Gender analysis of taxes in Mexico

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“Gender and Taxation: Improving Revenue Generation and Social Protection in Developing Countries”

The following countries participated in the project: Argentina, Ghana, India, England, Morroco, Mexico, South Africa and Uganda

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Context:

- **Mexican population**

  from 2000 to 2006 the population grew by 7.4%, a total of 105.2 million people

- **Female population**

  52%

Context:

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Población Económicamente Activa, 2006

(Población y porcentajes)

	Mujer	%	Hombre	%	Total	%
Población Total	**54,689,063**	52.0%	**50,497,988**	48.0%	**105,187,051**	100
Población de 14 años y más	**39,926,321**	53.1%	**35,237,811**	46.9%	**75,164,132**	100
PEA	16,666,833	37.5%	27,780,199	62.5%	44,447,032	100
	41.7%		78.8%		59.1%	
Ocupados	16,020,833	37.4%	26,825,308	62.6%	42,846,141	100
	40.1%		76.1%		57.0%	
Desocupados	646,000	40.4%	954,891	59.6%	1,600,891	100
	1.6%		2.7%		2.1%	

Source: Secretaría del Trabajo y Previsión Social (STPS). Cuarto Trimestre 2006

Context:

- Women represent 37.5% of the Economically Active Population

- Among women 14 years of age and older, only 41% identify as part of the EAP

Context:

- The minimum wage (average) in Mexico was $48.00 Pesos/day

Context:

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Población Económicamente Activa ocupada por Nivel de Ingresos, 2006

(Población y Porcentajes)

Nivel de Ingresos	Mujer	Hombre	Total
Hasta un salario mínimo	2,842,612	2,746,652	5,589,264
	17.7%	10.2%	13.0%
Más de 1 hasta 2 salarios mínimos	3,812,743	4,902,550	8,715,293
	23.8%	18.3%	20.3%
Más de 2 hasta 3 salarios mínimos	3,130,989	6,187,077	9,318,066
	19.5%	23.1%	21.7
Más de 3 hasta 5 salarios mínimos	2,247,231	5,485,808	7,733,039
	14.0%	20.5%	18.0%
Más de 5 salarios mínimos	1,418,386	3,700,238	5,118,624
	8.9%	13.8%	11.9%
No recibe ingresos	1,735,667	2,104,326	3,839,993
	10.8%	7.8%	9.0%
No especificado	8,33,205	1,698,657	2,531,862
	5.2%	6.3%	5.9%

Fuente: Secretaría del Trabajo y Previsión Social. Cuarto Trimestre 2006

Context:

- **If we add:**

Those that do not earn any income

To those that earn less than 1 minimum wage and up to 3 minimum wages

- **We find that: they represent 64% of the total EAP**
- **71.8% of women that are economically active fall within this category**

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Fiscal policy

Mexico's Fiscal Policy Dilemma:

- **Lacks sufficient financial resources**
- **Requires resources to end inequitable distribution of existing income**

Direct taxes:

- **Income tax**

In Mexico, tax filing is carried out individually and without distinction between women and men

Income taxes

Mexico has:

- **Progressive tariffs**

- **Exemptions**
- **Deductions**
- **Salary credit**

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Income tax

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Table 4.- Rates for calculating monthly Income Tax 2001 and 2006

2001				2006			
Lower bracket limit	Higher bracket limit	Fixed levy	% over the excess	Lower bracket limit	Higher bracket limit	Fixed levy	% over the excess
0.01	435.72	0	3	0.01	496.07	0	3.0
435.73	3,698.27	13.07	10.0	496.08	4,210.41	14.88	10.0
3,698.28	6,499.38	339.32	17.0	4,210.42	7,399.42	386.31	17.0
6,499.39	7,555.25	815.52	25.0	7,399.43	8,601.50	928.46	25.0
7,555.26	9,045.69	1,079.49	32.0	8,601.51	Onwards	1,228.98	29.0
9,045.70	18,243.86	1,556.42	33.0				
18,243.87	53,186.21	4,591.82	34.0				
53,186.22	159,558.62	16,472.20	35.0				
159,558.63	212,744.84	53,702.56	37.5				
212,744.85	Onwards	73,647.39	40.0				

Source: SHCP, Secretaría de Administración Tributaria (SAT)

Income tax

From 2001 to 2006

The number of brackets was reduced

The applied rates were reduced…

Taxes were imposed in 2006 at a rate of 29% on income from $8,601.51 Pesos an above

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Incidence study of Indirect Taxes

Indirect taxes:

Value Added Tax

Special Tax on Production and Services (excise):

on gasoline and disel fuel

on alchoholic beverages, soft drinks and tabaco

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Value added tax

Table 7.-México: VAT rates

General VAT rate	Exemptions	Zero rate	Other preferential rates
15 per cent	• Medical services • Educational services • Not-for-profit activities • Sport and cultural services • Books and magazines • Overland passenger transportation • Lottery • Residential land and buildings	• Exports • Foods • Medicines • Milk • Potable water • Non-processed animals • Fishery and agricultural services • Wholesale trade of gold and jewelry	10 per cent in the border area

Source: Ley del Impuesto al Valor Agregado. SHCP.

Incidence

Identify how much indirect taxes each group of people pay in proportion to their income

Methodology

Information used:

- National Household Income and Expenditure Survey (ENIGH), 2006
- Variables used:
  - Expenditure
  - Population
  - Households
  - Income

Methodology

Analysis in two parts:

- Calculation of the expenditure incidence (total taxes paid as part of the total expenditure)

- Calculation of income incidence

MEXICO: INGRESOS FISCALES POR IMPUESTOS INDIRECTOS

Millones de pesos, a precios de 2007

AÑO	IVA	IEPS	GASOLINA	TOTAL
2000	257,929.31	20,858.42	90,069.57	368,857.30
2001	266,534.16	30,054.65	111,505.81	408,094.62
2002	265,985.46	29,267.18	136,646.35	431,898.99
2003	296,336.42	35,148.99	102,002.98	433,488.40
2004	317,849.04	35,585.77	59,476.97	412,911.78
2005	340,679.14	36,846.89	16,247.39	393,773.43
2006	392,904.59	38,173.71	-43,585.11	387,493.20
2007	409,078.70	41,572.00	-48,304.30	402,346.40

Participación en el Total

AÑO	IVA	IEPS	GASOLINA	TOTAL
2000	69.9%	5.7%	24.4%	100.0%
2001	65.3%	7.4%	27.3%	100.0%
2002	61.6%	6.8%	31.6%	100.0%
2003	68.4%	8.1%	23.5%	100.0%
2004	77.0%	8.6%	14.4%	100.0%
2005	86.5%	9.4%	4.1%	100.0%
2006	101.4%	9.9%	-11.2%	100.0%
2007	101.7%	10.3%	-12.0%	100.0%

Methodology

Households classified by:

- Head of household
- Occupational status
- Household composition
- Income generation

Divided by income quintiles:

- By urban and rural households
- By households with or without dependents

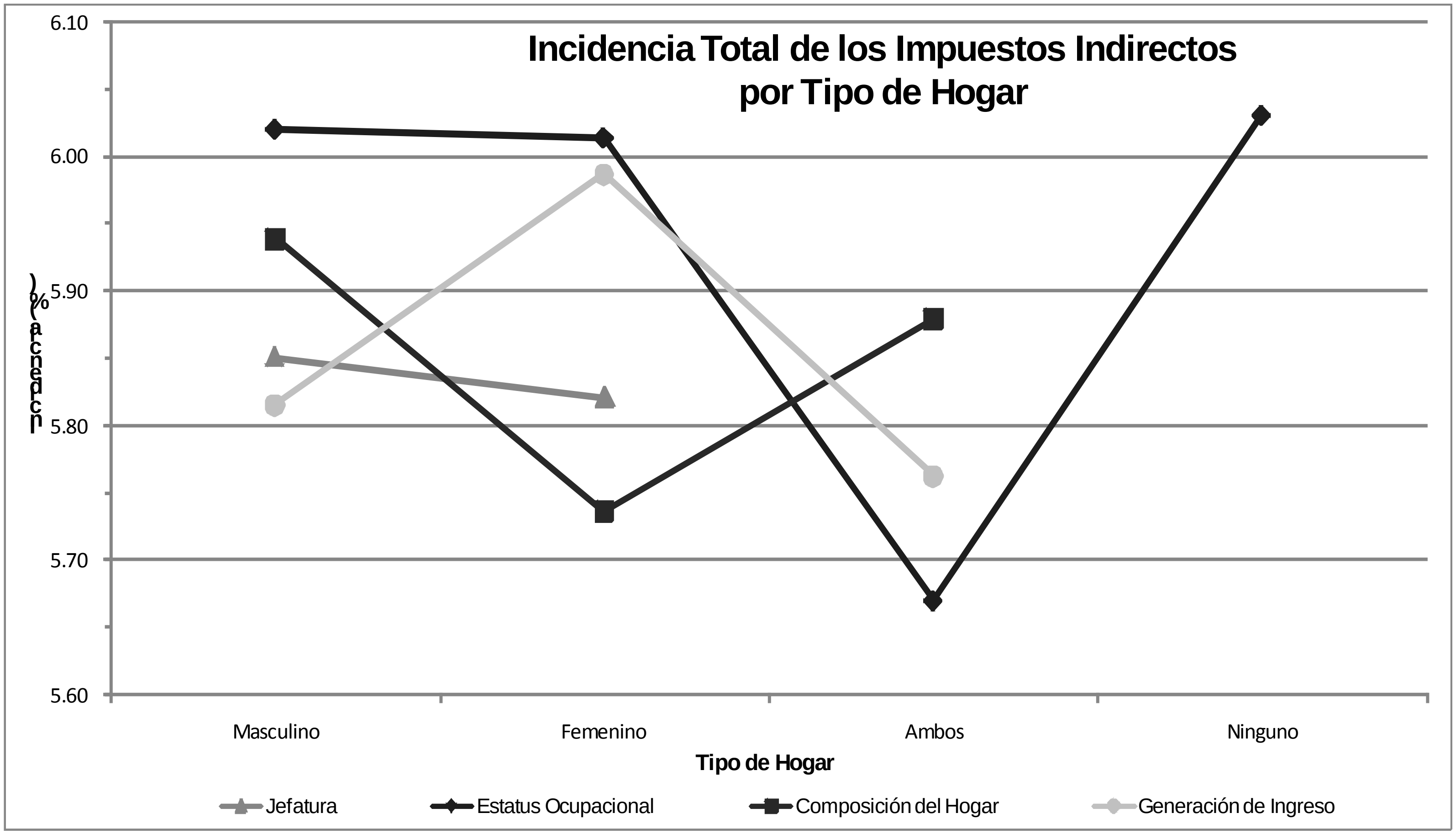
Total incidence by type of household

Tax paid as a percentage of income

	Total Impuestos Indirectos	IVA	IEPS	Impuesto a los Combustibles	Número de hogares	% de Hogares*
Jefatura						
Jefe	5.8509	5.7516	0.3119	(0.2127)	15,726	75.5
Jefa	5.8211	5.7064	0.2648	(0.1502)	5,105	24.5
Estatus Ocupacional						
Proveedor masculino	6.0198	5.8832	0.3656	(0.2290)	8,219	39.4
Proveedora femenina	6.0137	5.9459	0.2204	(0.1526)	2,838	13.6
Doble proveedor	5.6693	5.5899	0.2727	(0.1933)	8,159	39.2
Nadie empleado	6.0302	5.8592	0.3379	(0.1669)	1,615	7.8
Composición del Hogar						
Mayoría Masculina	5.9386	5.7911	0.3553	(0.2077)	7,082	34.0
Mayoría Femenina	5.7359	5.6619	0.2610	(0.1870)	8,139	39.1
Mismo Número	5.8788	5.7949	0.2926	(0.2088)	5,610	26.9
Generación de Ingreso						
Más Masculino >= 60%	5.8157	5.7016	0.3271	(0.2131)	13,084	62.8
Más Femenino >= 60%	5.9866	5.8917	0.2513	(0.1564)	5,208	25.0
60% > Igual > 40%	5.7623	5.7008	0.2687	(0.2072)	2,539	12.2

*Total de Hogares en el estudio: 20,836

Incidencia

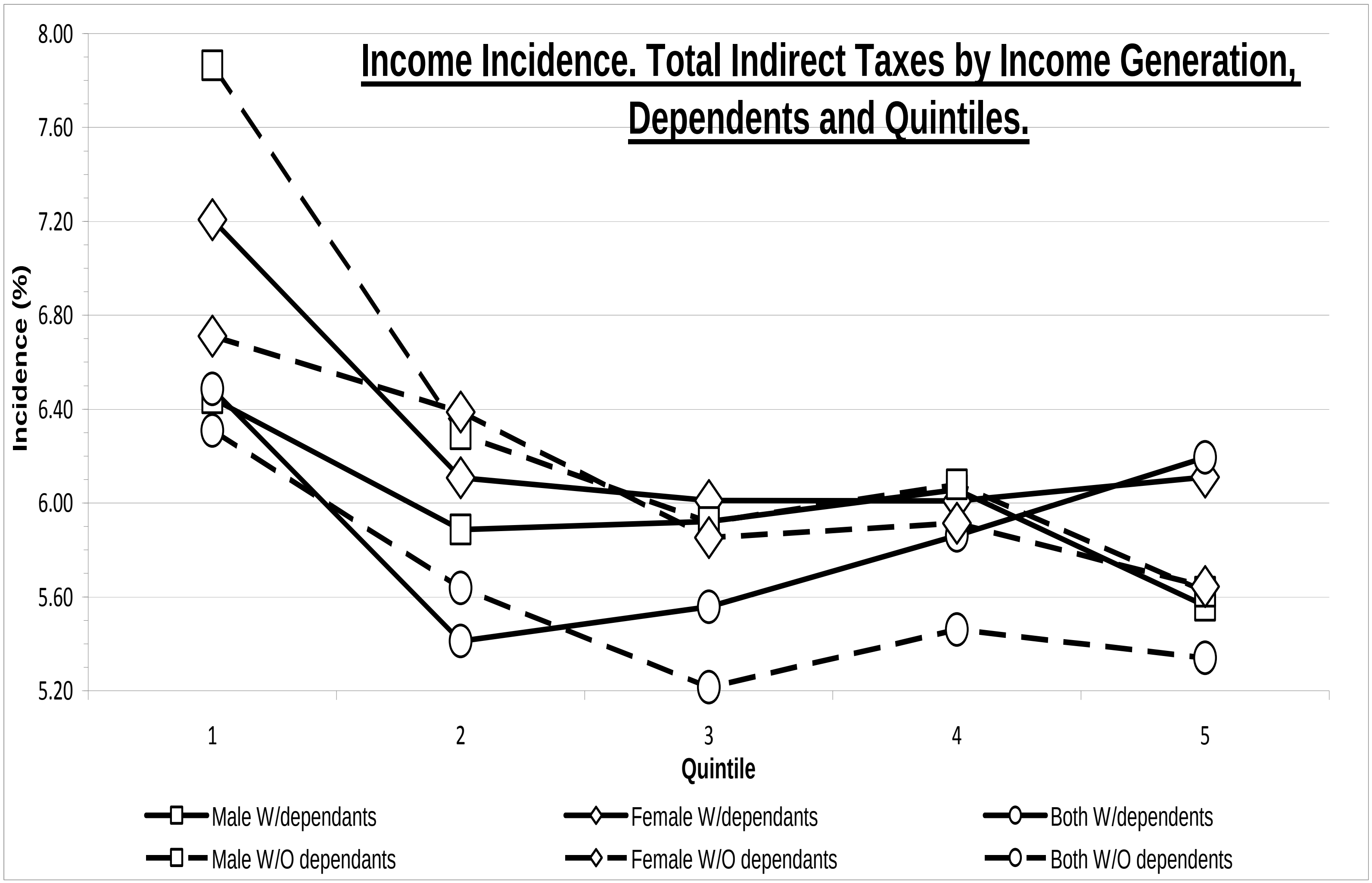


Incidencia Total de los Impuestos Indirectos
por Tipo de Hogar
6.10
6.00
5.90
5.80
5.70
5.60
Incidencia (%)
Masculino
Femenino
Ambos
Ninguno
Tipo de Hogar
Jefatura
Estatus Ocupacional
Composición del Hogar
Generación de Ingreso

Results

The total incidence for indirect taxes, classified by income generation, is higher for majority female households

Incidence


Income Incidence. Total Indirect Taxes by Income Generation, Dependents and Quintiles.
Incidence (%)
8.00
7.60
7.20
6.80
6.40
6.00
5.60
5.20
1
2
3
4
5
Quintile
Male W/dependants
Female W/dependants
Both W/dependents
Male W/O dependants
Female W/O dependants
Both W/O dependents

Results

Majority female households have greater incidence, with the exception of male-headed households without dependents in the first quintile

Results

The high incidence in the first quintile for all classifications is notable

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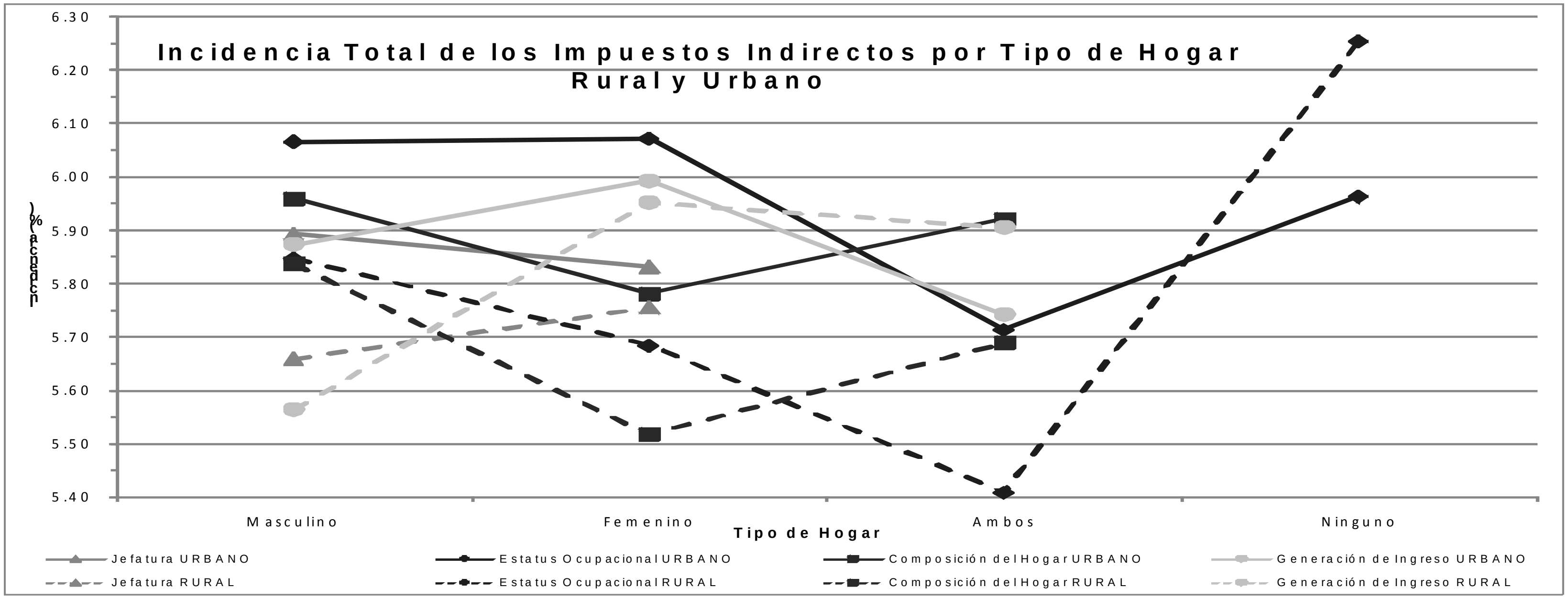
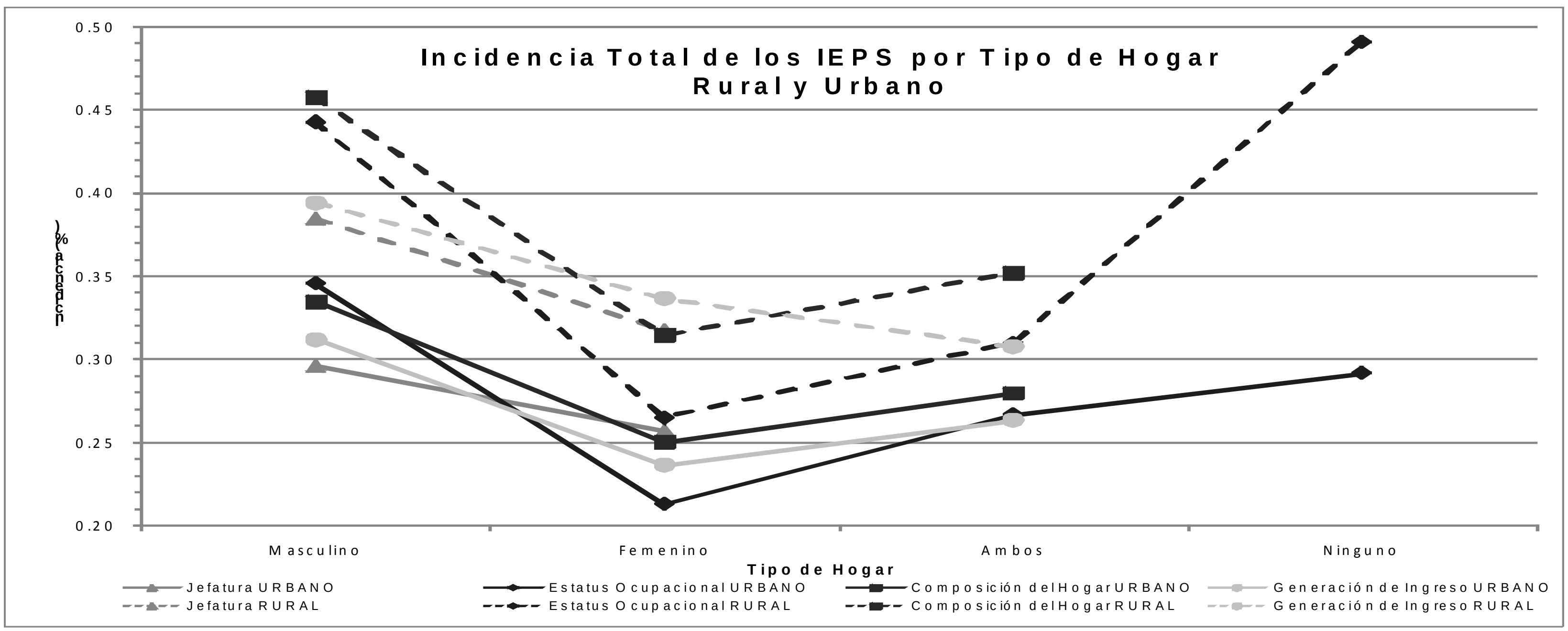
Results

In the classification by income generation, the incidence is regressive, very notable in the first two quintiles and for the last three a stable situation


Incidencia Total de los Impuestos Indirectos por Tipo de Hogar Rural y Urbano
6.30
6.20
6.10
6.00
5.90
5.80
5.70
5.60
5.50
5.40
Incidencia (%)
Masculino
Femenino
Ambos
Ninguno
Tipo de Hogar
Jefatura URBANO
Estatus Ocupacional URBANO
Composición del Hogar URBANO
Generación de Ingreso URBANO
Jefatura RURAL
Estatus Ocupacional RURAL
Composición del Hogar RURAL
Generación de Ingreso RURAL


Incidencia Total de los IEPS por Tipo de Hogar Rural y Urbano
0.50
0.45
0.40
0.35
0.30
0.25
0.20
Incidencia (%)
Masculino
Femenino
Ambos
Ninguno
Tipo de Hogar
Jefatura URBANO
Estatus Ocupacional URBANO
Composición del Hogar URBANO
Generación de Ingreso URBANO
Jefatura RURAL
Estatus Ocupacional RURAL
Composición del Hogar RURAL
Generación de Ingreso RURAL

Results

The pattern is repeated for urban and rural households with value-added tax and gasoline tax, urban households have greater incidence

Except in the special taxes on tabaco and alcohol where rural households have greater incidence than urban households

Simulations

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Hipothetically:

15% value added tax was imposed:

Simulation 1: Non-basic food products and confectionary products

Simulation 2: Non-basic food products, confectionary products and medicines

Simulation 3: Non-basic food products, confectionary products, medicines and basic food products

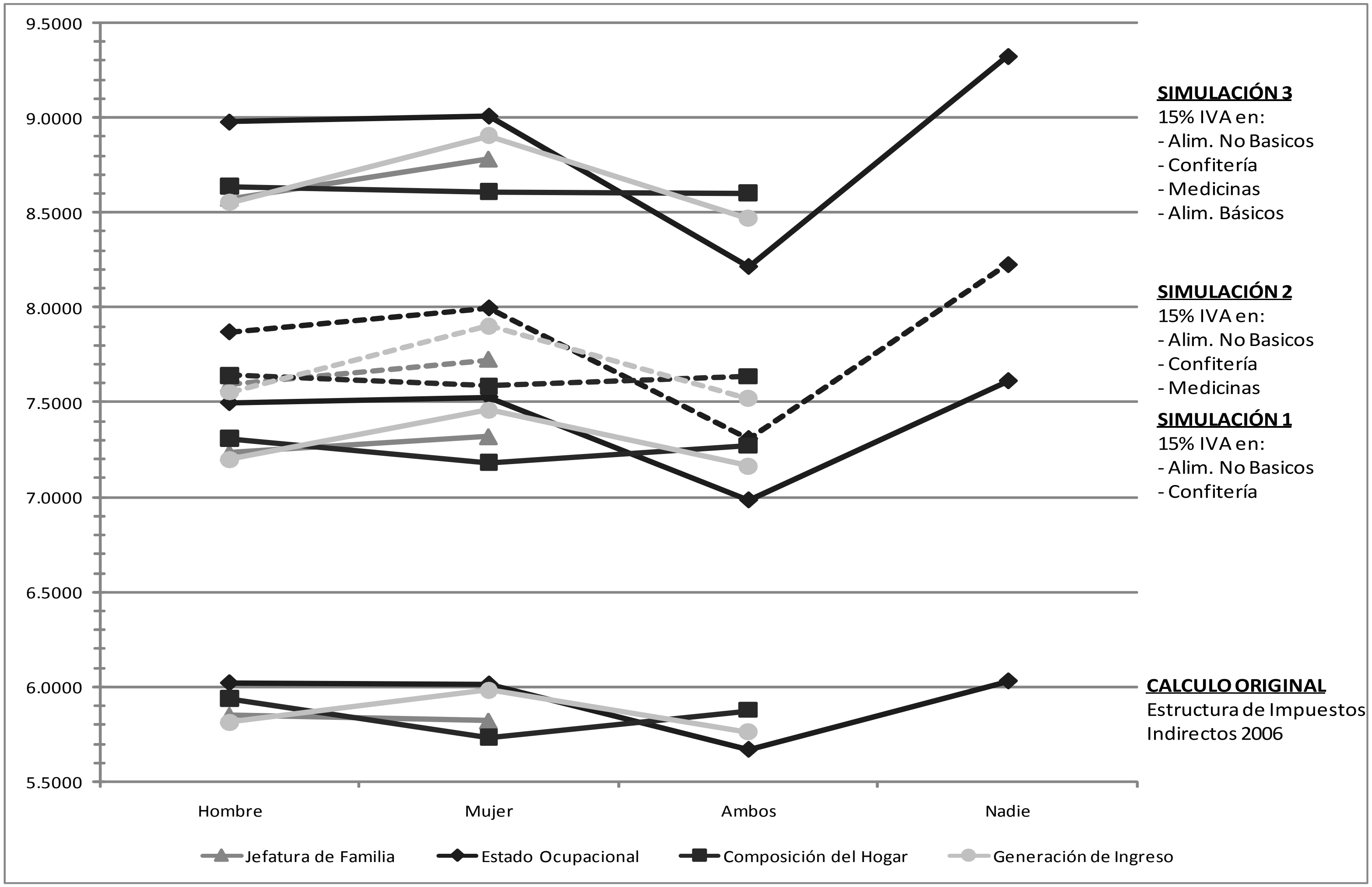
Simulations

Additional collection from the application of value-added tax on currently exempt or zero rate products

	Base calculation	Simulation #1	Simulation #2	Simulation #3
Assumptions	Actual 2006 indirect tax scheme	additional 15% tax on: - Non basic food - Sugar products	Additional 15% tax on: - Non basic food - Sugar products - Medicine	Additional 15% tax on: - Non basic food - Sugar products - Medicine - Basic food
total calculated indirect tax revenue (sample * expansion factor)	14,389.66	17,841.26	18,755.62	21,220.69
adittional revenue		3,451.60	4,365.96	6,831.03
% increase		23.9%	30.3%	47.4%
actual 2006 indirect tax revenue	380,576.10	380,576.10	380,576.10	380,576.10
calculated increase from simulation (actual revenue * % increase)		91,287.45	115,470.46	180,666.23

Simulations

Incidence by type of household



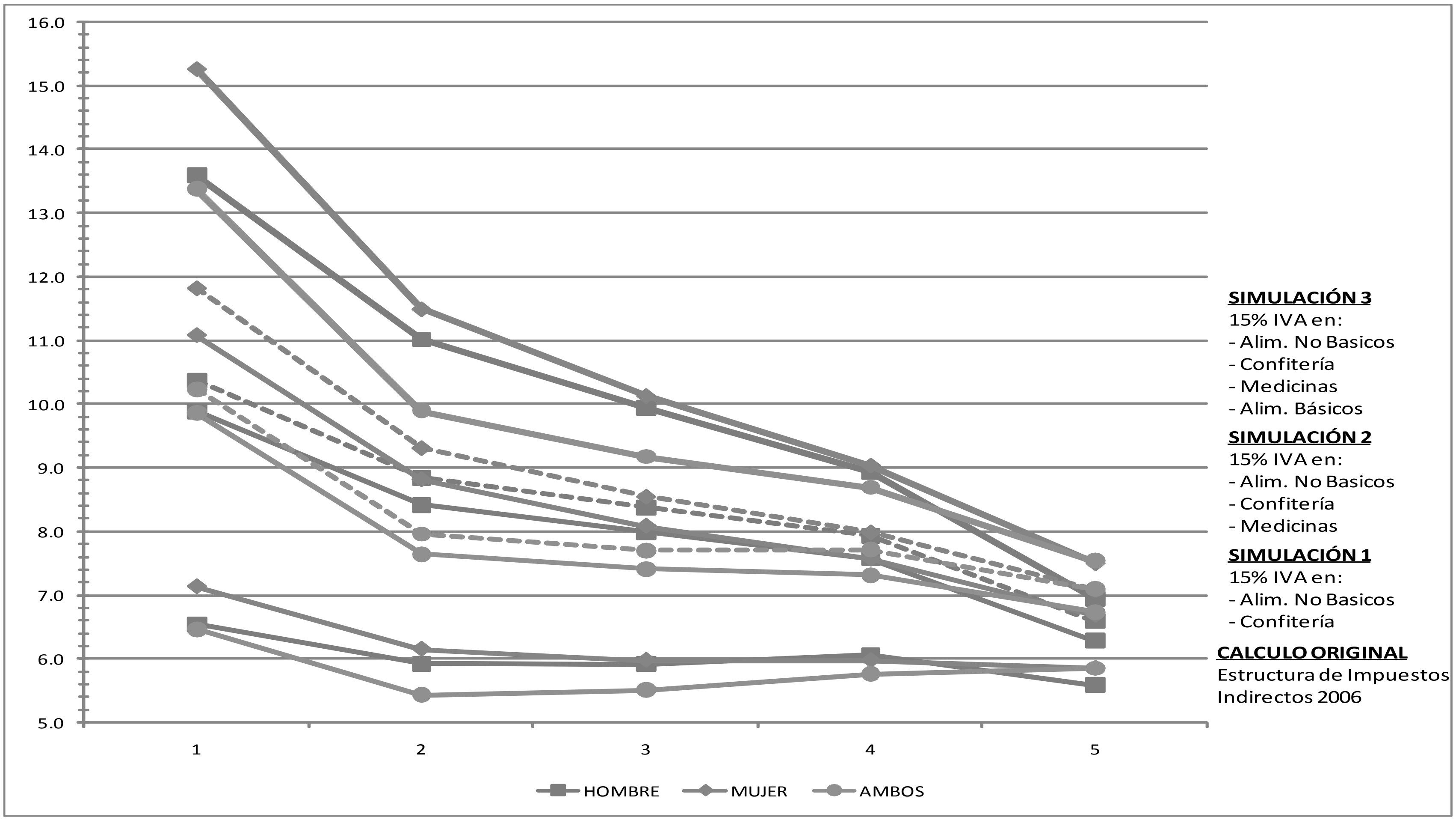
Results

Simulations

The absolute incidence increases, but the distribution is similar to that at the beginning

Simulations

Incidence by quintiles



Results
Simulation

By quintile:

- **It becomes more regressive**

There is a disproportionate effect in the first quintile where:

- **The incidence is duplicated (aprox. 100%)**
- **The dispersion between majority female households and the rest is increased**

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Results

Simulations

The effect decreases for other quintiles and in the fifth quintile

The increase in incidence goes from 6 to 7.5% (aprox. 25%)

Policy recommendations

- Incorporate a gender perspective in the design of tax policies, for direct and indirect taxes
- Need for more research on the relationship between the labor market, expenditure and consumer patterns, time use and the tax system
- Impose direct taxes (progressive)
- Only increase indirect taxes on “luxury” food products (lobster)

Challenges

- Obtain information on individual’s consumption/expenditures
- Reduce taxes for all women? Only those that have dependents? (Dilemma: collection vs. retribution)
- Resolve gender inequities with public expenditure policies?

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Thank you