

GEM-IWG

**Knowledge Networking Program on
Engendering Macroeconomics and International Economics**

**Gender Inequality in Taxation:
The case of Argentina**

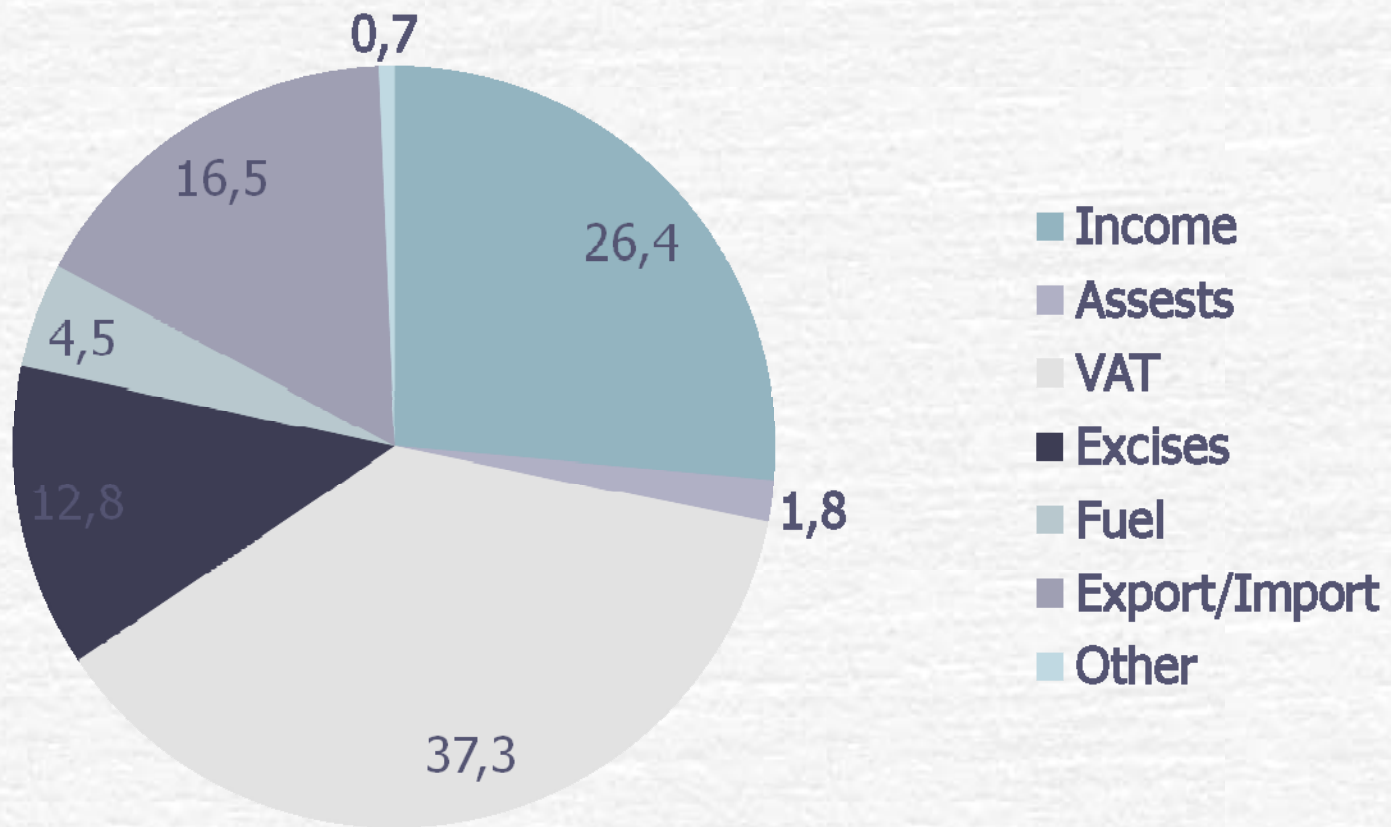
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July 2009

Country and Tax System Overview

- **Medium Income Country**
- **Economic growth and fiscal surplus**
- **No integrated tax reform:**
 - **Partial amendments on PIT and VAT**
 - **“Emergency” taxes: tax on bank accounts transactions + export duties**
- **Medium fiscal revenue level: 25% GDP**

National Tax Structure



Income Tax System

- **Progressive: Income brackets / rates from 11% to 35%**
- **Deductions allowed**
- **Exemptions:**
 - Judges (people in the judiciary system) earnings.
 - Income from capital gains and financial gains.
- **Individual filling, but:**
 - Husband should declare jointly-owned assets and all income resulting from jointly owned assets (unless such assets were purchased by the wife with her own earnings or there is a court order for separate administration of the spouses' assets)

Income Tax System

- **Tax collection differences:**
 - **Self-employed workers – High income earners (autónomos)**
 - Individuals earning less than AR\$ 7,500/year (US\$ 2,380) are tax exempt
 - Deductions available according to applicable regulations
 - **Self-employed workers – Small income earners (monotributistas)**
 - No tax exemption
 - No deductions available
 - **Wage earners in formal employment (payroll)**
 - Individuals earning less than AR\$ 3,400/month (US\$ 1,080) are tax exempt
 - Deductions available according to applicable regulations

Income Tax Structure

Personal Income Tax Payers - By type and sex - 2007

By Type	Men	Women	N/I	Total
Self-employed high income	10,1	8,0	69,4	9,4
Self-employed low income	20,9	27,6	30,6	23,2
Wage earners	69,0	64,4	0,0	67,5
Total	100,0	100,0	100,0	100,0
By Sex	Men	Women	N/I	Total
Self-employed high income	72,5	27,4	0,0	100,0
Self-employed low income	61,1	38,9	0,0	100,0
Wage earners	69,0	31,0	0,0	100,0
Total	67,5	32,5	0,0	100,0

Tax deductions

- Self-employed low income: no deduction available
- Self-employed high income and wage earners:

Personal allowances (Section 23 of Income Tax Law)	Self-Employed	Wage earners
Non Taxable Income	9000	9000
Spouse	10.000	10.000
Children (each)	5000	5000
Other dependents (each)	3750	3750
Special deduction (for income fall in into the third category)	9000	43200

- Deductions are available both for women and men.
- Progressivity: deductions decrease with the income level \Rightarrow no deduction available over \$221000.

Gender Bias

- **Explicit**
 - Income deriving from joint property to be considered in husband's tax filing.
- **Implicit**
 - Self-employed with low income (women are over-represented) are not allowed to take deductions.
 - There is no tax exemption allowed for self-employed with low income

Vertical Equity

- Vertical equity:
 - Operates through
 - Threshold
 - Decreasing deductions
 - However:
 - Highest income are exempted (capital and financial gains)
 - Women are over-represented at lower income levels \Rightarrow vertical inequity = gender inequity

Horizontal Equity

Type of Household	Number of members	Number of income earners	Household annual net income
A	Two married people, one male provider with two underage children	Only the male member has an income	AR\$ 72,000
B	Single-parent household, one female provider with two underage children	The female member has an income	
C	Two married people, both have an income, no children	Both members earn an income: the male's income is high, the female's income is low	

Horizontal Equity

	Type of Household		
	Male Bread-Winner	Single-Parent	Dual earner
Wage Earners	0	2132	man = 2132 / woman = 0
Self-employed High Income	5120	7420	man = 4660 / woman = 0
Self-employed Low Income	2520	2520	man = 900 / woman = 468

- **Discrimination by income source (type of employment)**
- **Discrimination against single parent households**
- **Discrimination against self-employed low income women (though income taxation do not prevent women to enter the labour market)**
- **Discrimination against non-married couples**

Policy Implications - PIT

- There is room to pro-equity reforms in Personal Income Taxation in Argentina:
 - To foster positive implications of individual filling \Rightarrow to eliminate explicit discrimination against women (regarding treatment of common property within marriage)
 - It would be advisable to include into the tax income law a provision expressly enabling both members of married and non-married couples to compute deductions.
 - To eliminate tax exemptions that discriminate against women in a non-direct way.
 - Review deduction system in order to get a more homogenous treatment.

Indirect Taxation – Incidence Analysis

- **VAT:**

- Taxes every production stage, the difference between credits and debits is paid.
- Rates:
 - General 21%
 - Reduced rate: 10,50% on meat, fruits and vegetables, bread, passenger transportation
- Very few exemptions: books, newspapers, water, milk, medicines, educational services; zero rate only on exports

- **Excise taxes:**

- Rates:
 - Alcoholic drinks = 20%; Tobacco = 60%; Electronics = 17%

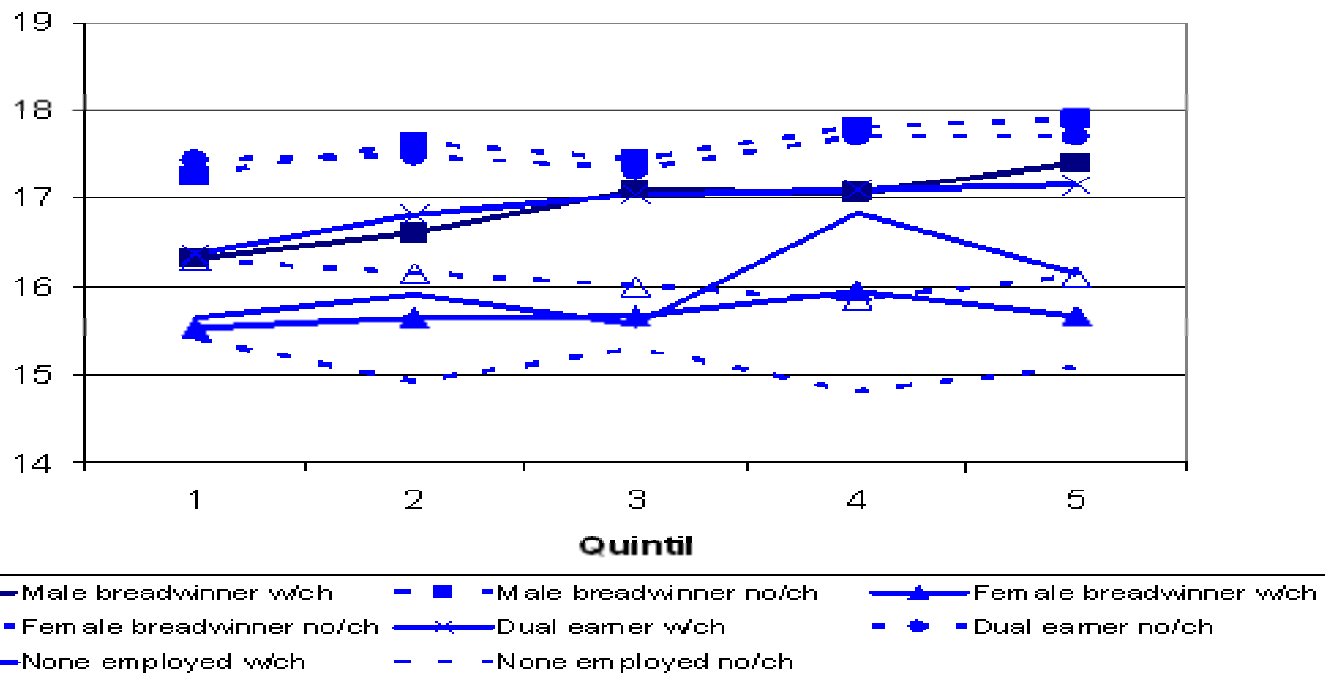
- **Fuel taxes:**

- All kinds of fuel are taxed, petrol, gasoline, gas-oil, diesel, gas for cars.
- The tax is not included in the tax base; the tax is the higher between an ad valorem and a tax on quantities consumed

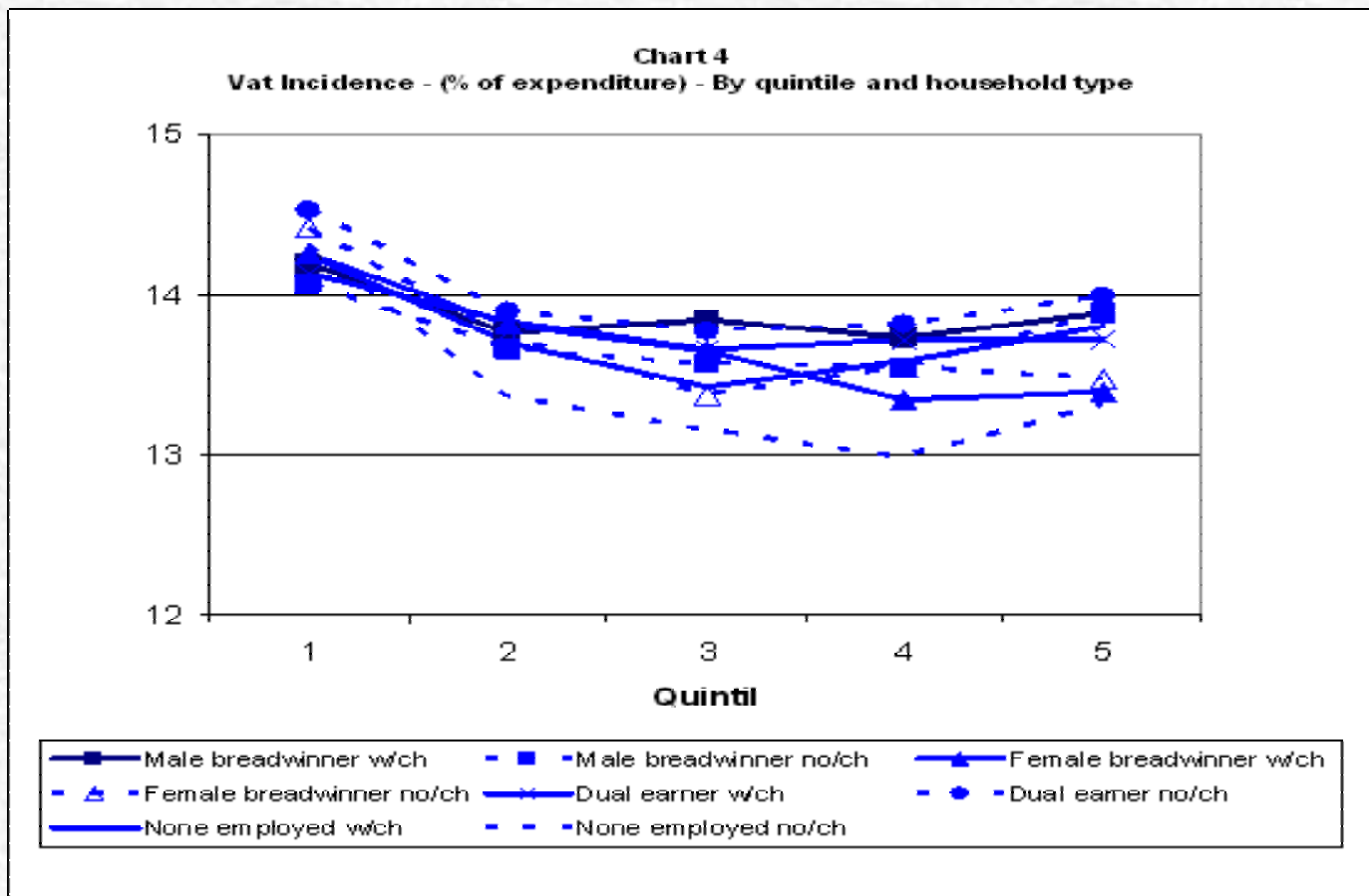
Methodology

- Indicator:
 - Tax as percentage of expenditure
- Households classification:
 - Employment status
 - Male breadwinner
 - Female breadwinner
 - Dual earner
 - None employed
 - Sex composition (adults)
 - Male majority
 - Female majority
 - Equal number

Chart 3
Total Tax Incidence - (% of expenditure) - By quintile and household type

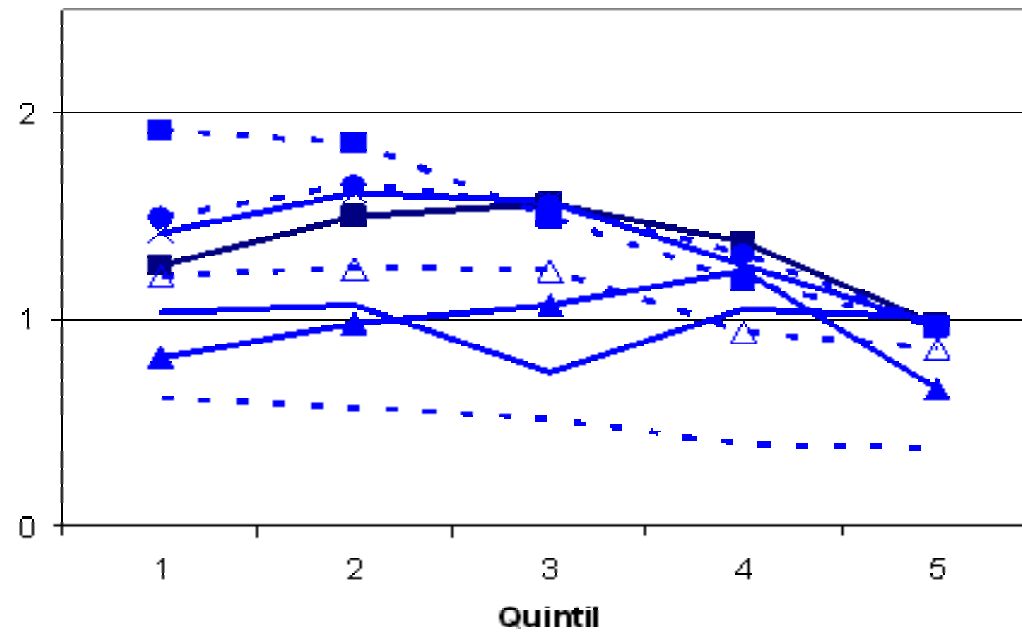


- Proportionality; more progressive for male breadwinner and dual earner than for female breadwinner.
- Higher incidence for male breadwinner and dual earner; and for hhs with no children.



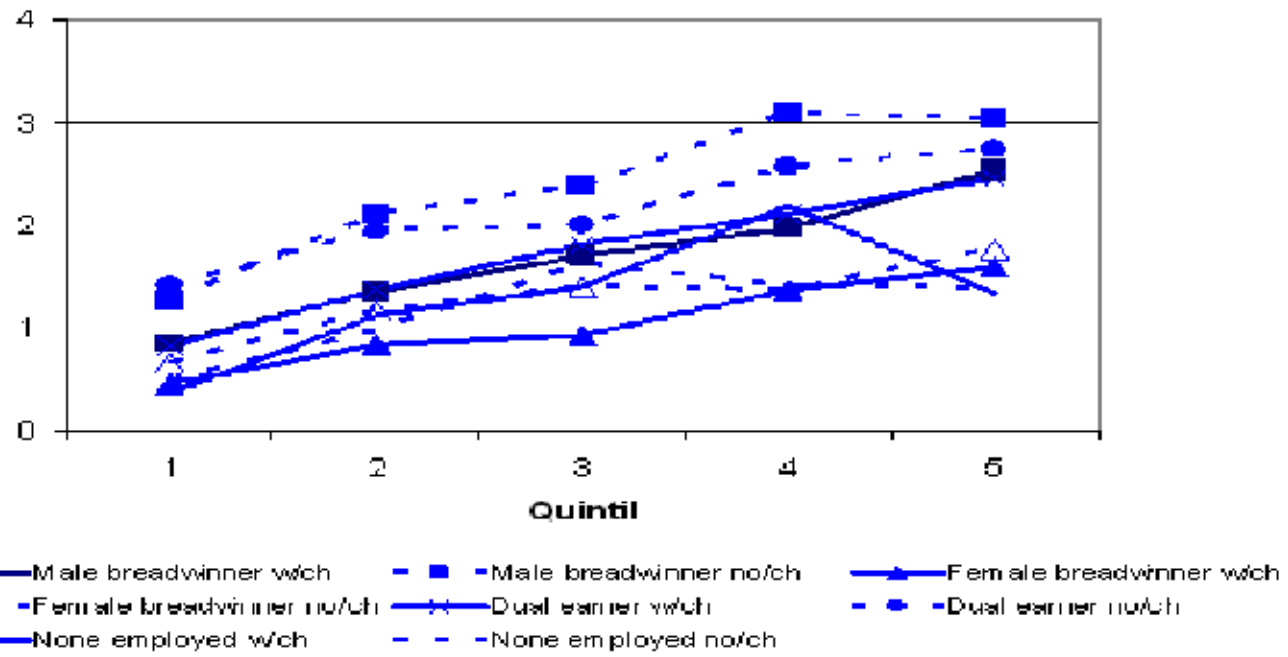
- Regressivity among Q I and II.
- Always regressive for female breadwinner hhs.

Chart 5
Excises Incidence - (% of expenditure) - By quintile and household type



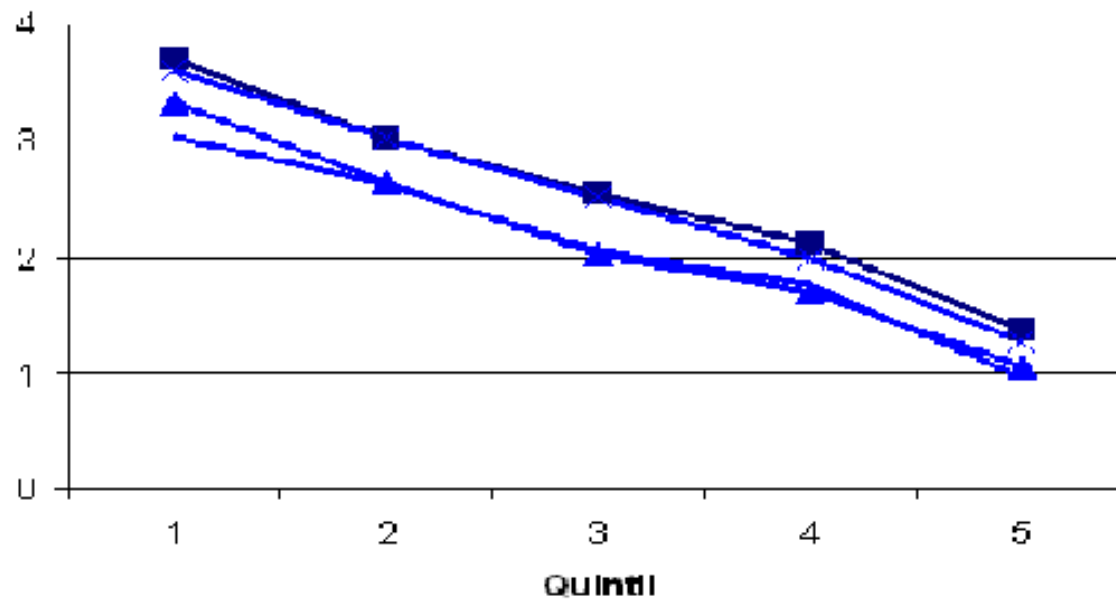
- Larger differences between hhs types.
- Progressive for lower Qs; regressive for higher Qs.

Chart 6
Fuel Tax Incidence (% of expenditure) By quintile and household type



- Progressivity.

**Chart 7 -
Basic Food Basket Incidence (% of expenditure)
By quintile and household type**

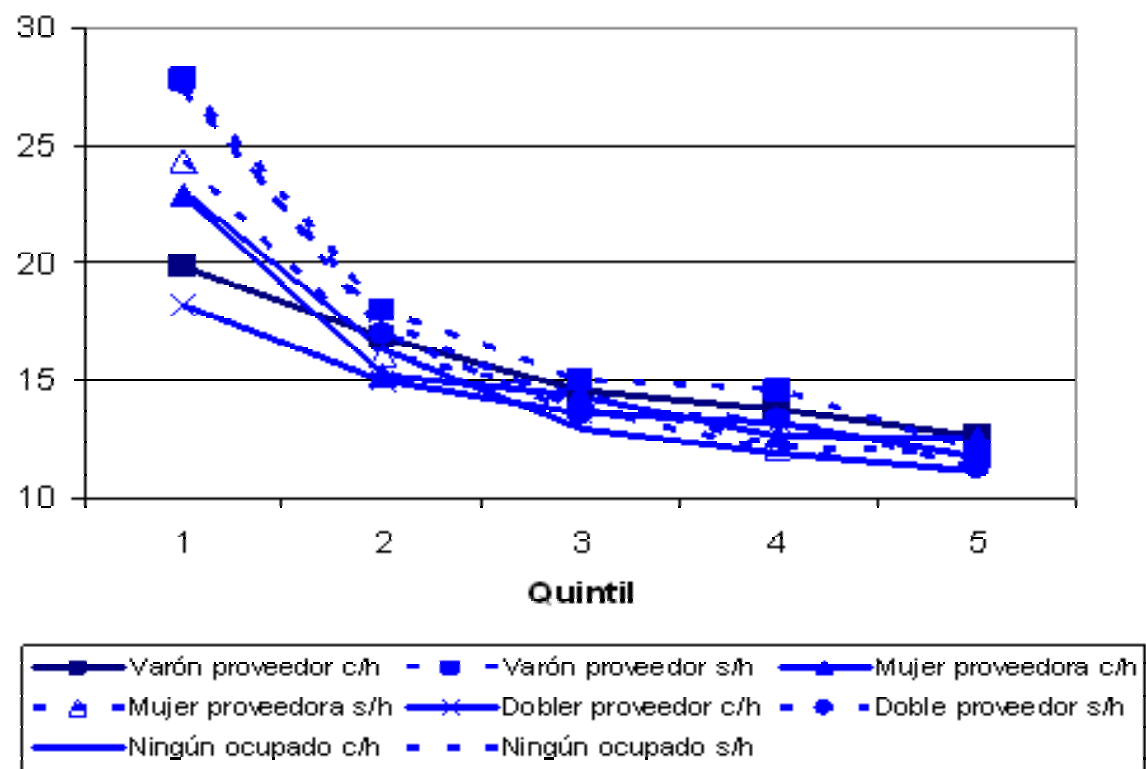


■ Male Breadwinner HH
 ■ Male Breadwinner HH
 ▲ Female Breadwinner HH
▲ Female Breadwinner HH
 ■ Dual Earner HH
 ● Dual Earner HH
■ None-Employed HH
 ■ None-Employed HH

Gender bias in indirect taxation at the commodity level

- Female-type hhs:
 - sugar and confectionery
 - nonalcoholic beverages
 - public transportation
 - school transportation
- Male-type hhs:
 - tobacco
 - alcohol

Gráfico 20
Incidencia Total por Tipo de Hogar y Quintil
% del ingreso



Conclusions and Policy Implications

- Case for more progressive taxation in Argentina.
- Will positively affect female breadwinner hhs.
- While results are not so impressive overall, there are insights at the disaggregated level of analysis (by commodity).
- Zero and reduced rates on food and basic consumption should be analyzed.
- More research on intra-hhs resource allocation and decision making needed.