in India.

6. Gender Implications of Indirect Taxation

Indirect taxes like VAT and Goods and Services Tax (GST) are usually regressive in nature since they are based on consumption and not on income. Consumption as a proportion of income is higher in lower income groups as compared with higher income groups. Hence, lower income groups tend to have higher tax incidence (that is, the tax paid as a proportion of disposable income).

Data from recent years indicates that women-headed households and households with more women are likely to be poorer than male-headed or male-dominated households. Also, within households, the consumption patterns differ between men and women. Given that NSSO data is compiled at the household level and not at the individual level, it is difficult to compare the actual incidence of consumption tax between men and women.

Box 3: Marginal and Average Propensities to Consume

Marginal and average propensities to consume are two much-used concepts in macroeconomic theory, introduced by John Maynard Keynes in his pivotal work The General Theory of Employment, Interest and Money (1936). These are concepts used to measure the relationship between consumption and Income. Marginal propensity to consume measures the change in consumption behaviour as a proportion to change in income of the consumer, while average propensity to consume is the proportion of consumption to the total income. The average as well as marginal propensity to consume is high among lower income groups and decreases as the incomes of the consumers fall. Therefore, a person's consumption in proportion to income falls as she/he climbs up the income ladder.

Consumption Pattern and its Implication on Taxation

As already noted, available data sets (NSSO) do not provide scope to compare the actual incidence of consumption tax between men and women. However, it is possible to get an indication of the difference in the level of consumption expenditure between men and women at the macro level and consequently the implication of indirect taxes on women and on poorer households.

Table 9 uses the latest NSSO estimates to give an indication of the demographic character of households based on the Monthly Per capita Consumer Expenditure (MPCE).It shows evidently that for the bottom 20 percent of the population, the proportion of adult women is greater than adult men. This somewhat indicates that the lowest income families may have more women members. Secondly, the figures also show that the number of

Table 9: Adult and Children by Sex in MPCE Deciles for every 1000 households (All India)

MPCE (Decile)	Adult Male	Adult Female	Children Male	Children Female
0-10	1632	1670	1236	1161
10-20	1660	1681	1175	1085
20-30	1667	1611	1024	953
30-40	1656	1645	945	865
40-50	1644	1609	833	736
50-60	1628	1587	822	671
60-70	1624	1592	715	621
70-80	1617	1557	655	579
80-90	1591	1492	566	453
90-100	1470	1327	408	306

Source: 66th Round of NSSO

children (both male and female) is significantly larger in the lower consumption households and decreases as the level of consumption increases. This implies that taxing consumption expenditure potentially has regressive impact on women and children. It also implies that taxing consumption goods would result in further fall in expenditure and hence further reduction in the standard of living for women and children.

It is also revealing to look at how the consumption expenditure on different goods is distributed between MPCE classes (Tables10.a and 10.b). If we look at food consumption, the expenditure in this category increases as we go up the consumption decile, but the proportion of consumption expenditure on food to non-food also falls significantly as we go higher up the consumption bracket for both urban and rural households. This suggests that taxing food would affect the lower decile households more in comparison to higher decile households, and thus higher taxation on non-food items is potentially progressive in nature.

In case of fuel and electricity, the proportion of expenditure in this category is highest among the lower deciles and decreases as we move up the deciles. The MPCE on fuel and lighting for the lowest income group is 34 percent of their total non-food expenditure in urban area and 40 percent in rural areas. This proportion decreases as we go up the consumption deciles to only seven percent in the highest decile in rural areas and about ten percent in urban areas. Excessive taxation on fuel and lighting is not only regressive, in the sense that the burden is higher on the lower income group, but it also affects women.

High level of indirect taxation on safe and energy efficient fuel may mean that lower income families shift from using such sources to less efficient sources for household use. Since women are largely responsible for cooking and related activities, the burden is indirectly borne by them.

Within a household, there may be differentiated consumption between men and women. For example, men are more likely to be consumers of tobacco, pan and intoxicants (Neufeld et al. (2005). If we look at the proportion of tobacco, pan and intoxicants consumed as a proportion of total non-food consumption, we see that the proportion is highest among low consumption households and falls as we move up the deciles.

Table 10a: Monthly Per capita Consumer Expenditure (MPCE)[1] by groups of items for Households in different Consumption Deciles (All India, Urban)

decile class of MPCE (MMRP)[1a]	Food	non food	food/ non food	pan, tobacco and intoxicants	tobacco as percentage of total non- food Expenditure	fuel and light	fuel and light as percentage of total non-food Expenditure	taxes and cess-es	du-rable goods	total ex-penditure
0-10	326.1	195.2	1.7	11.4	5.8	66.5	34.1	3.2	3.6	521.3
10-20	426.9	295.4	1.4	15.4	5.2	82.3	27.8	4.6	6.8	722.3
20-30	490.5	379.1	1.3	16.1	4.2	98.1	25.9	7.1	8.5	869.6
30-40	556.3	471.7	1.2	18.8	4.0	108.0	22.9	8.6	13.2	1027.9
40-50	617.5	540.2	1.1	19.7	3.6	120.9	22.4	10.5	17.6	1207.7
50-60	696.5	723.6	1.0	20.0	2.8	134.8	18.6	12.8	26.1	1420.1
60-70	782.3	905.4	0.9	20.4	2.3	147.8	16.3	15.9	33.4	1687.7
70-80	890.0	1161.5	0.8	24.8	2.1	170.9	14.7	19.1	40.1	2051.5
80-90	1047.0	1633.6	0.6	26.7	1.6	198.0	12.1	24.3	74.0	2680.5
90-100	1442.6	4230.6	0.3	46.0	1.1	297.4	7.0	53.8	968.6	5673.2
all classes	727.6	1058.3	0.7	21.9	2.1	142.8	13.5	16.0	119.1	1785.8

Source: 66th Round of NSSO

[1] Monthly Per capita Consumer Expenditure

[1a] Modified Mixed Recall Period

Table 10b: Monthly Per capita Consumer Expenditure (MPCE) by groups of items for Households in different Consumption Deciles (All India, Rural)

decile class of MPCE (MMRP)	food	total non-food	food/ non food	pan, tobacco and intoxi-cants	tobacco as per-centage of total non-food Expenditure	fuel and light	fuel and light as percent-age of non-food	taxes and cesses	durable goods	total expendi-ture
0-10	250.6	126.5	0.7	9.3	7.3	50.2	39.7	0.5	2.4	377.1
10-20	322.4	173.5	0.7	11.8	6.8	60.7	35.0	0.7	4.3	495.8
20-30	367.0	208.7	0.6	13.5	6.5	68.2	32.7	1.0	5.3	575.7
30-40	403.7	245.6	0.6	16.2	6.6	73.4	29.9	1.2	8.5	649.3
40-50	445.7	278.3	0.6	19.3	6.9	80.4	28.9	1.6	8.4	724.0
50-60	482.5	325.8	0.6	19.2	5.9	86.9	26.7	1.9	11.5	808.3
60-70	530.0	380.9	0.6	23.1	6.1	94.4	24.8	2.3	15.7	910.2
70-80	585.3	468.1	0.6	25.0	5.3	103.3	22.1	3.1	22.0	1053.3
80-90	673.0	616.7	0.5	29.0	4.7	116.3	18.9	4.0	38.9	1288.8
90-100	912.6	1482.1	0.4	39.7	2.7	144.2	9.7	6.4	327.3	2394.7
all classes	497.1	430.6	0.5	20.6	4.8	87.8	20.4	2.3	44.4	927.7

Source: 66th Round of NSSO

Though taxing these products will not have a progressive effect in the sense that the burden will be higher for lower consumption households, however, high taxation may discourage consumption and shift resources towards more essential consumption. The category where it is possible to raise revenues progressively is in the category of durable goods that are largely consumed by higher deciles.

Extrapolating from data of various rounds of NSSO, Chakraborty et al. (2010) compared the incidence of indirect tax by sex of the head of households and sex composition of households for West Bengal. They observed that the aggregate incidence of tax is higher among female-headed households but the incidence of fuel and excise levy is greater for male-headed households. While comparing female-dominated households (households with more women than men) with male-dominated households, the study found that the incidence of indirect tax is greatest among male-dominated households, followed by female-dominated ones, with equally-distributed households at the bottom slot (Table11).

Table 11: Overall Tax Incidence by Household Type in West Bengal

	Total Tax	VAT	Excise tax	Fuel Tax	Number of households
Headship					
Male headed	2.08	1.90	0.05	0.06	7066
Female Headed	2.12	2.02	0.03	0.02	821
Household sex composition					
Male dominated	2.24	2.04	0.05	0.07	3,282
Female dominated	1.95	1.81	0.03	0.05	2,552
Equal number of females and males	2.01	1.85	0.04	0.05	2,043

Source: Chakraborty, et al (2010) 'Gender Equality and Taxation in India: An Unequal Burden' in Grown C & I Valodia ed. Taxation and Gender Equity: A comparative analysis of direct and indirect taxes in developing and developed countries Routledge. London and New York

When comparing tax incidence by consumption patterns for all households, it is much higher in the lowest expenditure households. Chakraborty et al. contend that this is primarily due to the high incidence of taxes on basic necessities and on beverages (i.e. food, clothing and footwear, tobacco, alcoholic and non-alcoholic beverages). Their study observes that the tax incidence (based on consumption) for the lowest income households differed significantly between men and women. Female-dominated households had the highest tax incidence relating to basic food, medical expenses and clothing while male-dominated households had higher incidence relating to expenditure on alcoholic and non-alcoholic beverages, tobacco and transportation.

Some proponents argue that VAT can be potentially progressive if goods are taxed according to the price elasticity of demand. Basic consumption goods that have low price elasticity of demand[2] should be taxed at a lower rate than luxury goods. The argument is that poorer households (including low income female-headed/dominated households) tend to consume more goods that have low price elasticity of demand. This is the rationale behind exempting basic food items, clothing, stationery, LPG (in the case of Delhi) from VAT.

However, in case of households where income is pooled and consumption differs for men and women, some of the tax burden may be shifted from male members to females in the household. This could be explained by returning to the example of the hypothetical family where both spouses are earning. While it is likely that the husband's income is spent mostly on consumption of personal luxury goods including alcohol and tobacco, the wife's income is spent on maintenance and basic necessities such as food, clothing, children's education and family health. In such a case, the tax incidence of the luxury goods consumption falls on the entire family, since the income is pooled. Therefore, part of the burden is passed on to the women.

[2] Price elasticity of demand is the measure of responsiveness of demand of a particular good to changes in price. It is measured by the ratio of the percentage change in quantity demanded by the percentage change in prices.

7. User Fees

User fees are contributions towards the cost of the production of a service, usually borne by the consumer of the service and paid in cash per unit of the service used. User fees, in effect, turn public services into commodities. In the context of globalisation and the passage of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003, there seems to be an increased tendency on the part of the government to impose user fees on services delivered by public institutions.

Public finance theories advance the following rationale for charging user fees. First, user fees control the misuse and wastage of scarce government resources, the argument being that people will only make optimal use of such services if they are charged. Second, nominal charges can act as a mechanism to check the price that private enterprises charge for the same service. Neoclassical economists argue that cost-based user charges cause less distortion to overall public finance than additional taxes. Hence, it is a preferred way of generating revenue. However, it has been established by scholars around the world that user fees can be a deterrent for lower income groups from using the necessary services.

User charges have negative welfare implications if the service provided has high price elasticity of demand and it may not be able to raise the revenue intended. Malama et al(2002). Observe that the imposition of user fees in health services in Zambia, as a consequence of the implementation of World Bank prescribed norms has reduced the access of poor, especially rural female children, from the services. Similarly, Kattan and Burnett (2004) in their study note the adverse effect of user fees on education in the context of various developing countries in Africa.

Even when theoretically justifiable, user fees have to be on identifiable units of government services. Some examples of services where units are identifiable include toll fees for a single use of a bridge, hospital charges for use of a bed, parking charges for parking a car for a length of time, entry charges for a single person in a park. Moreover, user charges are hard to implement when the user is not identifiable.

For example considering the cost of maintaining street lighting, it is difficult to separate and charge all beneficiaries. Even neoclassical public finance scholars agree that user fees cannot be charged on “merit goods”, i.e., goods that have external benefits due to universal provisioning. Hence, it is debatable whether user fees on universal healthcare and universal education is justifiable either from the point of view of economic efficiency or from a social justice perspective.

The user charges that has rabid negative impact on the poor, especially women, are those on water, electricity, health and education. Levying of user charges on healthcare systems is justified as creating opportunities to recover costs. However, evidence from the world over has shown that user fees often dangerously impede imminent healthcare for women, including essential maternal care (Hall et al., 2009). Women, especially poor women, tend to go to hospitals less if user fees are levied, or only go much later when the health problem has aggravated, finds a study report by Jan Swasthya Abhiyan.

Banerjee (2008) notes that the All India Institute of Medical Sciences (AIIMS), New Delhi started levying steep user charges not with the aim to recover costs but allegedly to reserve the facility for those who can afford it. According to Banerjee, the focus of AIIMS in recent years has been providing super specialty medical facilities at very high prices to those who can afford it. On the expenditure side however, medicines and food for in-house and out patients have seen a massive cut in favour of increased spending on research and investment.

The implementation of user fees in healthcare needs to be looked at from the following three aspects: First, there may be differential impact of user fees on utilization of health care between men and women because of differentiated access to resources. Second, user fees may affect women's utilization of health care themselves as they may prioritize other basic expenditures over that of health care (Nanda, 2002), and third, the burden of providing health care may shift substantially to women in the household (Bashevkin, 2002).

Table 12 documents expenditure on medical expenses for both institutional and non-institutional forms of health care and gives an idea of the effect user charges may have on these categories. The expenditure of the lower deciles on institutional medical care is very low, both in absolute terms in comparison to other deciles and also in proportion to total non-food expenditure. Furthermore, institutional medical expenditure is a lot lower than non-institutional expenditure in all the deciles.

User fees may mean that people in the lower deciles prefer accessing non-institutional medical facilities, whether formal or informal. This would not make much of a difference in the higher deciles since the percentage of people using public health facilities in the higher deciles is lower. Evidence from around the world, especially Africa, shows that health care demand falls significantly with the imposition of user fees. Gertler and Hammer (1997) observed in their work in Zimbabwe that user fees resulted in a drop in demand for health care from the very first year of implementation of user fees.

The research also draws attention to the importance of labour time available to the household and labour market opportunities in determining the impact of user fees on health status. It shows that household health critically depends on the ability of women to increase the number of hours devoted to non-wage labour. Thus, implementation of user charges and the resulting lower access to health care by the family may mean that women have reduced time spent on leisure and education and devote more unpaid labour towards the family's health. Similarly, James et al. (2005) have estimated that elimination of user fees could prevent approximately 233,000 deaths annually in under-five age group children in twenty African countries.

Table 12: Medical Expenditure as percentage of Total Non-Food Expenditure

	Urban				Rural			
Deciles	**Medical Expenditure (Institutional) (in Rs.)**	**Medical Expenditure (non Institutional) (in Rs.)**	**Medical Exp (Inst) as % of total non-food Expenditure**	**Medical Exp (non Inst) as % of total non-food expenditure**	**Medical Expenditure (Institutional) (in Rs.)**	**Medical Expenditure (non Institutional) in Rs.**	**Medical Exp (Inst) as % of total non-food expenditure**	**Medical Exp (non Inst) as % of total non-food expenditure**
0-10	0.37	13.94	0.2	7.1	1.35	13.98	0.1	7.8
10-20	0.54	23.54	0.2	8.0	4.61	23.4	0.2	8.5
20-30	0.95	29.67	0.3	7.8	3.86	28.82	0.1	9.1
30-40	1.93	35.15	0.4	7.5	5.57	32.59	0.4	8.8
40-50	3.27	42.89	0.6	7.9	6.51	37.31	0.2	9.1
50-60	3.02	51.59	0.4	7.1	11.08	43.94	0.3	8.9
60-70	10.6	63.49	1.2	7.0	18.37	58.68	0.6	10.1
70-80	12.44	78.94	1.1	6.8	20.31	62.26	1.1	9.4
80-90	28.01	103.76	1.7	6.4	42.16	92.62	1.5	10.8
90-100	189.48	204.54	4.5	4.8	80.14	175	8.1	8.4

Source: 66thRoundof NSSO

8. Policy Implications

Gender-just macroeconomic policies, including tax policies, need not only be sensitive to women's concerns and include gender dimensions, but also need to focus on ending unequal relations in society (Dewan, 2011). A country needs to emphasise on revenue collection policies that have no adverse effects on the poor, especially on poor women. In this regard, the tax system needs to focus more on direct taxes and less on indirect taxes, as indirect taxes tend to be more regressive. One possibility is to focus on capital goods tax and trade tax, which are less regressive than indirect taxes like VAT that directly affect women.

Similarly, in the domain of direct taxes, taxes on foreign exchange transactions are more progressive as they are less likely to affect women, especially poor women. Ghosh (2006) notes that the emphasis should also be on collection of wealth tax as this would facilitate transfer of resources from richer groups to the government and be effective in raising national savings rates. One can also conceive of differential taxes to promote more desirable types of foreign investments, including Foreign Direct Investment (FDIs) in the case of female labour-intensive industries. Ghosh (op. cit.) prescribes World Trade Organisation (WTO) compatible trade taxes which could provide more revenue without adversely affecting the poor, including women. She recommends taxes on imported luxury goods as well as export taxes on important commodities, provided that the taxes are responsive to market conditions.

Conceiving of diversified tax policies rather than relying heavily on indirect taxes like VAT can have positive implications on people belonging to lower income groups. Exemption of taxes on basic and necessary goods including food items, fuel, children's clothing and footwear may provide benefits to women and can be seen as progressive deductions promoting gender equity. However, essential household items in India like spices and edible oil are taxed at 4 percent, which means that poorer households face higher incidence of VAT on these goods. Taxes on public provisions in a graduated manner may also be recommended as it can be designed to be progressive. Increasing tariffs beyond a certain minimum level of consumption on electricity and water use would also prove helpful in this regard as it would subsidise the services for smaller and poorer customers and tax the richer customers.

Targeting luxury consumption, especially on goods consumed primarily by men of higher income level, can have positive gender and class implications. Similarly, higher reliance on income tax for revenue collection is more sustainable as people within the income tax brackets are more likely to be better off; progressive taxation and positive discrimination is easier here than in the case of indirect taxes.

In sum, women should not have to bear the brunt of tax revenue collection given the equitable principle of taxation. Moreover, the system could become truly progressive if resources are mobilized from the richer and male-dominated sections so that these percolate down to the poorer and female-dominated households of the society. Tax system in India dates back to the ancient times and have often seen tax regimes that had adverse effects particularly on women, the poor and the marginalised. However, even developed countries have highly regressive and gender non-egalitarian income tax structures. In USA, for example, secondary earners (usually women) have to pay a higher marginal rate of taxation. On the other hand, even though India had a progressive and (till recently) positively discriminating income tax structure, it does not have a particularly significant impact, since most women do not fall under the tax-payer category and are engaged in the usually low-paid informal sector workers.

Much of women's work in the country is in the form of unpaid care labour, which often gets secondary treatment in the tax schedule mainly because of statistical discrepancies in capturing such forms of labour in National Income Accounting. For families within the income tax bracket, care labour gets accounted for by positive discrimination of women in income tax collection. Of late, the gap between male and female income tax exemption has narrowed, thereby reducing the value of unpaid labour.

Further, the incidence of poverty is larger among women, especially since their workforce participation is lower. Even for women participating in the workforce, the average income is lower in comparison to men. Property ownership is often skewed, resulting in unequal distribution of power and resources within the family. All these aspects reflect that the burden of indirect taxation, especially in taxes like GST and VAT is more likely to fall on women. It is difficult to compare the actual incidence of indirect taxes on men and women as the data on consumption expenditure does not permit a gender analysis due to unavailability of sex-disaggregated data. However, as has been mentioned earlier, studies by Banerjee and Chakraborty et al. on West Bengal indicate that the incidence of indirect taxes is higher on families that are female-headed/dominated.

Tax schedules that manifest unequal distribution of power within the family impact women regressively. In the case of family businesses, the male member pays tax while women provide unpaid labour and are not the owner / employer of the enterprise. In such cases, the woman's role and identity as a worker gets neglected and she may also face problems in claiming a share of the business in the event of separation or divorce. Joint filing in the case of HUF too appears discriminatory as it provides no incentive to transfer property to women and can perpetuate traditional gender norms.

In order to arrive at a more gender-equitable tax system, the focus needs to shift from indirect to direct taxes, and, among indirect taxes, from consumption taxes on basic commodities to those on luxury commodities. Attention should also be paid to increasing the corporate and capital gains tax relying more on foreign exchange transactions tax, and taxing select FDIs so that additional revenue could be raised without adversely affecting employment generation, and at the same time, being pro-poor and pro-women.

In the current context in India, there remains a plethora of issues in taxation on which an examination of gender equity can be conducted some of which have been highlighted in this discussion. Currently, the major policy proposals in India in the domain of taxation are the *Direct Taxes Codes* and the *Goods and Services Tax*. An extremely important contribution to the literature on gender and taxation in India would be to look at the equity perspective of these two proposals from a gender lens.

References

Agarwal, B (1994), *A Field of One's Own: gender and land rights in South Asia,* Cambridge University Press

Agarwal, B (2002),*Are We Not Peasants Too? Land Rights and Women's Claims in India,* Population Council http://www.popcouncil.org/pdfs/seeds/seeds21.pdf

Alesina, AF, Aichino & L Karabarbounis (2007), 'Gender Based Taxation and Division of Family Chores',*NBER WORKING PAPER SERIES* Working Paper 13638

Antonopoulos, R (2009),*The unpaid care work - paid work connection,* Policy Integration and Statistics Department, International Labour Organisation, Geneva

Banerjee, N (2008),*Gender Impacts of Revenue Collection in India*, Commonwealth Secretariat, London

Barnett, K and Caren Grown (2004), Gender Impacts of Government Revenue Collection: The Case of Taxation, Commonwealth Secretariat, London

Bashevkin, S (2002),Women's Work is Never Done: Comparative Studies in Caregiving, Employment *and Social Policy Reform,* Routledge, New York

Bhattacharji (1987), 'Prostitution in Ancient India',*Social Scientist* Vol. 15, No. 2, Feb., 1987

Bouazzaoui, A E, A Fazouane, H Jalal & S Saidi (2010), 'Gender Equality and taxation in Morocco' in Grown C & I Valodia ed. *Taxation and Gender Equity: A comparative analysis of direct and indirect taxes in developing and developed countries,* Routledge. London and New York

Central Board of Direct Taxes (2010), *Revised Discussion Paper on the Direct Taxes Code,* Department of Revenue, Ministry of Finance

Chant, S (2004), 'Dangerous Equations? How Female-headed Households Became the Poorest of the Poor: Causes, Consequences and Cautions', IDS Bulletin Vol 35, Issue 4

Dewan, R (2009), 'Indian Taxation Systems and Policies: A Gendered Critique' in S Prabhu and R Dewan ed. *Macroeconomics and Gender* Zubaan, New Delhi

Dewan, R (2011), 'Twelfth Five Year Plan: Patriarchy as Macroeconomic Construct',*Economic and Political Weekly,* October 15

Dwyer, DH (1988),*A Home Divided: Women and Income in the Third World,* The Population Council

Elson, D (2006),*Budgeting for Women's Rights: Monitoring Government Budget for Compliance with CEDAW,* UNIFEM

Gangopadhyay, S and W Wadhwa (2004),*Are Indian female-headed households more vulnerable to poverty?* India Development Foundation

Gertler, Paul, and Jeffrey Hammer (1997), Strategies for Pricing Publicly Provided Health Services, Policy Research Working Paper 1762. Wold Bank, Washington D.C.

Ghosh, J (2006),*Macroeconomic and Growth Policies*, United Nations DESA/UNDP, New York

Grown, C & H Komatsu (2010), 'Methodology and Comparative Analysis' in Grown C & I Valodia ed. *Taxation and Gender Equity: A comparative analysis of direct and indirect taxes in developing and developed countries,* Routledge. London and New York

Grown, C (2010), 'Taxation and Gender Equality: A Conceptual Framework' in Grown C & I Valodia ed. *Taxation and Gender Equity: A comparative analysis of direct and indirect taxes in developing and developed countries,* Routledge. London and New York

Hall, M J, A Ahmed and Swanson S E (2009),*Answering the Millennium Call for the Right to Maternal Health: The Need to Eliminate User Fees*, IRis, Northeastern University.

Handa, S (1996), 'Expenditure Behaviour and Children's Welfare: An Analysis of Female Headed Households in Jamaica',Journal of Development Economics Volume 50, Issue 1, June, Pp165–187

James C, SS Morris, R Keith, A Taylor (2005), 'Impact on child mortality of removing user fees: simulation model', http://www.bmj.com/content/331/7519/747.full

Jan Swasthya Abhiyan (2006),*Globalisation and Health*, Towards the National Health Assembly II. Booklet - 1

Kattan and Burnett (2004), 'User Fees in Primary Education', The World Bank, July 2004

Kohonen, M & F Mestrum (2009),*Tax Justice: Putting Global Inequality on the Agenda*, Pluto Press, London

Malama C, Chen O, De Vogli R and Birbeck GL (2002), 'User fees impact on access to health care for female children in rural Zambia', Journal of Tropical Pediatrics 48(6):371–372.

Murayama, Mayumi & Nobuko, Yokota (2008), "Revisiting labour and gender issues in Export Processing Zones: the cases of South Korea, Bangladesh and India," *IDE Discussion Papers* 174, Institute of Developing Economies, Japan External Trade Organization (JETRO)

Nanda, P (2002), "Gender Dimensions of User Fees: Implication for Women's Utilisation of Health Care", *Reproductive Health Matters* 10(20):127–134

Naoroji, DB (1988 [1901]),*Poverty and Un-British Rule in India* Publications Division, Ministry of Information and Broadcasting, Government of India, Commonwealth Publishers.

Nelson, Julie (1996),*Feminism, Objectivity, and Economics*, London: Routledge

Neufeld, KL; DH Peters, M Rani, S Bonu and RK Brooner (2005), 'Regular use of alcohol and tobacco in India and its association with age, gender and poverty',*Drug and Alcohol Dependence* Volume 77, Issue 3, March, pp 283-291

Poirson, H (2006), "The Tax System in India: Could Reform Spur Growth?",*IMF Working Paper,* International Monitory Fund.

Prakash, Prashant (2013), "Property Taxes across G20 Countries: Can India Get It Right?", Oxfam India – CBGA publication, January

Rao, M G and R K Rao (2009), "Direct Taxes Code: Need for Greater Reflection",*Economic and Political Weekly,* September 12

Roy, B and S Gupta (2011), "Public- Private Partnership and User Fees in Healthcare: Evidence from West Bengal",*Economic and Political Weekly,* September 17th

Sarkar, K R (1978),*Public Finance in Ancient India,* Abhinav Publications, New Delhi

Srivastava N and R Srivastava (2010), "Women, Work, and Employment Outcomes in Rural India",*Economic and Political Weekly* Vol XLV No 28

Ssewanyana A, L Bategeka, M Guloba & J Kiiza (2010), 'Gender Equality and Taxation in Uganda', in Grown C & I Valodia ed. *Taxation and Gender Equity: A comparative analysis of direct and indirect taxes in developing and developed countries* Routledge. London and New York

Stotsky, J G (1997), 'How Tax Systems Treat Men and Women Differently',*Finance and Development*

Swaminathan, P (2009), "Outside the Realm of Protective Labour Legislation: The Saga of Unpaid Labour in India",*Economic and Political Weekly*Vol XLIV No 44

NOTES

NOTES

About CBGA

Centre for Budget and Governance Accountability (CBGA), an independent think tank based in New Delhi, analyses public policies and budgets in India and advocates for greater transparency, accountability and scope for participation in budgets. For further information about CBGA's work, please visit www.cbgaindia.org or write to us at: info@cbgaindia.org

CBGA

Centre for Budget and Governance Accountability

B-7 Extn./110 A (Ground Floor), Harsukh Marg,
Safdarjung Enclave, New Delhi – 110029
Ph: +91-11- 49 200 400 / 401 / 402, Fax: +91-11- 4050 4846
Email: info@cbgaindia.org
Website: **www.cbgaindia.org**