

Comments for EBAG August 2014: *Revenue Scotland*

The Scottish Women's Budget Group is an independent campaigning and research group committed to the promotion and implementation of gender analysis in government budget processes.

Gender budget analysis (GBA) is an approach that systematically takes account of how public spending decisions can impact on women and men differently. GBA identifies the bias within resource allocation processes that are assumed to be gender neutral and aims to strengthen equality of outcomes, across all public expenditure and government departments. To ensure the elimination of bias and the creation of a non-discriminatory taxation regime, the Scottish Government and Revenue Scotland will doubtless require a form of GBA, perhaps a hybrid of GBA and gender equality impact assessment (GEIA), as essential to its work in measuring the impact of existing and future tax regimes on women and men. To this end, there is clear international evidence about gender and tax that Revenue Scotland can draw on in considering current and future approaches to taxation within Scotland.

Revenue and taxation

Women's primary responsibility for children and dependants means that without significant state provision of childcare and other provision for care, they are likely to be the chief contributors to the unpaid economy. There is still a considerable gender pay gap in Scotland, which means that women are more likely to be working for lower rates of pay, and on a part-time basis, than men. They therefore bear a smaller share of the direct tax burden, but possibly a greater share of the indirect taxation.

Differences in women's and men's patterns of consumption and access to resources means that superficially neutral duties, like those on beer and fuel, have profoundly gendered impacts. Indirect forms of taxation, like VAT, have a greater impact on women than on men, as women have less access to resources of all kinds. SWBG considers these to be regressive forms of tax. Conversely, taxes on land and wealth have the smallest impact on women, as they are significantly less likely to own land or have wealth.

All forms of tax have a gender impact, though, and it is critical that gender forms part of the analysis and modelling that seeks to understand the impacts of specific taxes and the incentives and disincentives that they create. Using distributional analysis and analysis of *impact* at the household level of changes to taxation between 2011 and 2014, a study by the Institute of Fiscal Studies¹ provides an introduction to possible methodological approaches and their outputs.

Drawing on international experience, a number of questions regarding taxation arise²:

- What are the outcomes of tax policies on women and men and on male-headed households as compared with female-headed households?
- How do tax policies and tax reforms affect both paid and unpaid work, and the interdependence between these two spheres of the economy?
- What are the impacts of tax within households? Are gender inequalities within the household likely to be mitigated or reinforced by taxation policies?
- How do tax policies being considered affect people differently over their life cycle?

¹ <http://www.ifs.org.uk/bns/bn118.pdf>

² Taken from Enriquez and Elson, *Development*, 2012, 55(3), (299–304).

Existing mechanisms for calculating *income* by household are problematic from a gender standpoint. Assumptions that income and other resources are distributed equally and/or equitably within households have been shown to be problematic; and within-household distribution is highly gendered. Taxation policy that uses the household unit also raises a number of other issues that are especially relevant to incoming provisions for income tax regime in Scotland. Diane Elson and colleagues have highlighted

When joint taxation is the rule, tax liability is assessed on the combined income of both partners and they file a joint tax return. In these cases, the partner with the lower income (mostly women), might effectively pay more tax, than they would if they were taxed as separate individuals. This happens if aggregating the income of the two partners takes the joint income into a higher tax bracket than the bracket in which the lower earner would fall if filing as an individual. De Villota (2003) demonstrates how joint filing in PIT might create disincentives to female labour market participation. Considering the same issue, Himmelweit (2002: 16) argues that separate taxation of each person in a couples (individual filing) 'can be seen as a step towards gender equality in employment (y) Separate taxation also improves women's bargaining power within their households; as women usually earn less than their husbands, wives will generally gain from being taxed at an individual, rather than a joint, rate.'³

Structure and composition of Revenue Scotland

The establishment of Revenue Scotland is a vital opportunity to ensure that the structure of Scotland's tax collecting body is representative of both women and men. It is crucial that existing assumptions about women's and men's lives are replicated in the structure of the organisation and the taxation policies it will administer.

As a public authority, Revenue Scotland will be obliged under the public sector equality duty to eliminate discrimination and advance equality of opportunity in the exercise of its functions. This means ensuring that equality is mainstreamed in all its tax-related policies and practices, and its employment function. Gathering robust gender-disaggregated data and analysis of the impact of tax regimes on women and men will be a critical part of this work.

The governance structures of Reform Scotland should also be representative. Boards that are gender balanced are better able to understand perspectives that are reflective of the groups of people they serve. Recruitment procedures that deliver gender balance in board and staff are critical. Appropriate board and staff composition enables decision making that takes cognisance of the different experiences of women and men.

It is also important that the structures of Revenue Scotland are gender competent: they demonstrate capacity and skills for gendered analysis and strategy at operational and strategic levels. This too will enable Revenue Scotland to fully meet the requirements of the public sector equality duty.

Scottish Women's Budget Group, July 2014

³ Enriquez and Elson, *Development*, 2012, 55(3), (299–304).