TAXATION AND GENDER IN ASIA AND THE PACIFIC

A REVIEW OF GENDER EQUALITY PROVISIONS IN FISCAL LEGAL FRAMEWORKS

Hannelore Niesten

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Tax systems and policies in the Asia and Pacific region contribute to—or hinder—gender equality in several socioeconomic dimensions, including labor force participation and the distribution of income and household unpaid care. This report assesses key aspects of fiscal policies and legislation that affect gender equality by establishing a comprehensive baseline of reliable legal and tax information, supported by economy-specific case studies. It emphasizes the need for further gender analysis and underscores the potential of tax policies to drive desired socioeconomic outcomes, enhance labor force participation, and mitigate the widening gender gaps resulting from these factors.
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Taxation and Gender in Asia and the Pacific: A Review of Gender Equality Provisions in Fiscal Legal Frameworks

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This background report assesses how tax systems and policies in the Asia and Pacific region contribute to—or hinder—gender equality in several socioeconomic dimensions, including labor force participation and the distribution of income and household unpaid care. Some gender inequalities have been exacerbated by the unprecedented circumstances of the coronavirus disease (COVID-19) pandemic. This report establishes the first known comprehensive baseline of reliable and detailed legal and tax information with illustrative economy studies in the region. It identifies key aspects of fiscal policies and legislation that influence gender equality and provides guidance on which topics require further analysis from a gender perspective. The research shows that there has been limited consideration of how gender inequality and differences in behavior by gender interact with fiscal laws and policies, including in the taxation of personal, corporate, and business income; consumption; and property and other forms of wealth. The report presents preliminary observations on how tax policies can be used as a tool for promoting certain desired socioeconomic outcomes, reducing social friction, enhancing labor force participation and minimizing any negative consequences for women as a result of taxation, and helping mitigate the widening gender gaps resulting from the pandemic. All policy decisions must consider economy-specific circumstances as well as interactions with other taxes, laws, and regulations.

**Keywords:** Gender equality, taxation, Asia and Pacific, cross-economy analysis.
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ABBREVIATIONS

ADB – Asian Development Bank
COVID-19 – coronavirus disease
GDP – gross domestic product
ILO – International Labor Organization
IMF – International Monetary Fund
OECD – Organisation for Economic Co-operation and Development
PIT – personal income tax
SEZ – special economic zone
SMEs – small- and medium-sized enterprises
VAT – value-added tax

CURRENCY SYMBOLS

AMD – Armenian Dram
B$ – Brunei Darussalam dollar
Tk – Bangladeshi Taka
₹ – Indian Rupee
Rp – Indonesian Rupee
F$ – Fijian dollar
MNT – Mongolian tögrög
**GLOSSARY**

**Bias:** provision in the tax system that exacerbates gender inequality.

**Explicit bias:** provision in the tax system that exacerbates gender inequality by explicitly treating women and men differently; found mostly in individual income taxation.

**Gender:** social characteristics and opportunities that are linked with being female and male, and the interactions between women and men and girls and boys. These attributes, opportunities, and interactions are socially constructed and acquired through the socialization process. Gender is not fixed; it can change and is influenced by the specific context and time period. Gender determines what is expected, allowed, and valued in a woman or a man in a certain context.

**Gender binary:** the classification of gender into two distinct forms (i.e., man and woman).

**Gender budgeting:** a fiscal approach aimed at utilizing a country’s national and/or local budget to reduce inequality, foster economic growth, and promote equitable development.

**Gender equality:** equal rights, freedoms, responsibilities, and prospects of women and men and girls and boys; equal treatment of women and men is not only a female issue, but it is viewed as a human rights issue, a requirement for sustainable people-centered development, and an indicator of it.

**Gender equity:** fairness of treatment for women and men, taking into account their unique and specific needs. This may include addressing women’s historical and social disadvantages, such as societal restrictions on employment.

**Gender-responsive** (adj.): consideration (e.g., in the tax system) that meets gendered demands and priorities, with specific action aimed at reducing gender inequality in society.

**Gender-sensitive** (adj.): consideration (e.g., in the tax system) without bias, taking socioeconomic dimensions that take gender equality into account.

**Gender-transformative** (adj.): consideration (e.g., in the tax system) that contributes to shifts in and transformation of gender roles and power dynamics.

**Global tax system:** a tax regime in which income from various taxable sources is aggregated, frequently subject to a single set of tax rates.

**Implicit bias:** provision in the tax system that appears to be gender-neutral but exacerbates gender inequality and affects men and women differently due to prevailing economic disparities in labor markets (women’s pay, occupational segregation, and lack of formal work access); unpaid care distribution between genders; and gender gaps in ownership and productive resources and assets.

**Payroll tax:** tax charged on an employer’s payroll, including gross salaries, wages, and other remunerations, without consideration of individual circumstances such as domicile or family status.

**Presumptive taxation:** involves the use of indirect means to determine tax liability, which differ from the general tax rules based on the taxpayer’s records and accounts.
**Schedular tax system**: tax system that does not aggregate income and different sources of income, such as employment or moveable income, and has a distinct tax rate schedules to each source.

**Social security contributions**: charges levied on employees, employers, self-employed persons, and/or other individuals subject to individual income tax to cover the cost of providing social security benefits in the future.

**Tax incidence**: the outcome of a particular tax, determining which group ultimately shoulders the tax burden.

**Zero-rating**: when the sales tax rate is zero, but registered individuals and businesses can claim a credit for taxes paid on inputs.
EXECUTIVE SUMMARY

This background report assesses how fiscal laws and policies in Asia and the Pacific contribute to or exacerbate gender equality in several socioeconomic dimensions, including labor force participation and the distribution of income and unpaid care. Drawing upon the expanding body of literature concerning the nexus between gender equality and taxation, the report uses illustrative economy and country studies to identify the dimensions of tax provisions that exacerbate or mitigate gender inequality in the fiscal legal frameworks of personal income taxation (as well as social security), corporate income, property and wealth, and indirect taxation (value-added tax [VAT] and excise duties). Exploring the gender equality dimensions—guided by tax efficiency and tax equity (fairness) considerations—is critical for promoting gender equality and women’s empowerment while aiding post-pandemic revenue recovery.

This report’s authors found limited consideration of gender in fiscal laws and policies—how they affect women in relation to men differently—in personal, corporate, and business income; property and other forms of wealth; and consumption taxation. Of the 49 Asia and Pacific economies covered in this study, only few have addressed gender inequality in their legislation. Progress toward ensuring that taxation contributes to gender equality has advanced at different levels and paces across Asia and the Pacific. Fiscal legal frameworks that exacerbate (or sometimes mitigate) gender inequality are still present, notwithstanding overall good progress toward legal gender equality and women’s advancement in employment and entrepreneurship.

Tax provisions that have the effect of explicitly discriminating against women are primarily present in personal income tax systems. Such discriminatory provisions are less often present in corporate taxation, property and other wealth taxes (on assets), and indirect taxation (on the purchase or production of goods or services).

(i) Explicit biases are present in tax systems that aggregate a woman’s income together with her husband’s income (and do not allow for individual taxation), imposing a significantly higher effective marginal tax rate on a couple’s second earner, who is likely to be female. Brunei Darussalam and Indonesia apply joint taxation with explicit reference to gender.

(ii) Explicit biases also arise in the allocation of tax benefits to men or male households. For example, Brunei Darussalam grants an additional allowance for individuals with a wife living with or maintained by a man. Cambodia allows a reduced tax base for employees with a spouse having only an occupation as housewife. Indonesia and Malaysia also explicitly grant benefits based on gender.

Only a few developing economies have changed their tax systems to reduce gender biases, while the more developed Asia and Pacific economies have implemented tax reforms to remove or mitigate negative gender biases. First, Malaysia and Hong Kong, China changed their tax systems by taxing spouses individually unless they elect for joint assessment. The Republic of Korea and Thailand removed joint taxation. Second, the Philippines removed the automatic allocation of tax benefits to the husband. By reforming the law and removing gender biases disadvantaging women, several Asia and Pacific economies have improved their equality of opportunities.

The authors found that tax provisions that explicitly favor women have become more common in recent years. Several Asia and Pacific governments have changed their laws to include policies that may benefit women. A deeper understanding of the actual impact of such explicit preferential tax regimes
would allow determining whether they are effective and truly benefit women, particularly women from low-income families. This report observes the following provisions in Asia and Pacific tax systems that differentiate between men and women and explicitly favor women:

(i) In personal income taxation, some countries grant tax benefits that apply to only one gender, such as women (previously: India), single women (Nepal), and working mothers (Singapore).

(ii) In social security, this report identified explicit differences by gender in which women employees are eligible for reduced contributions (e.g., Viet Nam).

(iii) In corporate income taxation, the review detected explicit differences in tax benefits for female start-ups (e.g., Bangladesh and Pakistan) and tax incentives for companies employing female workers (e.g., Bangladesh, Nepal, and Viet Nam).

(iv) In indirect taxation, some countries (e.g., India and the Republic of Korea) reduced or eliminated taxes for sanitary products such as feminine hygiene products.

(v) In property and other wealth taxation, some countries (e.g., Kazakhstan and Nepal) grant tax benefits to increase women’s access to land and productivity by exempting women from paying land registration taxes or lowering taxes on land that is solely or jointly owned by women.

Many other tax provisions in Asia and Pacific countries appear gender-neutral, with no obvious distinction between men and women. However, the tax framework may still affect gender equality because of its interaction with economic behaviors that differ and economic disparities between men and women, such as labor force participation, unpaid work, and consumption expenditure patterns. These gender effects are not captured exhaustively in this review. Lower-income groups, particularly poor women, may be particularly disadvantaged.

General trends in implicit biases that appear to exacerbate gender inequality in Asia and the Pacific are found in several tax areas.

(i) Individual income taxation

(a) Joint tax assessment that does not explicitly reference gender still exists. Joint tax assessment raises the effective marginal tax rate of secondary earners (who are predominantly women) and reduces their work incentives. For example, Bangladesh and India have joint tax rules for Hindu undivided families. Hong Kong, China; the Kyrgyz Republic; Malaysia; Nepal; Taipei, China; and Thailand have tax rules that permit spouses to opt for joint taxation. But allowing separate filing to be optional may not be sufficient to mitigate gender issues as households usually do not choose individual taxation because they typically pay lower taxes if they file jointly, providing a good incentive to do so.

(b) Some tax incentives only reach parts of society that are active in the formal sector (and thus more men than women). Professionals and people in formal employment are predominantly men; thus, work-related tax benefits that are often granted to such categories of workers will favor men over women. For example, exemptions for armed forces people might deserve support because they serve their nation at suppressed wages, but most military people are male. Exemptions related to allowances such as housing and business trips are less warranted and need to be examined to assess their gender bias.

(c) Tax legislation can include implicit biases in the treatment of assets that men are more likely to own than women. Many tax laws still have favorable treatment for interest or dividend payments on stocks and equities, which are disproportionately owned by men.
Some prominent reforms in the Asia and Pacific region may have a greater negative impact on women because they benefit a more redistributive fiscal system. Such reforms include increased use of different tax rate schedules for each income source, declining progressivity, and rising use of flat rate tax policies.

Higher tax rates for nonsalaried than for salaried individuals could be interpreted as an implicit bias against women (e.g., in Pakistan), as most self-employed people are women.

In corporate income taxation, implicit biases can occur due to differences in the incomes men and women earn. Corporate taxation may place women at a disadvantage and favor men in general. Men are more likely to own and hold shares of incorporated businesses and can benefit from preferential taxation of capital income. Corporate income tax rates are frequently lower than the highest marginal individual income tax rates and this may exacerbate the gender disparity in after-tax profits earned by incorporated (mostly male) and unincorporated (more heavily female) business owners. Structural tax reduction, particularly that reducing headline tax rates on corporate income, tends to lower overall top income tax rates but does not necessarily lower tax rates for those who are most in need.

In property taxation, an implicit gender bias can arise when tax policy favors income from assets over income from labor.

In indirect taxation, consumption taxes—by nature mainly levied on an ad valorem or a percentage basis—appear to exacerbate gender inequality as a result of gender differences in spending behavior. Necessities are usually exempted or taxed at reduced rates and would constitute a higher portion of income in lower-income households and households headed by women than in the higher-income brackets. Economic inequalities and disparities in spending patterns between men and women exacerbate the well-established inherent regressive effect of consumption taxes. Due to their unpaid caregiving obligations and reproductive health requirements, women are disproportionately affected by consumption taxes, particularly on certain services (such as paid childcare) and female-specific products (such as for feminine hygiene). However, only a limited comprehensive analytical framework for studying the gender implications in consumption taxation exists. The dearth is mostly due to a research gap in sex-disaggregated data and the difficulties of separating jointly consumed products (i.e., establishing the tax incidence on separate products) in a home with females and males.

This report also presents preliminary observations on how tax can be used as a policy tool to achieve certain optimal socioeconomic outcomes, reduce social friction, enhance labor force participation, and minimize negative consequences taxation may have specifically on women. In particular, appropriate policies can be used to help mitigate any widening of gender gaps resulting from the pandemic.

Some Asia and Pacific economies have tax systems that promote gender equality. Such economies are generally among the more developed economies (with a few notable exceptions) and have more fiscal space for public services and higher female labor force participation rates than less developed economies.

In individual and corporate taxation, some types of tax benefits are aimed at supporting families. To allow people to integrate work and family life, gender equality should be strengthened and attention should be paid to some significant socioeconomic differences.

(a) Tax policies such as the Singaporean measures for working mothers with children and the special tax rebate at birth have apparently had limited effectiveness at demonstrating explicit differences in favor of women.

(b) Tax policies can help provide access to affordable childcare, which is vital to assuring women can enter and remain in the labor market.
(c) Only a few economies give parents tax incentives for providing and using childcare services, including the People's Republic of China (PRC); Japan; the Republic of Korea; the Kyrgyz Republic; Malaysia; and Taipei, China. Other nations encourage women-friendly business environments by including support for private childcare centers (as in Azerbaijan, the Republic of Korea, the Kyrgyz Republic, Malaysia, Thailand, and Uzbekistan) and employers establishing childcare facilities (as in Australia, Bangladesh, the Republic of Korea, Malaysia, and Viet Nam).

(d) In addition to childcare benefits, taxation focused on individual income can be used to complement other instruments to promote gender equality, such as health care and medical care, education, infrastructure, and certain social provisions.

(e) Indirect growth of monetary incomes of working people can also be stimulated by preferential tax regimes for small businesses that employ many women, such as in several Asia and Pacific countries, including Armenia, Bangladesh, and Uzbekistan.

(ii) In indirect taxation, essential products, such as food, medications, and educational services, frequently receive preferential tax regimes under VAT or excise duties, which can have gender implications owing to gender differences in consumption patterns. Women typically purchase more zero-rated or VAT-exempt products than do men, who spend more on excisable goods (e.g., fuel, tobacco, and alcohol).

Ultimately, the positive and negative effects of tax provisions on gender equality should be assessed country by country. While collecting adequate taxes to support economic growth remains essential in addressing the challenges beyond the coronavirus disease crisis, the socioeconomic landscape has created new challenges and opportunities for improving tax design to support inclusive growth. To enhance the allocation of resources in a more gender-equitable way and to expand the fiscal space, governments can ensure that fiscal systems (i) are gender-neutral and gender-sensitive (not having explicit or implicit negative gender implications) and (ii) use responsive and transformative tax policy—tax policy that meets gendered needs and priorities and supports the shifts in and transformation of gender roles and power dynamics. Further steps are needed to operationalize reforms of structural inequalities in fiscal legal frameworks, to move from principles of nondiscrimination and equal treatment to positive transformation and the broader goal of increasing gender equality in Asia and the Pacific.
I. INTRODUCTION

A. Relevance of Taxation for Promoting Gender Equality in Asia and the Pacific

Gender equality could accelerate progress toward sustainable development and inclusive growth in the Asia and Pacific region after the coronavirus disease (COVID-19) pandemic is in check. Gender-equitable policies and practices can advance gender equality by playing a catalytic role in strengthening female participation in the labor market, reducing women's unpaid work burden and wage gaps, and lifting women out of poverty—which are essential drivers for maximizing women's potential and enhancing their economic empowerment in the region. Studies show that increasing gender equality and reducing gender-specific discrimination within a country can boost economic growth and contribute to better development and social outcomes.

COVID-19 impacts on gender have included reversals of or worsening outcomes in female labor force participation, burdens of unpaid care, and sexual and reproductive health, including the number of unplanned pregnancies. Increased revenue could ensure that gender equality initiatives have adequate resources. Predictable and reliable funds are needed to finance the day-to-day operations of the government and many other essential public expenditures, such as in health, education, infrastructure, social protection, and sanitation. Raising revenue is also necessary to underpin spending on ways that enable women to return to work and support their care responsibilities, which have increased as a result of growing inequalities during the COVID-19 pandemic. Beyond the goal of raising the maximum revenue possible, Asia and Pacific regulators and policymakers can use the tax system to boost social and economic development and address economic inclusion of women, especially in the aftermath of the pandemic.

To address gender inequality challenges, tax policy should seek to eliminate the explicitly unequal treatment of women as taxpayers as well as the negative indirect effects. At best, the efforts must be transformative in the broader goal of increasing gender equality. Fiscal legislative frameworks in Asia and the Pacific generally pay little attention to gender-specific dimensions of taxation, despite international commitments and national policies to advance gender equality and women's economic empowerment. The literature suggests that these legal instruments include taxation.

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1 ADB (2018c:15-16) and Estevão et al. (2021).
2 While “gender equity” aims to address women’s historical and social disadvantages, such as societal restrictions on employment, “gender equality” merely focuses on giving men and women the same opportunities, such as making it legal for women to own assets, enroll in school, or earn equal salaries (IFAD [2017]).
3 OECD (2016:28). See also Fernández et al. (2021) and Bertay et al. (2020).
4 Data for countries in East Asia and the Pacific, Central Asia, and South Asia extracted from the ILO, ILOSTAT database, Labor force participation, female (% of female population ages 15+) (modeled ILO estimate).
5 Stotsky (2020), Sayeh et al. (2021), and Harding et al. (2022). See also UN Women (2020b), UN Women (2020a), Tang, et al. (2021), and UN Women (2015).
6 UN Secretary-General (2020). See also ADB and UN Women (2022), Tang et al. (2021), Sayeh et al. (2021), and Harding et al. (2020).
7 De Mooij et al. (2020:1), Grown et al. (2022), and Ostry et al. (2018).
8 The 2015 Sustainable Development Goal 5 calls for gender equality and empowerment of all women and girls, as a prerequisite for the 2030 Agenda. Most countries in the Asia and Pacific region (except Palau and Tonga) have signed the 1979 Convention on the Elimination of All Forms of Discrimination Against Women and other human rights frameworks. The 1979 Convention states “[t]he duty to fulfill rights places an obligation on States parties to take appropriate legislative, judicial, administrative, budgetary, economic and other measures to the maximum extent of their available resources to ensure that women realize their rights to health care.” The 1995 Fourth World Conference on Women and its outcome document, the Beijing Declaration and Platform for Action, and the Asian and Pacific Ministerial Declaration on Advancing
Taxation for gender equality is a largely unexplored field of research in Asia and the Pacific. Cross-country comparative studies of gender equality in taxation are available for some global regions, but not for Asia and the Pacific. Thus, the region’s policymakers may not be aware of the linkages between taxation and gender, and taxation is widely viewed as gender-neutral. There is limited evidence on how taxation affects women, especially in terms of how it supports or hinders their economic empowerment and resilience.

This report, which covers 49 economies, aims to contribute to narrowing these knowledge and evidence gaps in Asia and the Pacific by (i) summarizing the literature on gender and taxation, (ii) analyzing gender dimensions in fiscal legal frameworks that capture the most relevant tax biases that exacerbate gender inequality, (iii) examining trends in gender-responsive tax policies that promote gender equality, and (iv) providing general observations on gender dimensions in the fiscal legal frameworks for women’s empowerment. Broad geographic findings for Asia and the Pacific allow us to analyze and compare regional developments in gender equality in taxation and identify policy gaps at the economy level.

B. Research Questions and Methodology

This report’s central research question is: How do tax policies drive gender inequality in Asia and Pacific economies. The report specifically focuses on three areas: labor force participation, income inequality, and care distribution. As shown in the conceptual framework described in Chapter 2, research was conducted to assess the gender dimensions and implications of taxation, discuss biases in taxation that exacerbate gender inequalities, and identify emerging positive trends in taxation that have led to more gender-equal outcomes. The report assesses personal, corporate, property and other wealth, and consumption taxation across Asia and the Pacific. Gender in trade taxation is beyond the scope of the report.

The legal review is based on economic literature that aims to explain some of the factors underpinning low female labor force participation rates and inequality in the region. Emerging evidence indicates that increased participation of women in economic and public life could contribute to regional economic growth and stability.

This report aims to increase the understanding of the gender effects of tax policy and administration for Asia and Pacific economies at various development levels. The report uses a desk review approach and relies on the few publicly available databases that cover global tax information and have sex-disaggregated...
variables, as well as peer-reviewed literature and economy-based tax information that is readily available in the public realm. Primary sources include global tax databases (the International Bureau of Fiscal Documentation country tax guides, International Monetary Fund, Organisation for Economic Co-operation and Development, and World Bank); economy-based legislative and fiscal reports (e.g., ministry of finance and treasury department websites, legislation, and local statistical databases); third-party legal reviews including Deloitte and PricewaterhouseCoopers Tax Summaries and reports, and economies’ tax legislation and regulations; and peer-reviewed and published papers on gender and tax in Asia and the Pacific. The use of economy-level statistics will help the reader understand the relative scale of the issues. A more in-depth analysis is provided of several Asia and Pacific economies that present opportunities for further technical assistance.

The analysis of trends in gender equality and taxation in Asia and the Pacific has four limitations and provides potential areas for further research.

(i) **Sparsity of publicly available information.** The information and legislation publicly available differ widely across Asia and the Pacific in terms of detail and specificity. The availability of English-language copies of official tax legislation is limited. Legal databases provide a piecemeal snapshot of the tax implications for women, including tax provisions that are legally linked to gender. The study has filled data gaps due to interpretation challenges to the greatest extent possible, to provide a comprehensive picture of the tax landscape and its link to gender equality.

(ii) **Limited to a legal review.** The analysis is a legal review of gender in the fiscal legal frameworks. The study’s objectives do not include evaluating whether the tax policies implemented by governments, especially to mitigate the economic shock caused by the COVID-19 pandemic, positively or negatively impact behavioral responses of women. To analyze the impact of tax policies on gender equality, more gender-disaggregated data need to be available and comprehensive analysis that goes beyond the gender binary (the categorization into only two distinct forms, i.e., man or woman) is needed. Several factors influence the analysis, including the tax incidence, the potentially small number of affected taxpayers, and the accompanying privileges of certain categories. The report acknowledges that the significance of underlying demographic data needs further consideration and evaluation and is required for assessing the impact of gender on women’s development in follow-up analysis.

(iii) **Focus on trade-offs.** Focusing on selected country examples in Asia and the Pacific, the report sets out the trade-offs of efficiency and equity in the gender dimensions in taxation, rather than trying to prescribe what a tax system should do. A deeper understanding of the trade-offs may allow better decision-making and more equitable tax regimes.

(iv) **Focus on fiscal legal frameworks.** The analysis focuses on the gender dimensions in the fiscal legal frameworks in Asia and the Pacific. A detailed analysis of gender budgeting\(^{12}\) and expenditures is beyond the scope of the report; however, reference is made to relevant literature.\(^{13}\)

The comparative study shows the entry points for legislative action for governments that would like to proactively address gender equality concerns via tax policy. The study draws broad conclusions on how governments could improve the equity and efficiency of tax policies, identifying key trade-offs.

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\(^{12}\) “Gender budgeting” is defined as a fiscal approach aimed at utilizing a country’s national and/or local budget to reduce inequality, foster economic growth, and promote equitable development.

C. Structure

Following the introduction in Chapter 1, Chapter 2 deals with the conceptual framework and the underlying trade-offs between tax efficiency and equity. Chapter 3 gives an overview of the gender and tax demographics in Asia and the Pacific by examining the interaction between the socioeconomic dimensions of gender and taxation. Chapters 4–7 identify the tax laws that may affect men and women differently, using regional comparisons for benchmarking. The research concerns a gender analysis of direct taxes (personal income taxation and corporate taxation) in Chapters 4 and 5, property and other forms of wealth taxes in Chapter 6, and indirect taxes (value-added tax [VAT] and excise duties) in Chapter 7. Chapter 8 presents some general observations, highlighting the general inequities between men and women. The chapter also provides high-level recommendations for incorporating gender equality dimensions into tax systems in the Asia and Pacific region.

II. A CONCEPTUAL FRAMEWORK FOR ASSESSING GENDER IN TAXATION

For assessing the gender dimensions and implications of taxation in Asia and Pacific economies, the report builds on a conceptual framework to discuss biases in taxation that exacerbate gender inequalities and to identify emerging positive trends in taxation that have led to more gender-equal outcomes. The framework raises a number of foundational issues rooted in tax efficiency and equity.

A. Conceptual Framework

The design and administration of tax systems can benefit or disadvantage women:

(i) Tax provisions in laws and policies can treat men and women differently by explicitly referencing gender in a positive or negative way. The number of provisions that exacerbate gender inequality has diminished but still prevail in tax laws and policy.

(ii) Provisions in tax laws and policies may appear to be gender-neutral, but nevertheless affect men and women differently due to prevailing gender-economic disparities in labor markets (e.g., pay, occupational segregation, and lack of formal work access); unpaid care distribution; and gender gaps in ownership and productive resources and assets. Tax provisions that appear to be gender-neutral but actually have a negative impact—“implicit biases”—are more prevalent than explicitly discriminatory provisions because of tax structure and typical economic behaviors, but are more difficult to detect and more challenging because they are based on value judgments about desired social and economic behavior.

This report focuses on provisions that exacerbate gender inequality or promote gender equality in personal income taxation, corporate taxation, property and wealth taxation, and indirect taxation. Table 2.1 explains what elements in tax systems this report examined (analyzing positive or negative potential implications for

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14 The gender analysis of personal income taxes includes payroll taxes and social security contributions.


Taxation and Gender in Asia and the Pacific

Gender equality) and outlines key challenges for gender equality in each tax category. Based on a preliminary screening, green highlights indicate tax provisions that appear to promote gender equality, and yellow highlights indicate tax provisions that appear to exacerbate gender inequality. The report uses illustrative economy studies to elaborate on the legal framework. Governments can ensure that fiscal systems are gender-neutral and gender-sensitive, gender-responsive, or (preferably) gender-transformative by ensuring appropriate policy and regulation is present.

The report considers the linkages between the tax areas and domestic resource mobilization initiatives needed for government spending in ways that advance gender equality. For example, tax incentives may lower government spending, including on gender equality outcomes.

### Table 2.1: Potential Positive and Negative Implications of Tax Systems for Gender Equality

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Income</td>
<td>(i) Joint taxation (family units)</td>
<td>(i) Joint taxation (family units)</td>
<td>(i) Income differences</td>
</tr>
<tr>
<td></td>
<td>(ii) Allocation of nonlabor or family business income</td>
<td>(ii) Allocation of family business income</td>
<td>(ii) Unpaid care burden</td>
</tr>
<tr>
<td></td>
<td>(iii) Tax benefits for women</td>
<td>(iii) Differences in the nature of income</td>
<td>(iii) Occupational segregation</td>
</tr>
<tr>
<td></td>
<td>(iv) Lower tax rates for women</td>
<td>(iv) Tax benefits for dependent children</td>
<td>(iv) Informal employment</td>
</tr>
<tr>
<td></td>
<td>(v) Preferential treatment for social security</td>
<td>(v) Differential effective tax rates (e.g., secondary incomes, mostly women)</td>
<td></td>
</tr>
<tr>
<td>Corporate</td>
<td>(i) Tax benefits for female-led corporations</td>
<td>(i) Low corporate income tax rates vs personal income tax rates</td>
<td>(i) Incorporation challenges</td>
</tr>
<tr>
<td></td>
<td>(ii) Tax benefits for corporations hiring female employees</td>
<td>(ii) Taxation of small businesses and the informal sector</td>
<td>Reduction in public spending through increased use of corporate tax incentives and cross-border corporate profit shifting to tax havens</td>
</tr>
<tr>
<td></td>
<td>(iii) Tax benefits for corporations contributing to social security for female employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indirect</td>
<td>(i) Preferential treatment for products mainly or exclusively consumed by females</td>
<td>(ii) Preferential treatment for basic goods and services</td>
<td>(i) Different income shares of basic consumption goods</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(iii) Higher taxes on selected consumption items (alcohol, tobacco, and petroleum)</td>
<td>Different consumption expenditures</td>
</tr>
<tr>
<td>Property</td>
<td>(i) Preferential treatment for property owned by women</td>
<td>Not obvious</td>
<td>(i) Different ownership of property, land, and assets</td>
</tr>
</tbody>
</table>

Note: Yellow highlighting indicates negative implications for gender equality and green highlighting indicates positive implications.

Source: Author based on the legal assessment of the tax systems in Asia and the Pacific.

### B. Trade-Offs between Tax Efficiency and Equity

Gender equality in fiscal legal frameworks can be evaluated using fundamental tax principles, the most important of which are tax efficiency and equity in the gender debate.17

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17 The other principles are that people with different income levels should pay a disproportionately different amount of taxes (the progressivity principle). Taxes should be based on benefits received (the benefits principle). It is fair to pay taxes based on the capability to handle the financial burden (the ability to pay principle). While income taxation is a key component
The efficiency of a tax system refers to the excess burden (or welfare burden over and above the revenue collected) on taxpayers resulting from changes in the allocation of resources as taxes alter incentives and behavior. The administrative burden of tax compliance may also be viewed through the lens of efficiency.

The equity or fairness of a tax system relates to the economic incidence of taxes and has two key aspects. Taxpayers with equivalent economic standing should be treated the same for tax purposes (horizontal equity). Taxpayers with different incomes or wealth should be taxed differently (vertical equity). However, broader concepts include gender, generational, and other forms of equity.

This report looks at gender and taxation from equity and efficiency considerations via assumptions on what constitutes optimal taxation. To see how optimal taxation could come about, it is necessary to understand how the tax system can raise a given amount of revenue in both efficient and equitable ways, identifying the various trade-offs needed to do that. The discussion of tax equity and efficiency, and their trade-offs, raises complex and technically demanding questions. An in-depth examination of these issues falls outside the scope of this report. Here, the discussion is focused on some key questions in the gender debate.

Questions of tax equity in the gender context arise most prominently because of the likelihood of women earning less than men, taking on more unpaid care and household-related tasks, spending a larger proportion of their income on consumption and care goods, and saving less for retirement.

Questions of tax efficiency in the gender context arise because tax policies may have differential effects on economic behavior. For example, a tax policy might favor households with a male breadwinner and a female dependent over dual-income households, thus discouraging female employment. Tax equity issues also arise when the tax administration is more cumbersome for women than for men. Another example in higher-income Asia and Pacific countries is the treatment of tax liabilities based on part-time versus full-time employment. Because tax liabilities are calculated annually, part-time workers or self-employed individuals with irregular income tend to pay more taxes than their actual work would require and are only reimbursed the difference the subsequent year. This has differential implications for women and men because women are more inclined to work part-time or be self-employed compared to men.

The principles of tax efficiency and equity may conflict and are sometimes difficult to mutually reconcile (Atkinson 1973). A tax law that increases efficiency can lead to reduced equity and vice versa. For example, the expansion of VAT revenues may result in increased after-tax or after-transfer income inequality. Countries may have difficulty raising VAT revenues without significantly affecting the overall progressivity of their tax system. Countries concerned with economic security and gender equality may opt for less efficient revenue collection to promote more equitable distributions of tax burdens and after-tax incomes, as well as to promote gender equality (Lahey 2018:44). Determining the best way to balance efficiency and equity is not just an economic but also a societal question.

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18 For example, by taxing pollution, incentives are created to avoid pollution-generating inputs in the production process.
19 The equity principle also considers intergenerational equity. A tax system should raise revenues to the extent that current generations do not unduly burden future generations.
20 Tax allowances are often granted based on the assumption of a household with an unequally earning structure, where the husband is the main breadwinner and the wife is the caregiver to the dependents. In effect, these allowances represent a payment for unpaid labor of the woman.
To evaluate the trade-offs between vertical and horizontal equity as well as equity and efficiency, the extent to which tax laws need to consider different household arrangements and demographic considerations has to be fairly precisely determined. Horizontal equity poses the question of whether female single parents and married women without personal income and with income should be taxed in the same way. At first glance, individual taxation is more equitable from a gender perspective than joint or household taxation. However, across global regions, including Asia and the Pacific, tax systems that use the household as the unit of observation persist, often due to social norms and traditions.\textsuperscript{21}

Section 4.1 summarizes some of this debate. Table 2.2 shows that the household composition can significantly complicate the issue of tax equity. The few arrangements all have the same household income in common but involve very different situations for the individuals in the household.

### Table 2.2: Household Arrangements

<table>
<thead>
<tr>
<th>Household Member</th>
<th>Mother’s Working Situation</th>
<th>Childcare</th>
<th>Potential Tax Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single, working mother, 1 child</td>
<td>Works</td>
<td>Household pays for childcare</td>
<td>Encouraging women to join labor market: (i) Tax incentives for single parents (ii) Tax incentives for childcare</td>
</tr>
<tr>
<td>Married woman, 1 child, no income of her own</td>
<td>Does not work (but if there is universal childcare, the mother may not be doing 100% of the childcare)</td>
<td>Mother provides free childcare</td>
<td>Discouraging women from joining labor market: (i) Joint taxation (ii) Tax incentives for non- or low-earning spouses (iii) No tax support for use of childcare</td>
</tr>
<tr>
<td>Married woman, 1 child, who works with income equal to that of her husband</td>
<td>Works</td>
<td>Household (and state) pays for childcare</td>
<td>Encouraging women to join labor market: (i) Tax incentives for working mothers (ii) Tax incentives for childcare</td>
</tr>
</tbody>
</table>

Source: Author.

The variety of household arrangements demonstrates how vertical equity between individuals can easily lead to horizontal inequities between households. Vertical equity considerations favor a system of individual tax filing over the joint filing of household income. Under joint filing, a woman whose individual income is inferior to that of her husband might find herself in a tax bracket that is effectively higher than would be the case if she filed separately. Individual filing can result in horizontal inequities between households with the same income and number of children when their compositions are very different, for example, between households with two earners versus those with one earner and a financially dependent spouse. Households with one earner, a stay-at-home spouse, and children should also be compared to households with one earner, no stay-at-home spouse, and children.\textsuperscript{22}

\textsuperscript{21} That is, many tax systems explicitly build on the household because it was considered socially important to support the idea of intact households, for example, a working husband, a stay-at-home wife, and multiple children. See Coelho et al. (2022) and Grown (2005).

\textsuperscript{22} Some people argue that this is horizontal inequity, while others argue that it is not because these households are not the same.
III. GENDER AND TAX LANDSCAPE IN THE ASIA AND PACIFIC REGION

This chapter provides an overall look at taxation in Asia and the Pacific and key components of how taxation affects gender in several socioeconomic dimensions. The chapter then investigates some other important developments such as labor force participation and the gender mix of revenue bodies.

A. Overall Taxation Outlook in the Region

Achieving gender equality in Asia and the Pacific requires mobilizing effective fiscal resources, especially of taxes, for efficient public spending. Several tax challenges prevent the Asia and Pacific region from realizing its full potential. One of the main challenges is that fiscal redistribution has a limited impact on reducing gender inequality. The low impact has been due to limited redistribution through taxes, attributed to insufficient revenues from personal income and property taxes and limited targeting of social safety nets.\textsuperscript{23} Tax revenues vary greatly among Asia and Pacific subregions. Most of the countries with relatively lower ratios of tax to gross domestic product (GDP) are in South Asia (with a ratio at 15% of GDP) and Southeast Asia (with a ratio at 10% of GDP). Ratios in East Asia, Central and West Asia, and the Pacific economies are higher, averaging 17%, 19%, and 18% of GDP, respectively.\textsuperscript{24} A tax-to-GDP ratio of 15% is widely considered the minimum required by governments to support sustainable development, in the absence of other sources of government revenue.\textsuperscript{25} The average tax-to-GDP ratio is much lower in the vast majority of Asia and Pacific countries than in the average countries of the Organisation for Economic Co-operation and Development (OECD). Specifically, the Asia and Pacific countries collect only about two-thirds the amount collected by the OECD countries (ADB 2022a:82 and ADB 2022d:5).

Tax revenues in Asia and the Pacific are heavily skewed toward indirect consumption taxes\textsuperscript{26} rather than direct taxation (individual and corporate income, wealth, and property) due to administration difficulties and other factors.\textsuperscript{27} More revenues are needed to adequately fund public services such as infrastructure and social security, which are especially important for creating conditions conducive for women to undertake paid work (Elson 2015). Progressive direct taxation could provide scope for greater redistribution of revenues through taxes, which tends to favor women compared to men and addresses the region’s major inequality problem.

B. Gender Equality in Several Socioeconomic Dimensions

Important societal and economic differences between men and women in labor force (market) participation and associated wage disparities, care distribution, and ownership of property and assets mean that the fiscal legal framework can inadvertently contribute to gender inequalities\textsuperscript{28}:

\textsuperscript{23} Stotsky (2022); Kohler (2015); Claus, Martinez-Vazquez, and Vulovic (2012).

\textsuperscript{24} ADB (2022d:5); OECD (2022a). See also ADB (2022c:39–40) and Go et al. (2022: 4).

\textsuperscript{25} Platform for Collaboration Tax (2018: 10). The Platform for Collaboration on Tax is a partnership of the International Monetary Fund, the OECD, the World Bank Group, and the United Nations.

\textsuperscript{26} These are taxes on the production, sale, transfer, leasing, and delivery of goods and rendering of services (general taxes and taxes on specific goods and services), as well as taxes on the use of goods and the granting of permission to use goods or engage in certain activities.

\textsuperscript{27} The structure of economies may make taxing certain sectors (e.g., agriculture) difficult.

\textsuperscript{28} Barnett and Grown (2004) identify four gender-specific “stylized facts” about men and women’s economic status that affect women differently from men: (i) gender disparities in paid employment, such as formal and informal employment, earnings,
Women’s comparatively lower earnings, their predominance in informal employment, and prevalent employment in part-time and temporary work (due to childbearing and rearing) mean that women are often outside the individual income tax net. Individual income taxation can accentuate such disparities in women’s earnings. This is because such taxation creates a higher marginal effective tax rate for second earners in a household due to the way joint filing and different household tax credits work.

Women are less likely than men to become entrepreneurs, and women entrepreneurs tend to be outside the corporate income tax net. However, such businesses may be subject to presumptive taxes.

Households headed by women generally spend a larger proportion of their income on essential consumption goods than is the case among other forms of households. Thus, households headed by women pay a higher percentage of VAT relative to their income than other households (Bhattacharya and Stotsky 2022:23).

Women are more likely than men to be outside the property tax net, and differential property taxation could incentivize or disincentivize female land rights.

The earnings are taken from WEF (2020) and ILO (2021a:18). Women in Asia and the Pacific earn an average of 15% (for hourly wages) to 19% (for monthly wages) less than men, which is close to the global average of 20% (ILO 2019:23–25). Legal regulation in nearly 30% of the Asian and Pacific economies studied demand equal remuneration for work of equal value (i.e., 12 of 43 Asian and Pacific economies measured—Australia; Bhutan; Kiribati; Marshall Islands; Nepal; New Zealand; Philippines; Taipei, China; Tajikistan; Thailand; Timor-Leste; and Viet Nam (World Bank, Women, Business and the Law data 2022). ILO data show that gender pay gaps were not greatly altered by the COVID-19 pandemic (ILO 2022:104–107).

The informal sector (including agriculture) employs nearly 91% of women in South Asia, which is a few percentage points more than men (nearly 87%). In Southeast Asia, women are only slightly more likely to work in the informal sector than men—75.4% of women compared to 75.2% of men (ILO 2018b:36).

Several countries have high part-time female employment rates; for example, 70% in Afghanistan, 59% in Australia and Timor-Leste, 53% in Japan, versus 45% of women in OECD member countries who are employed part-time (ILOSTAT database, retrieved from the World Bank Group, World Development Indicators, accessed 31 December 2022; see also Harding et al. (2022)).


South Asia has the lowest percentage of firms with female participation in ownership across regions, at only 18% in 2022 (World Bank 2022a, accessed 31 December 2022).

Assuming female single head of households. If households are joint, the incidence within the household should be established (which is impossible).

However, some literature established that vulnerable people rely less on taxable goods and services in practice because they purchase more of their consumption from unregistered producers and vendors who do not pay VAT (Jenkins, Jenkins, and Kuo 2006 and Actionaid 2016).

In Asia and the Pacific, data on the distribution of ownership and wealth by gender are scarce (Kieran et al. 2015). See also Agarwal (1995), According to Women, Business and the Law, of 42 Asia and Pacific countries measured, seven economies (Kiribati, the Marshall Islands, Palau, the Philippines, Samoa, Tonga, and Vanuatu) do not grant equal ownership rights to immovable property; nine economies (Afghanistan, Bangladesh, Indonesia, Malaysia, Maldives, the Marshall Islands, Pakistan, Palau, and Tonga) do not grant equal rights to inherit assets, and six economies (Kiribati, the Marshall Islands, Palau, the Philippines, Samoa, and Vanuatu) do not grant spouses equal administrative authority over assets during marriage (World Bank 2022d, accessed 31 December 2022). Less than 15% of women are landholders in Asia and Pacific countries (World Bank 2019, FAO 2018a). See also FAO (2011) and Joshi et al. (2019).

For example, high taxes for women who only use land for cultivating products for household consumption.
C. Other Key Developments

Despite the progress toward gender equality, women still encounter significant disadvantages in Asia and Pacific economies, as measured by individual indicators or aggregate indexes. For example, as shown in Figure 3.1, female labor force participation has been dropping in recent decades in the majority of Asia and the Pacific economies, the only global region with this trend (ADB 2018a, Fruttero et al. 2020). Gender inequalities intersect with and are exacerbated by poverty; preexisting inequalities have enhanced women’s economic vulnerability during crises, including the COVID-19 pandemic. Women’s labor force participation dropped more than that of men because women’s jobs are more concentrated in the pandemic’s hardest hit sectors (ILO 2021b).

![Figure 3.1: Female Labor Force Participation Rates in Asia and the Pacific](image)

Note: No data for the Cook Islands; the Federated States of Micronesia; Kiribati; the Marshall Islands; Nauru; Niue; Palau; Taipei, China; and Tuvalu.


Depending on the programs targeted, or if the strategy varies by the taxpayer's gender, the approach to good governance, tax compliance, fraud, and avoidance behaviors can have gendered effects (OECD 2022a:11). For example, achieving gender equality in tax administrations’ staffing remains a challenge. The male–female ratio of revenue staff varies across the region because of a complex mix of social, cultural, and political factors (Figure 3.2). Higher-income economies typically have more women working in national tax administration than do lower-income economies (Crandal, Gavin, and Masters 2021:47). Further research is needed on the performance of tax administration, particularly whether

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38 Because of significant differences in the indexes and databases, their data on gender inequality are not comparable, which leads to differences in understanding and interpreting them (WEF 2021).
39 The global Multidimensional Poverty Index identifies multiple deprivations at the household level in health, education, and standard of living. The index measures the percentage of the population experiencing multidimensional poverty, adjusted by the intensity of the deprivations. See UNDP (2020), accessed 31 December 2022.
40 See also ILO (2020), ADB (2021b), Grown and Sanchez-Paramo (2020), and Kugler et al. (2021).
41 Ranging from 13.8% in Nauru; 21.79% in Taipei, China; and 22.78% in Thailand to 90.10% in Tajikistan, 95.5% in Pakistan, and 97.3% in Afghanistan. See also ADB (2022c:11).
more women are in higher-ranking positions and whether any improvements might especially benefit female taxpayers (Joshi 2017:6).

Figure 3.2: Gender Ratio of Tax Administration (%)

Lao PDR = Lao People’s Democratic Republic.

Note: No data are available for Afghanistan, India, the Federated States of Micronesia, the Marshall Islands, Niue, Turkmenistan, and Tuvalu.

The staff of the tax administration encompasses the total workforce of the tax and customs administration at the end of the fiscal year. Data from 2020 (2019 for Myanmar).

Source: International Survey on Revenue Administration (ISORA) (2020), Staff metrics: Staff gender distribution.
IV. TAXATION OF PERSONAL INCOME

This chapter analyzes how personal income tax systems across Asia and the Pacific can either exacerbate gender inequality or promote gender equality. The chapter assesses the gender dimensions in the definition of taxable persons, the rules for tax filing, the definition of taxable income, spousal arrangements, tax benefits (exemptions, deductions, and credits), and tax rate structure applied to taxable income (i.e., schedular or global rate structure). How gender biases in payroll taxes affect women differently from men is also discussed. To facilitate comparisons between economies, payroll taxes are categorized in this chapter as personal income tax (Section 4.6) and dealt with separately from taxes on employee wages and salaries (Sections 4.1–4.5).

A. Taxable Persons

1. Joint Taxation and/or Family Unit

The unit of observation for taxable persons can be defined either as the household (joint taxation) or the individual. Joint taxation at the household level aggregates a household’s earnings and usually subjects the household to a single taxation schedule (i.e., all individuals in the household pay the same statutory tax rate). Switching from joint to individual taxation would in effect be more gender-neutral than joint taxation.

Joint taxation is less equitable from a gender equality perspective because it generally places secondary earners (usually women) in a higher effective marginal tax bracket than primary earners (typically men). Women tend to face a higher effective marginal tax rate on their income than their husbands because women typically earn less, but the tax rate is based on the total household income. When spouses file income taxes jointly as a couple, the secondary income earner is seen as being dependent on the primary income earner. By imposing a higher effective marginal tax rate on the secondary earner, joint tax provisions may discourage secondary earners from entering the labor market. Eliminating joint filing creates incentives to join the labor force, in particular for women in high-income households as they face the highest marginal tax rates (Harvey 1976:112). One option, joint filing by husbands and wives, with full income splitting—which effectively equalizes the two marginal personal income tax rates—tends to be suboptimal from an efficiency perspective because the labor supply elasticities of the two are not necessarily the same (Zee 2007:244).

Several tax systems in developing Asian countries still use the household as the unit of taxation, where tax is calculated based on the total income of the spouses (Box 4.1).

42 Brunei Darussalam exempts income derived by individuals (Brunei: Income Tax Act, First Schedule [1][a]). Vanuatu does not levy any direct taxation regimes (such as income tax) on corporate profits or individuals, nor does it levy any capital gains or withholding taxes.

43 Exceptions include flat-rate systems and couples in which partners, even if unmarried, would be in the same tax bracket.

Box 4.1: Country Examples of Joint Taxation

In Bangladesh, Hindu families can be assessed as Hindu undivided families (HUFs), which are taxable as separate persons. Each member is jointly liable for the tax on the family income, in addition to any tax for which there is separate liability. Similarly, India treats HUFs as a separate person with independent tax liability from its members. In Brunei Darussalam, the income of a “married woman” living with her husband is considered as the husband’s income and taxed under his name, not hers or that of her trustee. However, when a married woman is not living with her husband, each spouse is treated as unmarried. Despite the Income Tax Law’s provision for taxing individual’s income, individuals are not subject to any income taxes as such income is exempt from tax under the second schedule of the act (except for nonresident directors). In Solomon Islands, the income of a married woman living with her husband is regarded as the husband’s income, and assessed on his total income, with tax charged to him. This provision applies equally to a married man living with his wife.

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Joint taxation regimes may provide options for spouses to be assessed independently under opt-out joint tax rules (Box 4.2). For example, in Indonesia, the family is considered as an economic entity. The income or loss of all family members is combined and treated as a taxable entity, with the head of the family responsible for meeting the tax obligations. The husband, as family head, is responsible for reporting all income earned or accumulated by his wife and other family members. Exceptions are given in Box 4.2.

Box 4.2: Opt-Out Joint Tax Rules

In Indonesia, unless the woman opts otherwise, the income or losses of a “married woman” at the beginning of the tax year, as well as losses from previous years that have not been compensated, are considered as income or losses of her husband, unless the income is solely derived from one employer which has already been taxed and the work has nothing to do with the business or independent work of the husband or other family members. The separate taxation of husband and wife is only allowed when there is a legal separation (with official recognition by a judge), there is written agreement by the spouses based on the separation agreement of property and income, or the married woman elects to be assessed under her name for all her income. In Taipei, China, a married couple and their dependents, who are treated as a family unit, may calculate their income separately and apply the ordinary progressive individual income tax rates.

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a Bangladesh: Income Tax Ordinance 1984 (ITO), Art. 90.
b India: Income Tax Act, Sec. 2(31).
c Brunei Darussalam: Income Tax Law, Art. 43(1).
d Brunei Darussalam: Income Tax Law, Art. 43(2).
e Solomon Islands: Tax Code, Sec. 48(1).
f Solomon Islands: Tax Code, Sec. 48(4).
Source: Author’s desk research based on national legislations.

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Source: Author’s desk research based on national legislations.
Some economies impose taxes individually but provide options to be taxed jointly. These economies allow a married spouse’s income from a business or profession to be added to her husband’s income (Box 4.3). Even if joint filing is optional, there is still a risk that the secondary earner pays a proportionally higher tax rate. Joint taxation might be attractive at the household level, creating a strong incentive to file jointly even if it raises the marginal tax rate of the secondary earner. However, couples that wish to maximize their income would not choose this option.

**Box 4.3: Opt-In Joint Tax Rules**

The tax system in **Malaysia** was changed in 1991 to reduce gender bias in individual income taxation. It replaced a system where a married woman’s income was credited to her husband unless she chose separate assessment with one where husbands and wives are recognized as separate taxable units with the option of joint treatment. A husband who does not earn income can also choose to be assessed under his wife’s name. The husband is eligible for a spouse benefit if he chooses joint assessment. A written agreement of separation between a husband and wife means they are not considered to be living together for tax purposes.

In **Nepal**, a husband or wife may choose to be treated as one natural person for tax purposes by providing a written notice. The husband or wife who elects to file jointly is jointly liable with the spouse for the tax due by them in that year. Different rates apply for individual and joint income tax assessment.

In **Hong Kong, China**, spouses have been taxed individually since 1989/90 unless they elect for joint assessment, either for salaries taxed only or as joint personal assessment. Married couples may elect joint assessment if spouses have net chargeable income and if it results in lower total tax payable compared to individual assessments. The net incomes of both spouses are combined, taking into account charitable donations and personal allowances as deductions to arrive at the joint net chargeable income, to which salaries tax is applied. This law overrode the old system, which required a husband to pay tax on his own and his wife’s income if they cohabited unless they elected a separate assessment.

In the **Kyrgyz Republic**, the taxpayer can opt to file either an individual tax return or a joint family tax return.

In **Thailand**, individual spouses file a return on assessable income received by each of them separately during the preceding tax year for the purposes of collecting income tax from spouses. If a spouse’s share of the assessable income cannot be determined with certainty, the income will be split equally between the spouses. Spouses may opt to file a joint tax return. However, even if they choose to file separate tax returns, each spouse remains liable for tax arrears of the other spouse.

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45 There may be a trade-off in that overall household income may not be affected.
46 The marginal tax rate is determined by the combined income of the spouses rather than the individual income of each partner. The spouse with a higher income would typically have to pay taxes at a higher marginal rate if the individual had filed separately rather than jointly. Depending on the extent to which the household considers all trade-offs, it is unlikely that households choose to file individually in joint tax systems because it would increase the total tax paid by the household, although it would address increased marginal tax rates for secondary earners, discouraging them from entering the labor market (Coelho et al. 2022:11 and 15).
Several Asia and Pacific countries have modified their joint tax rules to remove clauses that explicitly discriminated against women (Box 4.4).

**Box 4.4: Historical Examples of Joint Taxation**

The **Republic of Korea** amended its tax system in 2003 by treating spouses as separate taxable persons if they have taxable income. Before 2003, the law required spouses to consolidate their investment income under the person who earned income.\(^a\) A Constitutional Court Decision held that the provision contravenes gender equity under the Constitution and repealed the provision.\(^b\) In 2005, the Family Chapter of the Civil Code was revised based on gender equality. After the revision, the concept of *hoju* (a head of household, being a male) was repealed. Therefore, the government no longer maintains family tree records or issues a family certificate that is based on the succession of the head of the household. Instead, the government issues a certificate based on a single unit of family members who share the same dwelling place.

**Thailand** reformed its tax law in 2012 (applicable from fiscal year 2013) to allow wives to file separate tax returns for all types of income.\(^c\) Prior to this change, a wife’s “other income”—that is, income not from employment—was automatically added to the husband’s income.\(^d\) Currently, each husband or wife earning income has the option to file their income tax returns either separately or jointly with their spouse (Box 4.3).

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\(^a\) Republic of Korea: Former Income Tax Law, Sec. 61.
\(^b\) Republic of Korea: 2001 Heonba 82 (2002).
\(^d\) Thailand: Revenue Code (old), Sec. 57/3; Kositthanakorn and Overmier (2005:343).

Source: Author’s desk research based on national legislations.

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### 2. The Individual as a Tax Unit

Individualization of income, regardless of a households’ income and marital status, is widely regarded to be more gender-equitable and gender-efficient than joint taxation.\(^47\) Female labor supply can be optimized and equality increased by individualizing personal income taxes and recognizing women’s

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independent rights in taxation (OECD 2022b:11). For example, joint income could be allocated to the individual spouses by splitting it or allowing spouses to decide who should claim it. Individual filing and assessment allow women to take direct personal and legal responsibility for their income and taxes. Individual taxation may reduce the effective rates that women pay on earnings when compared to the disadvantage of being a secondary earner, and thus enhances gender neutrality and promotes equity.

However, individual filing also raises issues of inequity due to different household compositions. Families with the same income can have different earner compositions and family statuses (e.g., children), resulting in different tax responsibilities. Horizontal inequities emerge, for example, between a household with two income earners and those with only one income earner and a financially dependent spouse. In this context, there are no advantages for either individual or joint taxation models (Zee 2007:244).

Across developed economies of Asia and the Pacific, there has been a growing trend toward treating the individual as the tax unit in the last few decades (Box 4.5).

### Box 4.5: Examples of Individual Taxation

In the Philippines, spouses must compute separately their individual income tax based on their individual total taxable income. Any income that cannot be specifically linked to or identified as having been earned or realized by either spouse is divided equally between them to determine each of their taxable incomes. However, it is important to understand that married individuals who receive income that is not solely from compensation are required to file a tax return that includes the spouse’s income. Where it is impractical for the spouses to file one joint return, each spouse may file a separate return of income, but the returns will be consolidated. In Fiji, the chargeable income of each individual is computed separately. In Bhutan, married couples are taxed separately. Income earned from the joint ownership of assets is divided equally unless otherwise specified in a written agreement. The tax legislation in Kiribati stipulates that the income of spouses is determined as if they were unmarried persons. In Singapore, the income of a married woman is by default assessed in her name, separate from her husband. In some territories that are governed by the “community of property” (known under the Portuguese Civil Code of 1860 as Commumiao Dos Bens), India apportions spouses’ income between them. The income of husbands and wives from all sources except salaries is apportioned equally and assessed separately as the total income of each spouse, instead of solely taxing the person who earns the income.

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a Philippines: Income Tax Act, Sec. 24.
b Philippines: Income Tax Act, Sec. 51(D).
c Fiji: Income Tax Act, Sec. 50.
d Bhutan: Income Tax Act, Part III, Sec. 2.
e Kiribati: Income Tax Code, Sec. 46(1).
f Singapore: Income Tax Act, Sec. 51(1).
g In the State of Goa and in the Union territories of Dadra and Nagar Haveli and Daman and Diu.
h Salary income included in the total income of the spouse who has actually earned it. India: Income Tax Act, Sec. 5A(2).
i India: Income Tax Act, Sec. 5A.

Source: Author’s desk research based on national legislations.

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The 1979 Convention on the Elimination of All Forms of Discrimination Against Women stipulates that families should be founded on “principles of equity, justice, and individual fulfillment for each member” (General Recommendation 21, para. 4).
B. Gender Biases in Taxable Income

The taxpayer’s assessable income generally includes income from employment (e.g., salaries, wages, benefits in kind, pension), income from business and professional activities not connected with employment (entrepreneurship activity), investment income, and other income that is not specifically excluded or tax exempt. Differences in the nature of income may affect men and women differently. To determine whether there are any negative gender biases in personal taxable income, it is important to understand how each country’s tax system defines taxable income (i.e., taxable and exempted income). The tax treatment of the income may exacerbate gender equality.

1. Tax Exemptions or Preferences and Their Structure for Sectors that Primarily Employ Men

Gender bias in income taxes originates from the view that men are the breadwinners and therefore incentives built into the tax system support their typical sources of work-related incomes and expenditures. The primary source of gender biases of incentives in taxable income is from their goal and design, which are often more in line with men’s everyday socioeconomic realities, combined with different employment patterns of men and women (Figure 4.1).49 For example, in South Asia, women are often underrepresented in industrial employment but overrepresented in agricultural work. Various tax incentives come in the form of exemptions of income or deductions, allowances, and tax credits for selected types of transactions or certain expenses, often of a type that men tend to incur (Lahey 2018:84).

![Figure 4.1: Employment Patterns of Men and Women](image_url)

Source: World Development Indicators, data for 2019, retrieved from the ILOSTAT database.

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49 Notably, gender equity must be paralleled with the issue of wage or income. Similarly, the discussion will be highly relevant to groups such as men with low income.
Tax exemptions, deductions, and allowances are often for professional expenses,\textsuperscript{50} interest (e.g., on loans),\textsuperscript{51} and insurance premiums.\textsuperscript{52} Exemptions, deductions, and allowances that lower total taxable income are likely to disproportionately benefit occupations where men predominate (Box 4.6). Typically, the value of deductions and allowances disproportionately benefits highly skilled individuals with higher incomes who pay higher marginal tax rates.\textsuperscript{53} Thus, there are two sources of bias: the choices of income to be exempted and deductions and allowances of specific transactions and expenses. This bias in favor of male-dominated activities and the disproportionate benefit to higher earning workers tends to undermine the progressivity of the income tax (Grown and Valodia 2010:25). These tax incentives also frequently benefit those who have the least need for additional income.

Tax credits tend to be equitable because their benefit is not tied to the marginal tax rate. Several Asia and Pacific countries grant tax credits, lowering the tax burden while providing equal advantages to taxpayers of all income levels. However, taxpayers with little or no income may not benefit from tax credits, unless the credits are refundable (Lahey 2015b:446).

\begin{table}[h]
\centering
\begin{tabular}{|l|}
\hline
\textbf{Box 4.6: Tax Benefits for Male-Dominated Sectors and Occupations that Exacerbate Gender Inequality} \\
\hline
More men than women are employed in the formal sector, especially in professional and executive-level jobs. In the People’s Republic of China, every employee is entitled to a standard monthly deduction regardless of the number of dependents or other family circumstances.\textsuperscript{a} Mongolia grants a tax credit for individuals with annual employment income up to a certain amount.\textsuperscript{b} The Republic of Korea grants a special tax credit for the working class. Individuals earning employment income are entitled to credit designed to ease the impact of income tax on low incomes. The credit amount depends on the calculated tax on global income from wage and salary income.\textsuperscript{c} \\
\hline
\end{tabular}
\end{table}

\textsuperscript{a} People’s Republic of China: Personal Income Tax Law, Art. 6(1).
\textsuperscript{b} Mongolia: Personal Income Tax Law, Art. 23.1.
\textsuperscript{c} Republic of Korea: Income Tax Law, Art. 59.

Source: Author’s desk research based on national legislations.

Tax benefits are typically granted in personal income tax, reaching only those active in the formal sector (Box 4.6). This suggests that tax benefits are likely to reach more men than women. Tax benefit mechanisms do not always reach low-income individuals whose taxable income is low or nonexistent. Such benefits can have unintended gender inequality implications and outcomes. Women, who are the primary unpaid caregivers for their families, typically earn no salary or less than male household members, and are therefore less likely to directly benefit from a tax benefit under an individual tax filing system.\textsuperscript{54} Tax benefits could be more advantageous in a joint filing system, because it compensates for a higher marginal rate on the secondary income and gives some allowances or special treatment to taxpayers

\textsuperscript{50} For example, the Philippines allows deductions for ordinary and necessary trade, business, or professional expenses and interest.
\textsuperscript{51} For example, interest expenses are allowable deductions in the People’s Republic of China, India, and Indonesia under certain conditions.
\textsuperscript{52} For example, in Bangladesh, tax-free allowances apply, capped at the lower of 25% of total income or Tk10 million ($105,330), including for the contributions to a deposit pension scheme, life insurance premiums, acquisition of stock or shares, etc.
\textsuperscript{53} The greater the government’s use of tax benefits, the more taxable income is excluded from personal income tax, resulting in lower revenues for public spending (Lahey 2018:21; see also Grown and Valodia 2010:25).
\textsuperscript{54} These income groups may receive other forms of subsidy or social assistance.
with higher earnings that owe tax. The special treatments also tend to reduce overall progressivity, which is detrimental to women as a group because they earn less on average.

Several tax exemptions correspond more to male employment patterns and labor market structures such as preferential tax regimes for working professions, working arrangements, movable income, and property inheritance. The general trends of geographic gender employment patterns are shown in Figure 4.1. Considerations of the distribution of employees who work in specific sectors, overtime, in the evening—which undoubtedly underpin the gender analysis—are beyond the scope of the present report. Here, the discussion will focus on the legal regime alone.

First, common exemptions from income tax include working professions in sectors where men are usually overrepresented (e.g., exemptions for army and fire service work, plumbers, construction workers, and electricians). These approaches suggest men are disproportionately favored because they are likely to comprise the bulk of such labor groups (Box 4.7). For example, Pakistan’s tax incentive for the armed forces primarily benefits men, who are overrepresented in the military, although the country has seen a growing presence of women in the civil services and armed forces (TRT World 2022). Accordingly, the gender issue becomes less relevant.

**Box 4.7: Specific Types of Employment Income Exempt from Tax**

Military severance pay and decommission or demobilization payments for soldiers are exempted from tax in the People’s Republic of China. The Cook Islands exempts income from a person or allowance in respect of war, disability, or disablement from service in naval, military, air, or police forces. Pakistan has a wide range of exemptions available for employment income, and many of them are granted on allowances to employees of the armed forces, the federal government, and the judiciary. The Federated States of Micronesia exempts wages and salaries received by members of the United States military. Taipei, China exempts payments for special disbursements and for government housing allowances received by military personnel, public servants, teachers, police, and laborers. Uzbekistan exempts the income of war veterans.

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| Cook Islands: Income Tax Act, Sec. 42(c). |
| Pakistan: Income Tax Ordinance, Sec. 49 and the Second Schedule, Part I (exemptions from total income). |
| Federated States of Micronesia: Federated States of Micronesia Code, Title 54, Chapter 1, Sec. 112(6). |

Source: Author’s desk research based on national legislations.

Second, special treatment may be accorded for businesses such as exemptions for night shifts, overtime, or travel expenses for business trips (Box 4.8). Such arrangements in the business context, arguably where men are overrepresented, may make sense due to the hardship involved. However, nurses (mostly women) may also work night shifts, so a better understanding of the effects is needed to assess the bias’s nature.

Exemptions for individuals working in the armed services are typically justified because the personnel are seen as serving their nation at a lower wage.

To prove that these preferential tax regimes exacerbate gender inequality, whether there is no equivalent for a female profession needs to be determined.

For example, the People’s Republic of China, Japan, and Uzbekistan.
Box 4.8: Exempting Specific Types of Working Arrangements from Tax

Japan exempts a reasonable amount of travel expenses paid to employees for business trips.° Uzbekistan also allows an exemption for expenses for actual transport and accommodation during business trips incurred by an employer on behalf of an employee.° Viet Nam exempts wages paid for night shifts or overtime work, which are higher than those paid for day shifts or prescribed working hours.° Other countries also apply income tax exemptions for wage supplements such as night shifts or overtime hours (e.g., the Lao People's Democratic Republic, Tonga, and the Philippines).

° Viet Nam: Personal Income Tax, Art. 4(9).
Source: Author's desk research based on national legislations.

Third, special tax treatment often exists for capital income such as interest, dividends, and capital gains (Box 4.9). Such exemptions mostly favor higher-income groups, but also disproportionately benefit men over women because men are more likely to own capital assets (Grown and Valodia 2010:25, OECD 2022b:19).

Box 4.9: Tax Exemptions for Capital Income

Dividends, interest, and trading profits derived from long-term debt instruments, as well as interest paid on government bonds, are exempt from income tax in Hong Kong, China. Armenia exempts payments (capital gains, dividends, and other similar payments) received from participation and investment in investment funds.° Fiji exempts any dividend received.° Samoa exempts dividends paid by a resident company, and interest up to a threshold. Timor-Leste exempts dividends and assets in exchange for shares or capital contribution.° Other economies do not have capital gains taxes, for example Brunei Darussalam, Singapore, and Solomon Islands. Gains from the sale of capital assets may be included in ordinary business income even though there are no capital gains taxes.°

° Timor-Leste: Taxes and Duties Act, Sec. 29.
° Note that Brunei Darussalam taxes profits from selling assets acquired for resale rather than for a company’s use. Singapore taxes capital gains if the sale is made in the course of the taxpayer’s business, involves a series of transactions, has a short holding period, or the taxpayer had the intention to make a profit from the asset’s sale at the time of purchase. In Solomon Islands, the capital gains arising on the sale of depreciated business assets are taxed.
Source: Author’s desk research based on national legislations.

Fourth, other tax provisions may benefit men who are more likely to inherit property due to social norms preferring male inheritance (Grown and Valodia 2010:25). Several Asia and Pacific countries still have laws that do not provide equal inheritance rights between sons and daughters, or male and female surviving spouses (Box 4.10).° For example, in Indonesia, inheritances are excluded from taxable income,

° For example, Afghanistan, Bangladesh, Brunei Darussalam, Indonesia, Malaysia, Maldives, Marshall Islands, Pakistan, Palau, and Tonga (World Bank 2022c).
although inheritance and gift taxes may apply. When a person has sons and daughters, the Compilation of Islamic Law states that sons usually inherit twice as much as daughters (Iman 2016).

Box 4.10: Exemption of Personal Property

In Indonesia, inheritances are excluded from taxable income. The Philippines exempts property acquired through gift, bequest, devise, or descent from personal income tax (but it may be subject to inheritance or gift tax). Nepal exempts amounts derived by way of gifts, bequests, inheritances, and scholarships from personal income tax. Viet Nam exempts inheritances and gifts between direct family members.

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b Philippines: National Internal Revenue Code of the Philippines, Sec. 32(B)(3).


Source: Author’s desk research based on national legislations.

2. Allocation to Men or Male Households

More explicit examples of gender biases are when tax benefits are specifically allocated to male heads of households, require a husband’s permission to claim, or are allocated only to a married man but not a married woman (Box 4.11). For example, in Malaysia, tax reliefs are available for a man with a dependent wife, but no such provision is made for women who support their husbands.

Box 4.11: Explicit Biases in Allocating Tax Benefits that Exacerbate Gender Inequality

Brunei Darussalam grants an additional allowance for individuals (i) with a “wife” living with or maintained by “him,” (ii) who paid alimony or maintenance to a previous wife, or (iii) who made payments following a court order or deed of separation from a wife from whom he was separated. Cambodia allows a reduced tax base for any employee whose spouse’s sole occupation is “housewife.” In Indonesia, the “husband” is entitled to an additional allowance for his working “wife” if she receives or derives business or employment income independent from that of her husband or other family members and opts for joint assessment. The allowance is only available to a husband. The deductions are not available when husband and wife file separately. Any business or professional losses that originated in previous years and are eligible to be carried forward are considered to be her husband’s losses from a business or profession if a woman is married at the beginning of the calendar year. These policies are only available to the spouses of married women in formal employment. Unmarried women in informal employment cannot benefit from the policies. Malaysia grants a deduction for the current or former wife to an individual with a wife living with him. An additional deduction is available for a disabled wife. Another deduction is available if the individual made alimony or maintenance payments to a wife.

Previously, the Philippines deemed the “husband” as head of the family and entitled to claim the additional exemption for any dependent children unless he explicitly waived his right in favor of his wife in the withholding exemption certificate. This explicit bias was repealed with the Tax Reform for Acceleration and Inclusion bill in 2017.
C. Gender Biases in Spousal Arrangements

Gender biases may arise in tax systems that (i) allocate labor (family business) or nonlabor income of the individual (woman) to the spouse (husband); (ii) transfer unused tax benefits to the spouse (or cohabitant) with taxable income, and (iii) provide tax benefits for spouses with no or low earnings.

1. Allocating Family Business or Nonlabor Income to the Spouse

Countries frequently allocate labor (e.g., in a family business) or nonlabor income of the individual (usually a woman) to the spouse (usually a husband), regardless of the spouse’s role in the business. The allocation may increase the husband’s income tax, for example, by subjecting him to a higher marginal tax rate (Stotsky 1997:31). This bias may initially favor women by reducing their tax liability. However, it may cause issues later on if the woman files for divorce and wishes to establish her legal rights to the joint property (Box 4.12).

Box 4.12: Allocating Family Business Income that Exacerbates Gender Inequality

In India, the individual income includes the income of the spouse from wages, commissions, fees, or in any form from an enterprise in which the individual has a substantial interest. This is not the case if the spouse’s income is solely derived from the application of their technical or professional knowledge and experience.

Previously, some tax laws allocated the income of a “wife” to the “husband.” Family business income was allocated to the husband regardless of the spouses’ individual roles in the enterprise. A clear illustration of this bias for nonlabor income was in the Singapore tax regime for income from property until 2009. Since tax assessment year 1980, any property owned by a married woman living with her husband has been considered as owned by her husband. Since assessment year 1994, a married woman living with her husband can elect a separate assessment for all of her income. Otherwise, her income was deemed to be the income of her husband.

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a Brunei Darussalam: Income Tax Act, Art. 32(2).
b Cambodia: Law on Taxation, Art. 46(2).
e Philippines: National Internal Revenue Code of the Philippines, Art. 79(F).
f Philippines: Republic Act No. 10963, Sec. 21.

Source: Author’s desk research based on national legislations.
Gender-neutral tax systems would allow couples to allocate their income how they see fit. Instead of allocating nonlabor or family income to the husband or spouse, gender-neutral approaches (Box 4.13) may include sharing the property income (the property of both spouses), equalizing income between spouses, or allocating property income to the legal owner if it is not jointly held (Stotsky 1996:4).

Box 4.13: Apportionment of Income between Spouses

In the Cook Islands, business income was previously deemed to be that of the husband. With the Finance Act 2013, a husband and wife carrying on business together or deriving income jointly are not considered to be business partners or derive income jointly. The income derived from the business or earned jointly must be apportioned according to the amount earned by each party.\(^a\)

\(^a\) Cook Islands: Income Tax Act 1997, Sec. 11(2) and (3).
Source: Author’s desk research based on national legislation.

In the ongoing effort to combat tax avoidance, a set of rules has been established to promote transparency and fairness, particularly through the accurate division of income. These rules include limitations on the allocation of income from a family business to an unpaid family member (Box 4.14). The objective behind this measure is to address a prevalent form of tax avoidance where individuals try to transfer their income to a spouse who falls under a lower marginal tax rate. To safeguard the integrity of the tax system and discourage strategies that exploit the differences in tax rates between spouses, specific restrictions are put in place when spouses are taxed separately (Grown and Valodia 2010:6).

Box 4.14: Income Allocations that Limit Tax Avoidance

India’s tax law determines that if a person transfers an asset to the spouse\(^a\) or the son’s wife (daughter-in-law)\(^b\) without compensation, the income generated from the asset shall be taxable in the name of the person who transfers the asset (and not the spouse). Pakistan also taxes the income arising from assets transferred to a spouse or minor child in the hands of the transferor, unless the transfer was made for adequate compensation, or in connection with an agreement to live apart.\(^c\)

\(^a\) India: Income Tax Act, Sec. 645(1)(vii).
\(^b\) India: Income Tax Act, Sec. 645(1)(viii).
\(^c\) Pakistan: ITO 2001, Sec. 90(4) and (5).
Source: Author’s desk research based on national legislations.

2. **Transfer of Unused Tax Benefits to Spouse**

Some Asia and Pacific countries allow for the transfer of unused tax benefits (e.g., of the nonworking spouse unable to work) to the spouse (or cohabitant) with taxable income (Box 4.15); the latter would likely be male. Transferrable tax benefits can create tax barriers for a secondary income spouse to enter...
the paid labor workforce market. First, the ability of one spouse to claim transferrable tax benefits of the other spouse creates a tax disincentive for the dependent spouse to work for a living. Second, dependent spouses are overwhelmingly women, who typically earn lower salaries than men. Therefore, the after-tax value of these benefits is likely lower than if the supporting spouses were able to claim them as individuals with higher incomes and pay higher tax rates. Hence, the after-tax value is likely higher for the spouse with a higher income (Lahey 2018:18).

**Box 4.15: Transferring Tax Benefits**

In the Republic of Korea, although spouses are treated as separate taxable persons when having taxable income, spouses who have not earned or have no investment income or have taxable income under a threshold may claim a spouse deduction through the person who has taxable income.

Historically, Asia and Pacific countries have repealed the transfer of tax benefits. During 2005–2015, the tax legislation had provided for a transfer of qualifying deductions (unabsorbed capital allowances, unabsorbed business losses, and unabsorbed approved donations) and rental deficits between spouses. In 2016, Indonesia phased out the spousal transfer scheme in the change to assess the income of a husband and wife as separate individuals. Since 2016, spouses cannot transfer qualifying deductions and rental deficits. Where the husband and wife are eligible to claim personal tax reliefs, the relevant reliefs are to be apportioned between them reasonably.

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Source: Author’s desk research based on national legislations.

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3. **Non- or Low-Earning Spouse**

Tax benefits for non- and low-earning spouses in Asia and Pacific economies illustrate that an outdated tax structure that benefits women who stay at home could discourage employment and skill development, which are crucial for boosting women’s involvement and income (Box 4.16). Design features are important because the spouse’s provisions may be withdrawn immediately when the second earner starts working or may be reduced when the second earner’s income increases (Thomas and O’Reilly 2016:9). Spousal provisions that favor one-earner families could potentially discourage secondary earners from working or beyond a certain threshold (e.g., by working part-time). Removing the spousal benefits would allow a government to raise tax revenue without decreasing welfare benefits, which is one way to improve policy (Kitao and Mikoshiba 2022).

**Box 4.16: Tax Benefits for Low-Earning Spouses that Exacerbate Gender Inequality**

Malaysia grants a rebate to a wife who is eligible for the deduction for her husband and if her chargeable income is below a threshold. The deduction is available if the husband (i) has no income source, (ii) has no total income to be combined with that of his wife, or (iii) has elected for joint taxation. An explicit bias is embedded in the personal deduction for an individual or Hindu joint family. There are deductions, among others, for himself and his dependent relatives (if any), or for Hindu joint families. The husband is also entitled to a deduction for a wife or former wife. In Kiribati, an individual taxpayer who is married and wholly supports their spouse can claim a deduction if the spouse’s income, after other deductions, is below a specified threshold. In Cambodia, individuals are entitled to a monthly tax allowance for a spouse solely occupied as “housewife.”

continued on next page
**Box 4.16 continued**

**Japan** grants a spouse allowance if the spouse—in nearly all cases, a married woman—is dependent on the taxpayer and the taxable income of the taxpayer does not exceed a specified limit.\(^g\) A “special allowance for spouses” is also available for a taxpayer living with a spouse, where the spouse’s income is within a special range. Additionally, an allowance is given for dependents who are relatives, excluding spouses, living with the taxpayer and supported by him or her.\(^h\) In **India**, the tax code provides for a tax rebate for resident individuals with a total income below a threshold.\(^i\) **Hong Kong, China** grants a married person’s allowance to a married individual whose spouse has no assessable income.\(^j\) In the **Republic of Korea**, an allowance as personal exemption per year is given where a spouse living with the taxpayer has an annual income below a certain threshold.\(^k\)

In contrast, in **Indonesia**, if the wife derives income and the household opts for joint assessment, the husband is entitled to an allowance for his working wife in addition to the spousal allowance.\(^l\)

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\(^a\) Malaysia: Income Tax Code, Art. 6A(2)(c).
\(^b\) Malaysia: Income Tax Code, Art. 45A.
\(^c\) Malaysia: Income Tax Code, Art. 46.
\(^d\) Malaysia: Income Tax Code, Art. 47.
\(^e\) Kiribati: Income Tax Code, Sec. 48(1).
\(^f\) Cambodia: Income Tax Code, Art. 46(2)(b).
\(^g\) Japan: Income Tax Law, Art. 83.
\(^h\) Japan: Income Tax Law, Arts. 2(1)(xxxiv) and 84.
\(^i\) India: Income Tax Act, Sec. 87A.
\(^j\) Hong Kong, China: Inland Revenue Ordinance, Sec. 29(1).
\(^k\) Republic of Korea: Income Tax Law, Article 50(1)(2).
\(^l\) Indonesia: Income Tax Law, Art. 7.

Source: Author’s desk research based on national legislations.

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### D. Tax Benefits that Promote Gender Equality

#### 1. In General

Taxpayers in the Asia and Pacific region can claim several tax benefits for common reasons such as dependent children, working mothers, and childcare.\(^60\) There are two main types of benefits:

(i) **Deductions and allowances** (i.e., reducing the tax base structured in various ways such as flat amounts, an income percentage, or a specific formula). Such tax benefits appear to favor households that fit into a “male breadwinner and female caregiver” model rather than the more equitable “dual earner and dual caregiver” model. In low- and middle-income countries, deductions and allowances may be less effective due to the high number of people who live below the poverty line or work in the formal sector (Deverelli and Beaton-Day 2020:68).

(ii) **Credits against personal income tax** (i.e., lowering the tax burden by reducing the amount of tax due: Box 4.17). Tax credits distribute equal amounts to taxpayers of all income levels. They have a progressive effect, that is, helping lower-income people more than higher-income people (Grown and Valodia 2010:28). Evidence suggests that such

\(^60\) Tax benefits in their nature primarily benefit those with the highest incomes, while those with no or low incomes (especially and mostly women) benefit only infrequently.
programs could support female labor participation by enhancing eligible mothers’ working hours, but not their wages, in the long run (Bastian 2020:44–75). However, tax credits are household benefits, which may minimize the need for a secondary earner, most frequently a woman, by raising household income (Francesconi et al. 2009:66–100). Tax credits can be costly to manage, are typically not accessible to informal workers and are most commonly granted in more developed countries (ADB 2022a:113). In addition, tax legislation may encourage gender equality by giving an exemption for specific income.

### Box 4.17: Income Exemptions that Promote Gender Equality

In **Papua New Guinea**, a woman is exempt from paying tax on alimony or maintenance payments from her former husband. This is on the condition that the (former) husband has not transferred any income-producing assets or diverted income that would have been taxable to himself. The taxpayer maintaining a dependent is entitled to a rebate. The tax code does not determine explicitly whether the alimony payer is taxed. In **Singapore**, women are exempt from tax on maintenance payments received on or after 1 January 2011, as required by court order or deed of separation.

In **Bangladesh**, an individual with no source of income other than agriculture is exempted from tax, up to a certain amount of income. **India** exempts agricultural income below a threshold from individual income tax. However, if the agricultural income exceeds the threshold and the total income exceeds the annual exemption, the agricultural income will be included in determining the applicable tax rate. **Mongolia** grants a 50% discount on taxable income from specific production, including grains, potatoes, vegetables and their seeds, and fruits and berries. Starting from 1 April 2023 to 1 May 2024, **Uzbekistan** has implemented a policy where farms specializing in the cultivation of cotton and (or) grain will be eligible to a refund of the individual income tax paid on the wages of their employees.

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* Papua New Guinea: Income Tax Act 1959, Art. 30. A rewrite of the Income Tax Act has been prepared but was not presented to Parliament for the budget session in November 2022. As of the date of writing this report, the consultation draft does not include this provision anymore.
* India: Income Tax Act, Sec. 10(1).
* India: Annual Finance Act, Schedule I, Part IV.
* Uzbekistan: Resolution of the President No. PP-69 entering into force on 24 February 2023.

Source: Author’s desk research based on national legislations.

Tax benefits, if well designed and based on gender analysis, can support gender equality outcomes. Such benefits typically address the position of women in the family and household, women’s disproportionate share of unpaid care work, and/or social outcomes such as education and health.

### 2. Family and Household Composition

Household composition may affect taxation, depending on the number of children and the number of income earners in the household. There is a public good rationale for supporting families raising children.

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a. Children

The higher income and a few other Asia and Pacific economies have provisions (deductions) for newborns and dependent children (Box 4.18). Such deductions are based on several factors, including family income and what other tax benefits the taxpayer is receiving, to help target the benefits to low-income households and enhance tax fairness. The demographic challenge of low fertility rates in many Asian and Pacific economies has also led to an increase in financial awards for childbirth and subsidies for childcare (Pulse 2020). Gender equality could be promoted by limiting tax benefits for dependent children or dependent family members to single women’s paid work. Alternatively, turning tax benefits for dependents into tax credits would make them redistributive toward poorer households and women in low- and middle-income families, as the values would be the same for taxpayers at all income levels.62

Box 4.18: Tax Support for Raising Children

**Support for breastfeeding.** A tax deduction for breastfeeding equipment is available in Malaysia. A deduction in income taxation is available for mothers with one or more children aged up to 2 years to purchase a breast pump, cooler bag, containers, etc. The tax deduction can be claimed once every 2 years.a

**Support for newborns.** Hong Kong, China grants a one-off child allowance in the year of birth to encourage childbirth. Although not a tax benefit in the strict sense, Singapore grants a baby bonus cash gift for the first and second newborn, with increasing bonuses for the third and subsequent newborns to provide more assistance to larger families. Also, there is a universal co-saving scheme offered for each newborn baby (a “Child Development Account”) for the child’s education and health expenses.c

**Support for raising children.** Incentives for raising children are available in Azerbaijan, which grants a monthly allowance for taxpayers with at least three dependents.d Hong Kong, China grants child allowances (maximum of nine children).e The Republic of Korea provides an income tax exemption for allowances received by workers or their spouses from their employer related to childbirth.f There is also a tax credit for children, composed of a basic tax credit and a tax credit for a newborn child, depending on the number of children. Up to 2017, a tax credit for a child aged 6 years and below was available. The Republic of Korea also grants an additional deduction for households with multiple children.g

Malaysia grants allowances for children as a deductible from the total income. New Zealand grants tax credits for families in the framework of the “working for families” scheme. Papua New Guinea grants rebates for dependents (i.e., a spouse, an unmarried child, a student receiving full-time education, or a parent) with a larger rebate for the first dependent.h Singapore gives several allowances for birth and child relief. Here, we focus on the parenthood tax rebate, available to Singapore tax residents who are married, divorced, or widowed, which can be shared between husband and wife. The rebate depends on whether the offspring is the first, second, third, or subsequent child. The benefit can be claimed only once for each child, in the year the child is born, and it can be split between couples according to an agreed-upon apportionment.

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62 The design of the credit is important. The credit might be designed to offset income from earned labor, be refundable, and be phased out as income increases to avoid affluent individuals from benefiting disproportionately. However, these modalities may result in additional administrative and compliance costs for both taxpayers and tax authorities.
Benefits that are not used can be carried forward and used in future years. Married women who choose separate assessments and have a qualifying education are eligible for an additional allowance for their children. Viet Nam gives taxpayers allowances for each dependent person, which are deductible per month.

a Malaysia: Income Tax Act, Art. 46, par. 2 (q). Notably, this may be taken as an example of bias against men, as men are unable to lactate.
b Hong Kong, China: Inland Revenue Ordinance, Sec. 31(1a).
d Azerbaijan: Tax Code, Art. 102.5.
e Hong Kong, China: Inland Revenue Ordinance, Sec. 31(1).
h Papua New Guinea: Income Tax Act, Art. 213D. Note: a rewrite of the Income Tax Act has been prepared but was not presented to Parliament for the budget session in November 2022. As of the date of writing this report, the consultation draft does not include this provision anymore.
i Previously, a further tax rebate was given to a married woman who had opted for separate assessment for a legitimate third or fourth child. The rebate was 15% of her earned income, to be set off against tax liability in the year of assessment following the year of birth. The rebate was also available if the mother was widowed at the time of birth.
j M. Williams (2019).
k UN Women (2016:32).

Source: Author’s desk research based on national legislations.

b. Working Mothers

Tax incentives for working mothers aim to encourage women to return to the workforce after giving birth and to balance it with childcare. Such incentives are part of family policy in most European Union countries. A shift in economic and social structures, regulations impacting working conditions, and social norms is critical for fiscal support to be effective.

For example, Singapore grants tax incentives to ease the tax burden of women who choose to remain in the workforce (Box 4.19). For the past 2 decades, the government has tried to increase the birth rate but with limited results. The relief aims to encourage intra-familial responsibilities, increase the birth rate, and provide financial assistance to Singaporean families with children who are Singapore residents (Teo 2007:263–85). The effectiveness of these measures is debated. Some experts praised Singapore’s policies, claiming that without them the total fertility rate would have fallen by 10%–25% (Jones and Hamid 2015:33–61). Others did not see clear evidence to substantiate the effectiveness of the measures in the wider institutional and cultural context. Cultural and social conditions in Singapore have been slow to adapt to women’s highly educated workforce and shift labor markets, with little effect on reproduction rates.

63 Singapore has one of the world’s lowest birth rates. In 2021, Singapore’s total fertility rate was just 1.1, far below the average of 1.8 in East Asia and the Pacific and 2.3 in South Asia. Government of Singapore, Ministry of Labor, Department of Statistics Singapore, Census and Statistics Department (2021). See for the fertility rate, total (births per women): United Nations Population Division, World Population Prospects (2022): retrieved from the World Bank Development Indicators. See also Shurtz (2011:1110).
Box 4.19: Singaporean Fiscal Support to Working Mothers

In addition to the parenthood tax rebate for all mothers, Singapore grants several tax incentives for working mothers to encourage married women, divorced women, and widows with children to continue working and raising families. The “working mother’s child relief” (WMCR) is a rebate for each child based on the child order, as a percentage of the earned income—15% for the first child, 20% for the second child, and 25% for third child and subsequent children. If a woman claims for more than one child, the WMCR percentages are added together, and the total is capped at 100% of the mother’s earned income. The WMCR is available even if the mother's husband/ex-husband has claimed the qualified child relief and handicapped child relief for the same child. The mothers have to be married, divorced, or widowed, which is also biased against women whose children are born outside of marriage. The program also aims to encourage married women with children to continue working and to obtain Singaporean citizenship for their children.

Married women who are living with their husbands or whose husbands do not reside in Singapore, and who employ foreign domestic workers, qualify for the “foreign domestic worker levy” against their earned income. This deduction is equal to twice the tax paid for foreign workers. A married working woman can only use the levy relief to offset her earned income from employment, pension, trade, business, profession, or vocation after deducting allowable expenses. The levy is also available to a married woman separated from her husband, a divorcee, or a widow, provided she has an unmarried child or children living with her in Singapore. Unmarried women, married or single men, and divorced or widowed women without children are ineligible for this relief, even if they pay the “foreign domestic worker levy” that this rebate is intended to offset.

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a Singapore: Income Tax Act, Sec. 42A. See also Income Tax Act, Fifth Schedule, Sec. 5(1A).
b Cf. the official website of the Singapore Government.
c Singapore: Income Tax Act, Sec. 39(11).

c Source: Author’s desk research based on national legislations.

c. Single Parents and Widows

Tax benefits for single parents in Asia and the Pacific may help to guarantee income security (Box 4.20). Single parents are more at risk of poverty than couples with one earner because single parents lack a second caregiver to help them combine work and home duties (Maldonado and Nieuwenhuis 2020:303–30). In addition to the need for family tax benefits to support childcare (Section 4.4.3), tax benefits may facilitate single parent’s employment.

However, the allocation of fiscal resources to single parents may exclude other people (e.g., widows). Only a small number of Asia and Pacific countries’ tax policies acknowledge widows as a vulnerable group. The population in Asia and the Pacific is aging rapidly due to significant reductions in total fertility and child mortality. Women are more likely to be widowed than men because female life expectancy is longer than men’s, men tend to marry younger women, and (in some cases) cultural biases persist against women remarrying (UNESCAP 2019:1). These demographic, social, and cultural factors call for a specific focus on social protection for widows, especially on their income security.

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65 In 2020, the average life expectancy for women in East Asia and the Pacific was 79 years and in South Asia it was 71 years compared to for men 74 years and 69 years, respectively (World Bank, World Development Indicators, Life expectancy at birth, female, data from 2020).
Box 4.20: Tax Benefits for Single Parents or Widows that Promote Gender Equality

**Georgia** does not levy income tax on “single mothers” or persons who have been awarded the honorary title of “Mother of Georgia” if their income is under a certain threshold. a **Hong Kong, China** grants a single parent allowance. **Japan** provides an allowance to single parents who, regardless of gender and marital history, have a dependent child living in the same household and whose total income does not exceed a threshold. b **Nepal**, female resident taxpayers who have no income other than from employment receive a 10% tax rebate on their income tax. c This female tax credit is not applicable for women opting for couple status for tax purposes. Nepal also exempts allowances paid by the government to widows. d **New Zealand** grants an in-work tax credit to single parents working at least 20 hours per week and couples working 30 hours per week. The minimum hours requirement has been removed from the government’s coronavirus disease (COVID-19) response package, ensuring that working families who experience reduced working hours because of COVID-19 do not lose their eligibility for the credit. The package includes a weekly payment for up to three children, with an additional payment per child for the fourth and subsequent child. **Uzbekistan** grants a tax exemption to single mothers with two or more children under the age of 16. e A tax exemption also applies for widows or widowers that (i) have five or more children under the age of 16, and (ii) do not receive a survivor’s pension. f In the **Republic of Korea**, an additional exemption deducted against global income is granted to a woman (explicit bias) who is a single householder with dependents or is living with her husband. There is also an additional exemption for single parent. The exemptions are mutually exclusive. g

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a Georgia: Tax Code, Art. 82(2).
b Japan: Income Tax Law, Art. 80 and 81.
c Nepal: Income Tax Act, Schedule 1, par. 1(11).
e Uzbekistan: Tax Code, Art. 380(5).
f Uzbekistan: Tax Code, Art. 380(6) and 436(5).
g Republic of Korea: Income Tax Code, Art. 51(1)(6) and Art. 51(1)(3).

Source: Author’s desk research based on national legislations.

3. **Childcare and Other Care**

Family-friendly policies, such as tax incentives for available, high-quality, and affordable childcare, are widely recognized as expanding opportunities for women to join and remain in the workforce (often as the second earner of the household). 66 Gender norms and expectations that women are responsible for care contribute to low female labor force participation rates and help explain low availability and uptake of childcare (Pavolini and Van Lancker 2018:878–93). The distributional impact of tax benefits on childcare costs as well as their effectiveness depends on the tax design. Allowing childcare costs to be deducted from taxable income appears to be regressive, that is, their value rises with income.

In general, tax policy measures for childcare services are poorly widespread across Asia and the Pacific. Only a few Asia and Pacific economies provide parents with tax incentives in their individual income taxes for provision and uptake of childcare services. Such incentives may be given through credits, deductions,
allowances, or exemptions. While tax systems offer some support, complementary measures are also required to shift social norms on childcare and women’s work (Box 4.21).

Box 4.21: Examples of Tax Benefits for Childcare

In Cambodia, childcare allowance or expense for daycare centers (crèches) is exempted from the tax on fringe benefits. In the Republic of Korea, parents are entitled to a basic deduction for education expenses paid to preschools (for children below 6 years). The childcare act also stipulates tax reductions or exemptions for childcare fees paid by guardians for caring for infants and young children, as well as other expenses necessary for childcare. In the Kyrgyz Republic, taxpayers may receive a social deduction for the education of dependents up to the age of 24 years. Malaysia grants a deductible allowance from the total income for fees paid to childcare centers and kindergartens for children aged 6 years and below. In addition, childcare facilities provided by employers constitute nontaxable benefits in kind. In the People’s Republic of China, allowances for childcare (nursing school) granted to Chinese employees are not regarded as taxable income. Since 1 January 2022, the People’s Republic of China also grants an additional deduction for the care of infants and young children below 3 years of age. Taipei, China grants a special annual deduction for preschool children under the age of 5.

Individuals may also receive tax benefits for care of relatives, for example, parents, grandparents, disabled siblings, or disabled or divorced spouses (Box 4.22). Care resources can be especially beneficial for single and secondary earner parents in paid work, as they can relieve pressure on women to provide unpaid care (UNESCAP 2022:17). Tax benefits for care services typically provide small or no after-tax benefits for women with low incomes. A strong preference for sons in certain cultures may incline parents to provide better care for boys than girls (World Bank 2012:13). Other changes made by the law, such as rights to public and subsidized care services for those with low incomes subsidized by tax revenue may reach someone in need of care directly.

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67 Of the 23 Asia and Pacific economies measured by the World Bank, only 3 (Republic of Korea, Kyrgyz Republic, and Malaysia) give preferential tax treatment for provision and uptake of childcare services for parents (World Bank 2022d).

68 Addressing parental leave regulations could help to level the playing field for men and women as well as reduce gender disparities in household labor.
Box 4.22: Tax Benefits for Care for Relatives that Promote Gender Equality

Fiji grants a deduction to employers for 150% of any salary or wages paid to an employee during their 5 working days of family care leave.\(^a\) Hong Kong, China allows taxpayers to deduct from their income (subject to salaries tax) elderly residential care expenses paid to a residential care home for their or their spouses’ parent or grandparent.\(^b\) In the People’s Republic of China, since 1 January 2019, a monthly fixed amount is deductible for the support of elderly dependents, regardless of the number of dependents, if the taxpayer is the only child.\(^c\) Singapore grants a caregiver deduction for a married woman, widow, or divorcee if her parent or grandparent, or the parent or grandparent of her husband or of her previous husband, was residing in Singapore and taking care of any of her children.\(^d\)

\(^a\) Fiji: Income Tax (employment incentives) regulations 2016, IT 24,675A.
\(^b\) Hong Kong, China: Inland Revenue Ordinance, Sec. 26D.
\(^d\) Singapore: Tax Code, Sec. 39(2)(p).

Source: Author’s desk research based on national legislations.

4. Other Social Outcomes

Asia and Pacific countries use tax policies to address gender inequality and women’s empowerment in education and health. Other fiscal spending interventions such as cash transfers to poor women in the labor force and investment in infrastructure (e.g., clean water) are beyond the scope of this report, which focuses on tax policies.

a. Education

Empirical research suggests that female labor force participation is positively correlated with educational attainment and encouraged by providing the right incentives.\(^69\) While challenges remain, particularly in rural areas, girls and women in the Asia and Pacific region have gained increased access to education and skills training since 2000.\(^70\) However, that women’s educational attainment has increased has not resulted in closing long-standing economic gender inequities, which also manifest in occupational gender segregation (Sahai 2020).

Tax incentives may affect the return to education.\(^71\) Efforts in taxation can supplement government expenditure on education to guarantee that all children, boys and girls, have access to education.\(^72\) This may equalize unequal education levels, particularly in developing countries such as Pakistan and Papua New Guinea.\(^73\)

\(^{69}\) ILOSTAT database, Labor force with advanced education, female. See also IMF (2018), with reference to Gonzales et al. (2015) and World Bank (2011).
\(^{70}\) World Bank (2019), School enrollment, secondary, female, citing data from the UNESCO Institute for Statistics.
\(^{72}\) The average proportion of GDP spent on education in 2019 was 2.9% in South Asia and 3.2% in East Asia and the Pacific (excluding high income) compared with 4.9% in OECD member countries. Lower government expenditures on education are seen in Bangladesh (1.3%) and Pakistan (2.5%). See UNESCO Institute for Statistics, data retrieved from the World Bank, Government expenditure on education, total (% of GDP).
The examples in Box 4.23 show widespread tax benefits for education in Asia and the Pacific. The higher one's taxable income, the less one requires government assistance with education costs—but those in the higher income ranges receive greater tax benefits when education expenses can be deducted. A more progressive tax system could raise more revenue equitably to fund public services for the high-quality education and training required for establishing a more gender-equal labor market (Grown and Valodia 2010:295). For example, female labor force participation in India would rise by 2% if India would increase education spending by 1% of GDP (Das et al. 2015).

Box 4.23: Tax Benefits for Education

Several Asia and Pacific countries provide tax benefits for education expenses. In Armenia, employees may deduct education expenses for pursuing certain master’s or postgraduate degrees at Armenia-accredited institutions of higher education. In Bhutan, education expenses for dependent children have been deductible from taxable income since income year 2020. The People’s Republic of China grants special additional deductions, such as for children’s and adult education if conditions are satisfied. India allows deduction of the tuition fees to any educational institution. Tuition fees for full-time education per child, up to a maximum of two children, are partly exempt from tax. In the Kyrgyz Republic, taxpayers are entitled to deduct education expenses for (i) the taxpayer and dependents younger than 24 years; (ii) preschool, secondary school, and special secondary school; and (iii) since 1 July 2019, higher professional education for three or fewer dependents to attend a Kyrgyz educational institution licensed by an authorized government body. The Republic of Korea grants a basic deduction for education expenses paid for a spouse, lineal descendants, brothers and sisters, adoptees, and foster children. Papua New Guinea allows a rebate for education expenses, for example, for tuition fees paid to nongovernment schools. Pakistan allows individuals with taxable income below a certain threshold to deduct children’s tuition fees. In Sri Lanka, since 1 January 2020, taxpayers may deduct vocational or other education expenditures incurred in Sri Lanka for their children.

Benefits may also entail not taxing employer’s benefits provided to employees in kind and/or fees for their children’s schooling. Cambodia exempts childcare allowances or expenses for day care centers (crèches) from taxable fringe benefits when paid to all employees and workers. Fiji allows a deduction for 150% of the amount paid for an employee’s education fees. Malaysia grants a deduction for fees an individual paid for any course of study up to the tertiary level. Papua New Guinea exempts from taxation education allowances (including children’s school fees). Uzbekistan does not tax the wage amount and other taxable income that is directed to pay for education of an employee, the employee’s children under 26, or the employee’s spouse in higher education institutions. Viet Nam exempts tuition fees provided for an employee’s children from preschool until high school. Foreigners with children studying in Viet Nam and Vietnamese citizens on an overseas assignment who have their school-going children with them are eligible for this exemption.

In contrast, Georgia considers assistance given to employees or dependents for education (excluding training programs directly related to the economic activity of the employer) as taxable employment income. India taxes the education allowances provided to an employee to pay the education cost of the employee’s children. India also fully taxes school or college fees an employer pays for the school or college education of an employee’s children.

continued on next page
Investing in health care in underdeveloped countries can go a long way toward expanding economic opportunities for women. In several Asia and Pacific countries, taxpayers are entitled to deduct medical expenses (Box 4.24). In addition to government-provided social services, tax benefits for health care could benefit women's employment. The provision of health services also tends to favor women because these are primarily used by women and low-income groups (Grown and Valodia 2010:300). Low health standards, measured in terms of the maternal mortality ratio, is particularly an issue in Asia and the Pacific’s lower-income countries such as Bhutan, the Lao People’s Democratic Republic (Lao PDR), and Nepal. While Nepal grants personal tax allowances for health insurance premiums, no deductible health expenses were identified in Bhutan or the Lao PDR.

### Box 4.24: Tax Benefits for Health Care

**India** exempts the value of healthcare facilities an employer provides or pays for on behalf of its employees and their families.** Malaysia** exempts from taxation employers’ medical allowances up to a threshold of the basic salary.** In the People’s Republic of China, special additional deductions such as extraordinary medical expenses are available if pertinent conditions are satisfied.** Nepal** provides personal allowances for health insurance premiums paid to resident insurance companies. In the Republic of Korea, from 2014 a tax credit is allowed instead of

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75 The average proportion of GDP spent on health in 2019 was 3.10% in South Asia, and 5.07% in East Asia and the Pacific (excluding high income) compared to 12.53% in OECD members (World Health Organization Global Health Expenditure database, data retrieved from the World Bank, Current health expenditure, total percent of GDP, 2022).
76 World Bank, Gender Data Portal, Maternal mortality ratio (per 100,000 live births), data from 2017.
Box 4.24 continued

an expense deduction. However, personal medical expenses are not deductible. In Sri Lanka since 1 January 2020, health expenditure is deductible subject to a limitation. In Uzbekistan, compensation for medical care of employees is exempt from individual income tax. In Viet Nam, allowances paid by an employer to an employee for medical treatment are not subject to personal income tax.

In contrast, Bhutan allows the deduction of life and/or health insurance premiums for schemes that have been approved by the government.

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a India: Income Tax Act, Sec. 17(2)(v).
b Malaysia: Income Tax Act, Art. 46.
d Republic of Korea: Income Tax Law, Art. 12(3).
e Sri Lanka: Income Tax Law, Art. 5(3).
f Viet Nam: Circular 111/2013/TT-BTC.
g Bhutan: Income Tax Law, Art. 12(12).

Source: Author’s desk research based on national legislations.

E. Tax Rate Structure

1. Schedular versus Global Taxation

Countries usually impose taxes on total taxable income. Under the “global” income tax approach, income from multiple taxable sources is frequently aggregated, with only one set of tax rates. Under a “schedular” approach (Box 4.25), tax systems do not aggregate income and different income sources (such as employment, self-employment, and capital gains) are taxed with separate rate schedules (Stotsky 1996:3). Most Asia and Pacific countries have evolved to a global tax approach with schedular characteristics for particular income sources such as capital gains and royalties (often used where administration capabilities are low). The global income approach traditionally dominated economic theory, which was assumed to follow a horizontal equity dictum. With this approach, an individual's taxable capacity is determined by the total income, regardless of its sources. However, because of the significant mobility of labor and capital, several countries have expressly abandoned horizontal fairness in favor of differential taxation of labor and capital income, with the latter having a substantially lower tax burden (Zee 2007:238). To determine the effects on gender inequality, one must determine who is actually paying taxes under the various schemes, and where the taxpayer lives.

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77 As an example, the individual income tax system in the People’s Republic of China is partly schedular, meaning that income categories are calculated differently and taxed at different rates. In Mongolia, while employment, business, and profession income are taxed at 10%, the sale of immovable property is taxed at 2% and income from scientific, literary, and artistic work is taxed at 5%.

78 Haig (1921:1–28) and Simons (1938).
Box 4.25: Schedular Tax Regimes

**Pakistan** divides workers into two categories: nonsalaried and salaried, each with its own set of rules. Taxes paid by nonsalaried persons are higher than those paid by salaried persons earning the same income. Most self-employed individuals are women: for example, in 2019 only 52.8% of male employees were self-employed, compared to 70.3% of female employees. **Timor-Leste** has differential tax rates for nonemployment income and wage income, which are subject to a withholding tax. The taxable income for nonemployment above $6,000 is subject to 10% income tax and zero-rated for taxable income below this ceiling. The income tax rates for employment wages are 0% for monthly taxable income below $500 and 10% for over $500. In 2019, 80.1% of employed females were self-employed, but just 60.1% of males were self-employed. **Viet Nam**, employment income is taxed at a progressive tax rate and nonemployment income at different rates.

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a Pakistan: Income Tax Ordinance, the First Schedule.
b ILOSTAT database, self-employed, female (% of female employment) (modeled ILO estimate), for the year 2019.
c Timor-Leste: Taxes and Duties Act, Sec. 20 and Schedule V. and ILOSTAT database, self-employed, female (% of female employment) (modeled ILO estimate), for the year 2019.
d Viet Nam: Personal Income Tax Law, Arts. 22 and 23.
Source: Author’s desk research based on national legislations.

2. **Tax-Free Threshold**

An individual must generally earn a specific minimum amount before having to pay taxes. This so-called “tax-free” bracket allows taxpayers to afford a decent quality for themselves and their dependents and to accumulate savings for unforeseen economic circumstances. Typically, the tax-free bracket amount is significantly less than the per capita income in advanced countries but may be (several times) higher than the average per capita income in developing countries, demonstrating the notion that the majority of households are incapable of paying a substantial amount of personal income tax (Bhattacharya and Stotsky 2022:6–7). Especially in developing Asia and Pacific countries, only a small fraction of women earn more than the tax-free threshold (Box 4.26).

Box 4.26: Tax-FreeThresholds that Promote Gender Equality

**Bangladesh** has different exempt income thresholds for individual men and women. Exemption limits for females are higher than the standard exemption limit. Bangladesh is one of the few countries where the tax-free threshold regime treats women favorably.

Historically, several countries had diversified tax-free brackets. In **India**, women had higher basic exemptions than men until fiscal year 2011/2012, allowing women to accumulate a greater proportion of their income before becoming tax liable. This provided an incentive to compensate for care provided by low-income women. However, the impact on women’s lives may have been minimal as only around 1% of working-age women earned income above the tax threshold. Similarly, in **Pakistan**, the basic exemption threshold for working women was higher than for working men until 2010.

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a Bangladesh: Budget for 2021/2022. The exemption limits for female taxpayers (and senior taxpayers aged 65 and older) are Tk350,000 ($4,102) while the standard exemption limit is Tk300,000 ($3,516).
b Williams (2019:8) and Hui (2013:30).
c Williams (2019:9).
Source: Author’s desk research based on national legislations.
Tax regimes in Asia and the Pacific frequently fail to give adequate relief for taxpayers and their dependents to meet the minimum basic living costs. Hence, some countries do not provide tax-free brackets or provide only limited tax relief for minimum basic living costs, which is disproportionately more expensive for women due to their lower average salaries (Lahey 2018:16). Box 4.27 shows examples of countries that have no tax-free threshold.

**Box 4.27: Where There Is No Tax-Free Threshold**

The **Federated States of Micronesia** imposes income tax at 6% on the first $11,000 and 10% on amounts exceeding $11,000. a **Palau** has no tax-free threshold for salaries above $2,000. While no tax is due on salaries below $2,000 the entire amount over that level is subject to tax. The tax-free threshold for low salaries may support tax progression by reducing or eliminating the tax burden on the lowest incomes. b

a Federated States of Micronesia: Code, Title 54, Ch. 1, Sec. 121.  
Source: Author’s desk research based on national legislations and Abdel-Kader (2020:11).

3. **Progressive versus Flat Rate**

Individual income tax rates, that is, with brackets or tiers (termed “progressive rates”) 79 versus flat rates, have gender dimensions. Overlapping income taxes, such as subnational taxes or payroll taxes (Section 4.6), may increase the total tax rate. The tax “wedge”—the difference between what the employer pays and what the employee receives as take-home pay—can be large. This wedge can cause significant behavioral distortions, resulting in labor demand and supply inefficiencies, and can deter female workers from participating in formal sector employment.

Most countries, especially the most advanced, have designed progressive tax systems, although the actual progressivity may be less than might be presumed based on tax structures (Box 4.28). Developing countries are likely to have tax systems that are progressive, but less so than those of advanced countries. This disparity is due to a variety of factors, including individual preferences, overall revenue weaknesses, and administrative challenges developing countries face in capturing income, particularly capital income (Stotsky 2022:4).

Strengthening income tax progressivity could enable greater gender equality in income distributions post-tax (Richards-Melamdir 2021:31). The precise progressivity level will vary depending on the conditions and preferences of each country (Klem et al. 2021:3). A multiplicity of progressive income tax rates does not necessarily make the individual income tax progressive. 80 A tax system with multiple tax brackets could have low progressivity or redistributive capacity depending on the rates, bracket thresholds, and the population’s underlying pretax income distribution. And administration is easier if the number of rates is low. Imposing one or two additional higher marginal rates on the well-off could help maintain progressivity as national income rises (Zee 2007:242).

79 “Progressivity” in a tax system implies that the average tax rate rises with income. The width of the brackets and the steepness of the increase in the marginal rate applied to income in each bracket, and the tax-free bracket amount, determine the degree of progressivity and whether it achieves its intended goal of placing a greater burden on higher-income taxpayers. Tax incentives (i.e., exemptions, deductions, and credits) may make the rates less progressive than the increasing marginal tax rates would suggest because higher-income taxpayers (particularly men) are more inclined to utilize these advantages.

80 Rather than the number of tax brackets, the accepted metrics of tax progressivity (e.g., the Kakwani progressivity indicator) provides a more reliable measurement of progressivity of tax systems.
Box 4.28: Multiple Tax Rate Tiers

Most Asia and Pacific countries have 4 or 5 income levels. However, some countries have fewer levels (2 in Azerbaijan and 3 in the Federated States of Micronesia and Niue). In contrast, others have 10 or more brackets (e.g., 8 or 12 in Pakistan, 10 in Fiji and Singapore). Mongolia introduced a three-tier progressive income tax rate for employment income, with effect from 1 January 2023. The brackets are usually indexed to inflation.

Different tax rates are not usually applied to men and women. However, a few countries have lower tax rates for secondary incomes. For example, Niue levies a 10% tax on secondary income, while the standard tax rates on individual income are 10%, 20%, and 30%, depending on the taxable income amount.

a Pakistan has 8 tiers for nonsalaried and 12 for salaried persons.
b Term used to describe a situation in which taxpayers move into higher tax brackets as their income rises during periods of inflation. In most cases, it refers to any nonindexed rate structure.

Source: Author’s desk research based on national legislations.

Asia and Pacific countries at various stages of development have enacted flat-rate income taxes (Box 4.29), with a single tax rate levied on all income (or some income component). There is a growing trend of shifting from graduated to flat tax rate systems, accompanied by a recent trend of maintaining lower tax rates. Both trends are expected to have a gender impact. Single-rate tax systems may simplify income taxation but rarely benefit individuals with no or low incomes, and they typically benefit those with the highest incomes (thus favoring men over women). When replacing a system of graduated individual tax rates with a single rate, the new rate is usually higher than the previous lowest rate but lower than the previous highest rate (Lahey 2018:19–20).

Box 4.29: Flat Tax Rates

Several countries in Central Asia (e.g., Armenia, Georgia, Kazakhstan, the Kyrgyz Republic, Turkmenistan, Tuvalu, and Uzbekistan) have flat tax rates for individual income, usually with a low marginal rate. When combined with a threshold, these schemes can still be considered progressive because the average tax burden increases with income. Half of the Asia and Pacific countries have flat rates of 10%–12%. The rest have varying single rates of 20%–30%. Flat rates for individual income tax range from 10% in the Kyrgyz Republic and Turkmenistan to 30% in Tuvalu. Armenia levies individual income tax at the flat rate of 20% starting from 1 January 2023. Rates were 21% in 2022, 22% in 2021, and 23% in 2020. Georgia applies an individual tax rate of 20%. In Kazakhstan, the flat rate of 10% on income of individuals has been applicable since 1 January 2007. In the Kyrgyz Republic, the individual income tax rate is currently 10% while progressive rates were applicable before 1 January 2016. Mongolia applied a flat 10% on employment income until 31 December 2022. Uzbekistan applies a flat tax rate of 12% on individual income and capital gains.

Source: Author’s desk research based on national legislations.

To redress gender inequality in tax rate structure, more emphasis could be placed on progressively designed income tax structures (instead of simplified and flat individual tax rates). Progressive tax
schedules are likely to shift the weight of tax revenue to those most able to pay (i.e., the highest income categories), the latter typically dominated by men. Although progressive personal income tax systems are desirable, they are unlikely to significantly impact gender equality if most women are not taxed (Box 4.30). Also, when progressivity is low, the middle classes may bear the majority of the burden, while those at the top may face a lower marginal rate. Lowering the burden on low-income earners while raising the individual tax rates for high-income taxpayers could be fairer in terms of low-income taxpayers’ ability to pay taxes and high-income taxpayers’ ability to collect appropriate revenues (OECD 2022b:20).

Box 4.30: Additional Surcharge for Income Exceeding a Threshold

India imposes additional surcharges of 10% where total income exceeds ₹5 million ($60,360), 15% where total income exceeds ₹10 million ($120,721), 25% where total income exceeds ₹20 million ($241,442) but does not exceed ₹50 million ($603,606), and a surcharge of 37% where total income exceeds ₹50 million ($603,606). Ghosh (2013) noted that India had over 700,000 millionaires, with the highest individual income tax rate at 30% on incomes above ₹1 million ($13,000). Thus, millionaires and middle-class families are taxed in the same bracket.

Source: Author’s desk research based on national legislation.

F. Taxes on Payroll (Including Social Security Contributions)

Payroll taxes paid by enterprises and social security contributions paid by the employer and/or employee are typically used to finance social insurance and add to overall income taxation. Enterprises only pay payroll taxes in a few Asia and Pacific countries; social security contributions are more common. A few Asia and Pacific countries do not have social security contributions (e.g., Bangladesh, Georgia, New Zealand, Niue, and Palau). Similar to other regions, contributions in Asia and the Pacific (i) are normally set at flat rates, unlike personal income taxes (which are typically levied at graduated rates) and (ii) have an upper threshold, meaning no contributions on earnings above the cap. The ceiling is used because it is believed that the future benefit would be limited otherwise (Bhattacharya and Stotsky 2022:9). Only very modest sums of earned income are exempt from contributions. Exclusions for low-income workers are generally absent. The goal is to equalize the amount of income subject to payroll tax and the benefits received.

Notes:
81 The compulsory payments to the government are similar to taxes. However, they may differ from other taxes as in most countries, receiving future social benefits is contingent on making proper contributions, albeit the magnitude of the benefits is not always connected to the number of contributions.
82 For example, Australia, Japan, Kazakhstan, Republic of Korea, Malaysia, Maldives, Myanmar, and Tajikistan.
84 In Kazakhstan, social tax is computed at a flat rate of 9.5% (rising to 11% from 1 January 2025), and mandatory social medical contributions are computed at 2% for employees and at 2% for employers (3% from 2022).
85 For example, in Taipei, China, the monthly insurance salary subject to the insurance premium (10.5%) is limited to a maximum of NT$45,800 ($1,508). In Mongolia, employees are required to pay 12.5% social and health insurance contributions of their monthly gross salary, with the monthly contribution capped at MNT525,000 ($163).
1. Gender Implications

The literature identified that taxes on payroll may affect women differently than men (Lahey 2018:26).

First, “upcoming contributions liability”—requiring workers above a certain income to pay contributions to government—among other factors, may drive individuals to stop working shortly before their salaries become liable to contributions (e.g., Hong Kong, China). Upcoming liability could reduce paid working hours, decreasing women’s prospects of achieving economic independence. People with lower incomes may have to contribute a larger percentage of their total income than those with higher income. Because of the costs of individual income taxation and social contributions, as well as any childcare that working women may have to take on, paid labor may not “pay” as well for women as it does for men.

Second, in Asia and the Pacific’s more developed economies, unemployed or underemployed spouses may limit their paid work to be eligible for spousal benefits through the employed spouse and avoid higher contributions. When contributions are capped for individuals with income exceeding a threshold, second earners may be motivated to focus on unpaid work, while the high-income first earner avoids paying contributions on earnings above the cap. As a result, the couple can save taxes from their combined efforts.

Third, women have fewer workplace or economic security benefits than men. Because more women than men are likely to work informally in undocumented, underpaid, or unpaid jobs that lack access to employment benefits and are concentrated in lower-paid occupations and sectors, women receive less benefits (World Bank 2012:9). Spouses contribute to the social security system individually (paying a percentage of their individual income), whereas certain benefits (most notably health insurance, but also old age insurance) are frequently provided on a household basis (Coelho et al. 2022:12). As a result, paying social security contributions provides limited entitlements for secondary earners, reducing their incentives for taking up formal employment. However, in many cases women can retire earlier and live longer than men, so that there is an incentive for them to participate in jobs qualifying for social security coverage. The design of old-age security systems is especially crucial considering the fast-paced demographic shift and cultural transformation happening in many of the region’s countries.

2. Gender Bias in Lower Pension Age and Eligibility Requirements for Women

Asia and the Pacific has long reaped the benefits of a demographic dividend, or the positive effects of a young population in the form of a large labor force and high productivity, but that is rapidly changing. Some countries have lower retirement ages for women, which may contribute to their lower labor force participation. Gender differences may occur with lower pension age and lower work records for eligibility. Allowing women to retire sooner is advantageous if it is optional, but not if it is mandatory.

A notable example is Kazakhstan, where the retirement age for women was raised by half a year for 10 years between 2018 and 2027, which is expected to equalize the retirement age for men and women (Kazbay 2013). The measure assists both self-employed and retired women (ADB 2018b:22) and reflects improved life expectancy at birth (Box 4.31). Kazakhstan’s life expectancy at birth increased between 1990 and 2020 to 71 years (76 years for women and 67 years for men). Arguably, the implementation of changes to women’s retirement ages should have been accompanied by comprehensive labor market and health care reforms, as well as greater access to childcare facilities for families with young children (Maltseva and Janenova 2019).

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86 Increased pension age is frequently mentioned as a possible solution to the socioeconomic effects of population aging. Population aging, combined with a decline in birth and death rates, implies that the demographic dividend, which most countries are currently experiencing, will come to an end soon (Stotsky 2022:1).
Box 4.31: Differences in Taxable Income that Promote Gender Equality

For taxation of pension income, gender differences may exist in pension income, pension age, and pension benefits. For example, Kazakhstan has a lower retirement age for women than for men. A budget-funded state pension paid to women after the retirement age of 60.5 years in 2022 and for men, at 63 years. Each year, the pension age for women is being increased by 6 months for the 10 years 2018 to 2027. By 2027, the retirement age of men and women will be equal, at 63 years. At retirement age, age-related pension benefits will be paid in full to women with at least 20 years of work experience, and to men with at least 25 years of work experience.

Viet Nam also grants a pension to female employees older than 55 years and 8 months or male employees older than 60 years and 6 months who have contributed for at least 20 years. The pension is 45%–75% of the monthly salary on which social insurance contributions are based. An old-age grant of an additional 2% of the average salary for every extra year of contribution is also available for employees who have contributed for more than 15 years in the case of female employees or 16–20 years for male employees.

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3. Promoting Gender Equality

As shown in Box 4.32, to promote gender equality and women’s empowerment, the government can give waivers or allowances for contributions from low-income workers, particularly women, to income security programs (Lahey 2018:26). Limiting the contribution required during the first years of employment is logical (e.g., 3 years in India).

Box 4.32: Preferential Regimes for Social Security Contributions that Promote Gender Equality

In Hong Kong, China, minimum and maximum relevant income levels apply, with 5% mandatory contributions to social security. An employee earning less than the minimum income level is not required to contribute but may do so voluntarily. India incentivizes female employees with a reduced employees’ contribution of 8% to the Employees Provident Fund (instead of 12% or 10%, as applicable to men) for the first 3 years of employment. In Japan, taxpayers pay social insurance premiums for themselves, their spouse, or other financially dependent relatives, which are fully deductible. In Pakistan, companies employing five or more people must insure their employees, covering various benefits including sickness, maternity, employment injury or death, disability, medical expenses, pensions, and academic scholarships for worker’s children. No contribution is required from women who are 55 years old (60 years for men), or who have contributed to the fund for at least 15 years. In the People’s Republic of China, urban employers...
Other mechanisms for mitigating the detrimental effects of payroll taxes on low-income and secondary earners (Box 4.33) include benefit programs through social insurance or public funds available to the entire population (e.g., health services and pensions), and particularly for women (e.g., maternity benefits). Progressive income tax revenues could fund government safety net programs for persons who would otherwise be unable to participate in these social programs. Benefit structures could be progressive to offset a regressive tax structure.

**Box 4.33: Social Security Benefits that Promote Gender Equality**

Maternity benefits are an example of social security that promotes gender equality. In Pakistan, any industrial, commercial, or other organization with five or more employees is required to insure its employees under the national social security scheme covering various benefits including maternity but also medical expenses and sickness. In Vietnam, the employer pays for maternity insurance and an allowance. The maternity allowance during maternity leave is equal to 100% of the average salary or wages in the 6 months preceding the maternity leave. Employees are also entitled to a lump-sum allowance equivalent to 2 months of the standard minimum salary, which is provided for each child when the child is born or is adopted under 4 months old.

Social security benefits for pensions can also promote gender equality. For example, employees in India may avail of maternity benefits under the Employees’ State Insurance Scheme.

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International Labour Organization Conventions concerning the Employment of Women before and after Childbirth (No. 3) and concerning the Revision of the Maternity, No. 183 (Lahey 2018:26).
V. TAXATION OF CORPORATE INCOME

This chapter discusses how corporate income taxation (CIT) affects women’s socioeconomic status and opportunities, namely gender biases in CIT design, gender-related tax benefits (exemptions, deductions, and credits), and corporate tax rates.

A. Introductory Remarks on the Design of Corporate Income Taxation

Corporate taxes are levied on businesses (legal entities without gender) rather than individuals and, by their nature, do not contain explicit biases.\(^8\) To fully comprehend the effects of corporate taxation on gender equality, three aspects of corporate taxation must be addressed: incorporation challenges, the increasing use of corporate tax incentives, and cross-border corporate profit shifting to tax havens, which have profound gender implications.

1. Formalization Challenges for Women

Understanding the taxation of the informal sector is essential for assessing gender implications (Rogan 2018). Many gender issues in CIT are linked to the female labor force barriers to entrepreneurship in several Asia and Pacific countries (ADB 2018e). Businesses owned by women in the Asia and Pacific region tend to be unregistered and in the informal sector.\(^9\) As a result, women are underrepresented in company participation and ownership, despite reduced standard global corporate tax rates and increasing tax benefits for female-owned corporations. Figure 5.1 illustrates gender gaps in Asia and the Pacific.

Women face significant socioeconomic barriers to incorporating their businesses because of socioeconomic realities (e.g., assets, capital, education, and other time demands such as care work). Such challenges often prevent women from reaping the same economic benefits from incorporating their firms as males.\(^9\) Female entrepreneurs often also face disparities in business financing, bureaucratic obstacles in registering a business, resource development, and organizational capacity. Combined with low margins of profitability, such impediments result in women being less likely than men to incorporate their business activities.\(^9\) The degree of informality in women’s businesses can also be explained by women’s involvement in a large share of agricultural and unregistered employment activities. The lack of accounting required for income assessment prevents such activities from being able to adhere to the standard corporation tax framework (Joshi et al. 2017:8).

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8 CIT policy generally does not levy unequal taxation on women-owned businesses compared to men-owned businesses (Stotsky 1996:16).

9 South Asia has the lowest percentage of firms with female participation in ownership, at only 18% in 2022. The global average is 33%. Even within the Asia and Pacific region, substantial differences in female ownership persist. India has the lowest participation rate in ownership (11% in 2014) while the Federated States of Micronesia has the highest (87% in 2009). The highest percentage of female participation in ownership is in East Asia and the Pacific (47%), just below Latin America and the Caribbean (50%). In Thailand, women’s ownership participation rate is 64%. In India and Pakistan, the rate is only 11%. In Vanuatu and Viet Nam, women have some degree of ownership participation in 51% of corporations. In terms of female controlled corporations, East Asia and the Pacific, together with Latin America and the Caribbean, lead the world (at 29% and 20%, respectively). This is higher than South Asia at 9.6% and Europe and Central Asia at 14% (World Bank 2022a, https://data.worldbank.org/indicator/IC.FRM.FEMO.ZS, accessed 31 December 2022).


91 ADB (2016:79) and Bozrikova (2014:46).
With effective support measures in tax policy, women’s disadvantages in incorporated businesses can be reduced, but progress may be more effective and efficient if addressed through expenditures for gender equality such as education, health, and other areas of government services. Simplifying tax regimes and, where necessary, providing tax training to women could encourage and enable them to comply with tax regulations and join the formal economy (ADB 2018e:225). Initiatives are also needed for raising awareness among female entrepreneurs as to why being subject to corporate income tax is good for business.

2. **Tax Incentives May Reduce Public Spending, Including on Gender Equality Outcomes**

Countries in the Asia and Pacific region, as in other regions, provide massive tax incentives to corporations to attract investment (Joshi et al. 2017:7). Corporate tax incentives may come at the price of significant tax revenue that could be directed to support social infrastructure, including encouraging gender equality outcomes to boost women’s economic status (Lahey 2018:35). Given gender gaps in business ownership and corporate participation, this implies that women are less likely to benefit from lower CIT rates than personal income tax (PIT) rates and the benefits provided by CIT regimes. Moreover, corporate tax benefits appear to be concentrated in male-dominated industries. While tax incentives benefit larger enterprises, where women are underrepresented, incentives can also play a particular role in micro and small firms where “presumptive taxes” can capture such firms in the corporate tax net, as discussed in Section 5.3. (“Presumptive taxes” are based on indirect methods to estimate incomes to ascertain tax liability).
Businesses frequently engage in complex domestic and cross-border tax planning negotiations to decrease their tax liabilities, undermining countries’ revenue mobilization efforts (Joshi et al. 2017:7). Income generated by decreasing such tax avoidance and evasion could be used to fund public programs that benefit women. If countries would increase income tax revenues, especially from corporations, they would—in theory—be able to spend more on public services. Strengthening enforcement to prevent tax avoidance and evasion, especially by high earners, can play a complementary role in enhancing gender equality in tax compliance and the effective tax burden (Coelho et al. 2022:32).

3. **Countries with No Corporate Taxes, but Other Fees**

Some countries in Asia and the Pacific do not tax corporate income. However, other fees may apply instead of any direct taxation regimes. Corporate taxation needs to be enhanced to boost tax revenue and public confidence in the overall fairness of the tax system.

**B. Corporate Tax Benefits that Exacerbate Gender Inequality**

1. **Male-Dominated Sectors**

Corporate tax incentives (e.g., investment allowances or deductions) are becoming fairly common in Asia and the Pacific to encourage new investment, job creation, and production. Many corporate tax incentives may have gender-differentiated effects (Box 5.1). The incentives vary in size and scope but are often financially and commercially oriented rather than socially centered (Gunnarsson 2020:20). The incentives usually benefit male-dominated sectors (e.g., finance and information technology). Male-led start-ups are more likely to benefit from corporate tax incentives such as generous loss offsets and interest payment deductions (Coelho et al. 2022:32). Given that women are significantly underrepresented among business owners and corporate shareholders, the direct benefit of a rise in after-tax corporate earnings as a result of corporate tax reductions is less likely to benefit women than men (Gunnarsson 2020:21). While women with corporate shares can benefit from corporate investment incentives, the incentives may have gendered repercussions if fewer women than men are involved in the firms that benefit. The money that a government foregoes through such tax incentives will not be distributed equally to men and women as long as women have lower incomes, savings, levels of corporate ownership, and smaller businesses.

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92 For example, Reeves et al. (2015:274–80) discovered a positive association between the growth in tax revenues and advancements in healthcare provision in low- and middle-income countries, using data from the World Bank’s 2013 World Development Indicators.

93 For example, Palau does not have a CIT but a gross revenue tax of 4%, unless gross annual receipts are below $2,000. Vanuatu also does not tax corporate income.

94 For example, in Vanuatu, where corporate income is not taxed, any individual or company that intends to carry out any business activity for the sole purpose of profit must obtain a business license. Business license fees depends on the type of business activity, the category, and the turnover of business activities. Small businesses can benefit from a fee-free threshold (Schedule 1 of the Business License Act 19 of 1998 [Cap. 249]).

95 Investment allowances or deductions include accelerated deduction or full expensing, tax incentives for investment in research and development, and tax rate reductions for business income from particular sources (dividend payments or capital gains) or certain types of firms.
Box 5.1: Corporate Tax Benefits in Male-Dominated Sectors

An example of corporate tax benefits that mainly assist male-dominated sectors is India’s incentives for start-ups in innovation, technology, or intellectual property. India allows a 100% deduction of the profits of an eligible start-up for 3 years. Because women are generally assumed to be underrepresented in information technology, the cumulative effect of the benefit is that women likely fall behind men in generating wealth and assets. Other examples of such tax benefits include the following: Malaysia does not tax capital gains, except those arising from transactions in real property, which are subject to real property gains tax. The tax rate on gains in Sri Lanka from the realization of investment assets is 10% (instead of the standard tax rate of 24%). Another interesting example is Taipei, China, where individual shareholders, since 1 January 2018, may include the dividend income in their gross taxable income by applying progressive tax rates of 5%–40% (entitled to a tax deduction of 8.5% of dividend income up to a ceiling per household) or have the dividend income taxed separately at a flat rate of 28%. Several Asia and Pacific economies grant fiscal incentives to boost investment in research and development, including Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

Source: Author’s desk research based on national legislations.

2. Special Economic Zones

Some governments establish or support special economic zones (SEZs) as a strategy for attracting foreign direct investment and fostering a favorable business environment (Box 5.2). The main feature of SEZs is tax-free status and a variety of incentives (ADB 2015a). SEZs provide a unique opportunity for women’s economic empowerment in the formal sector, particularly in terms of women’s employment, working conditions, and social protection (UNCTAD 2019:25). Up to 90% of SEZ employees are women (Tejani 2011). However, gender barriers mean that women typically hold low-skilled, labor-intensive positions in export-oriented sectors. The loss of tax revenues for host countries and the regulatory regimes linked with SEZs contribute to the gender implications of these zones (Lahey 2018:36). Women have more employment opportunities in SEZs, but the government receives less tax income for other purposes.

Box 5.2: Tax Benefits for Special Economic Zones

Numerous countries provide tax incentives for businesses in special economic zones. Thailand grants a 100% corporate income tax reduction for a minimum capital investment, or income tax facilities for capital investment in specific industries and/or specific areas and exemptions from value-added tax, excise duties, and import duties on capital goods, raw materials, and other equipment linked to production activity. Pakistan grants tax holidays, corporate income

tax exemptions for 10 years, and exemption of the minimum tax.\(^b\) The **Philippines** applies preferential corporate tax treatment for industrial estates, export processing zones, and free trade zones by not imposing local and national taxes except for real property taxes.\(^c\) Instead, all business enterprises within the economic zone must pay and remit 5% of the gross income—3% to the national government and 2% directly to the treasurer’s office of the municipality or city where the enterprise is located. **Malaysia** encourages export-oriented industries in free industrial (trade) zones and free commercial zones. Industries in free zones enjoy minimum customs formalities and are allowed both the duty-free import of raw materials, components, parts and machinery for use in the manufacturing process, and the duty-free export of the finished or semi-finished products.\(^d\) **Uzbekistan** grants several incentives for free economic zones in the form of exemptions of land, property, and water usage tax.\(^e\)

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**Box 5.2 continued**

tax exemptions for 10 years, and exemption of the minimum tax.\(^b\) The **Philippines** applies preferential corporate tax treatment for industrial estates, export processing zones, and free trade zones by not imposing local and national taxes except for real property taxes.\(^c\) Instead, all business enterprises within the economic zone must pay and remit 5% of the gross income—3% to the national government and 2% directly to the treasurer’s office of the municipality or city where the enterprise is located. **Malaysia** encourages export-oriented industries in free industrial (trade) zones and free commercial zones. Industries in free zones enjoy minimum customs formalities and are allowed both the duty-free import of raw materials, components, parts and machinery for use in the manufacturing process, and the duty-free export of the finished or semi-finished products.\(^d\) **Uzbekistan** grants several incentives for free economic zones in the form of exemptions of land, property, and water usage tax.\(^e\)

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\(^a\) Thailand: Royal Decree No. 690, effective from 21 February 2020.

\(^b\) Pakistan: Income Tax Ordinance, Second Schedule, Clause 126E.


\(^e\) Uzbekistan: Tax Code, Art. 473.

Source: Author’s desk research based on national legislations.

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**C. Corporate Tax Incentives that Promote Female Labor Force Participation**

1. **Formalization of the Informal Sector and Small Businesses**

   a. **Turnover and Presumptive Taxes**

Governments in Asia and the Pacific address the “difficult to tax” informal economy by using several simplified tax regimes, including simple turnover taxes and presumptive taxes (Lahey 2018:39).

   (i) “Simple turnover taxes” impose a flat rate on gross business receipts without calculating profits and are used due to inadequate accounting practices.

   (ii) “Presumptive taxes” are flat or scaled tax rates based on the estimated incomes of small businesses.

Many Asia and Pacific economies have reduced rates or special tax regimes for small- and medium-sized enterprises (SMEs) to ease administrative burdens on them and encourage formality and corporate investment. Women-owned businesses are more likely to be classified as micro and SMEs than men-owned businesses (ADB 2014). Activities and sectors that enjoy special regimes are relatively diverse in Asia and the Pacific. Box 5.3 lists some incentives designed to help women enter the formal labor force by providing lower tax rates to small and newly incorporated companies. For businesses at the profit margins in countries with high poverty and informality levels, tax policy could help ensure that women have paid employment and/or access to financial assets, rather than encouraging incorporation until businesses become profitable (Lahey 2018:33). It may be more sustainable to ensure that women have viable economic opportunities by enabling them to earn respectable incomes to support their families than to increase formality and corporate investment, which could further burden them. Simplified regimes for SMEs and start-ups, supplemented by a lower tax rate, could reduce compliance costs and encourage women to pay their taxes. Further research is merited on the gender impacts of taxes on SMEs and the informal economy, and whether these tax regimes display any biases against female-dominated occupations and sectors.
Box 5.3: Turnover and Presumptive Taxes

In Uzbekistan, a 4% turnover tax is available for companies with an annual turnover below a threshold and individual entrepreneurs with turnover between a specific range. In Armenia, a turnover tax regime is available to individual entrepreneurs whose annual turnover does not exceed AMD115 million ($283,000).

Presumptive taxation is present in Bangladesh, where cleaning services are subject to 10% or 12% tax on commissions or fees (depending on the base amount exceeding a certain amount). Fiji imposes a presumptive income tax on individuals when they are conducting a business solely in Fiji, they are not registered or liable to be registered, and their annual gross turnover is below a threshold.

In Taipei, China, saloons, tearooms, and coffee shops, which are generally female-run companies, are subject to 25% business tax on turnover calculated on gross business revenue from the services (instead of the 12% income tax rate).

While the gender impacts of these specific taxes have not been extensively documented, there is a risk of overtaxing those who operate on the edge of profitability (Lahey 2018:39). Taxing the informal sector on observable proxies for income (e.g., tonnage) rather than actual income and/or profits generated by the businesses, may impose considerable burdens on those who earn no net profits or experience net operating losses and result in overtaxing businesses operating at the margins of profitability. An even bigger issue is that specific taxes may also let many businesses that should be paying the regular tax misrepresent themselves as small to reduce tax burdens.

b. Newly Incorporated Companies, Particularly Small- and Medium-Sized Enterprises

Women-owned businesses are often unregistered and operate informally; many of them are SMEs. They play a significant role in the economy, supplying goods and services and generating employment, often important for other women (ADB 2021a). Effective policies are needed to support the economic empowerment of women in the informal economy. After gaining more data on women’s participation in the informal economy to inform policy development, efforts to simplify entrepreneurship procedures (e.g., “a one-stop shop” for business registration and expanded e-government services) could be supplemented by special tax support mechanisms available in the informal economy, such as low-interest loans and tax exemptions (Box 5.4).
Box 5.4: Special Regimes for Newly Incorporated Companies that Promote Gender Equality

**Brunei Darussalam** has preferential tax regimes for newly incorporated companies. Such companies are tax exempt on the first B$100,000 ($75,233) of chargeable income during their first 3 consecutive assessment years. The next taxable income of B$150,000 ($112,849) is taxed at 50% of the applicable tax rate, and the full remaining balance is taxed at the full applicable tax rate.\(^a\) **Myanmar** does not assess income tax on newly established small- and medium-sized enterprises (SMEs) with income less than a certain threshold.\(^b\) **Singapore** grants a partial exemption on the income of new start-up companies for the first 3 years of assessment.\(^c\)

**Armenia** has an optional preferential tax regimes for micro businesses with annual revenues below a threshold.\(^d\) Such businesses are exempt from regular taxation (including corporate income tax and value-added tax). Instead, each employee must pay a fixed monthly individual income tax. **Brunei Darussalam** also has low tax rates for SMEs.\(^e\) **Cambodia** subjects small, medium, and large taxpayers to tax under a self-declaration regime. This special regime is open for sole proprietors or partnership enterprises with an annual turnover below a certain threshold. Cambodia also granted a 2-year exemption from income tax for SMEs that were voluntarily registered in 2017 and 2018.\(^f\) **Georgia** introduced a special tax regime on 1 January 2011 for micro and small businesses.\(^g\) Registered micro businesses that have annual turnover and inventory value below a threshold and no employees are exempt from individual income tax and any further formal requirements.\(^h\) Registered small businesses, which are businesses with annual turnover not exceeding a threshold in 2 consecutive years, are subject to a 1% individual income tax. The rate increases to 3% if the annual turnover exceeds the threshold. Small businesses must maintain a purchases and sales journal, and cash registers. They are not required to withhold salary tax, provided that the annual salary does not exceed a threshold per employee.\(^i\) **Indonesia** imposes a final income tax rate of 0.5% (previously 1%) on the gross income of SMEs.\(^j\) **Nepal** exempts microenterprises from income tax for 7 years from the start of their business or transactions. If such a microenterprise is run by a woman entrepreneur, it will be exempt from income tax for an additional 3 years.\(^k\) In **Thailand**, SMEs with a paid-up capital and annual turnover below a threshold are entitled to lower corporate income tax rates (0%, 15%, and 20% depending on the profits).\(^l\)

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\(^a\) Brunei Darussalam: Income Tax Act (Cap 35), Sec. 35(5).
\(^b\) Myanmar: Union Taxation Law 2020, Sec. 29. See also IBFD Country Tax Guides, accessed 31 December 2022.
\(^c\) Singapore: Income Tax Act, Arts. 43(6C) and (6D).
\(^e\) There are higher rates on different tiers of income (25%, 50%, and 100% of the applicable tax rate). Companies with gross sales or turnover below a threshold are exempted from income tax to encourage the development of local SMEs. Brunei Darussalam: Income Tax Act (Cap 35), Sec. 35(4).
\(^f\) Cambodia: Sub-Decree 17 on Tax Incentive for SME Who Voluntarily Register for Tax.
\(^g\) Georgia: Tax Code, Chapter XII.
\(^h\) Georgia: Tax Code, Art. 84.
\(^i\) However, businesses that are not required to withhold income tax may be less inclined to raise their employees’ salaries. Many women-owned businesses are key generators of jobs for women.
\(^j\) Indonesia: Government Regulation No. 23 of 8 June 2018 (GR 223/2018) regarding the New Scheme of Income Tax.
\(^k\) Nepal: Income Tax Law, Art. 11(3p).
\(^l\) Thailand: Royal Decree No. 603 B.E. 2559 (2016).

Source: Author’s desk research based on national legislations.
2. **Tax Incentives for Important Sectors for Female Employment**

Tax incentives targeted at important sectors for female employment can be effective for supporting female labor demand (Tang et al. 2021). Tax incentives can be provided for hiring or promoting women; supporting female entrepreneurs or female-owned and/or managed businesses; and for sectors where women predominate in management and/or labor; and for firms that provide services such as childcare, parental leave, and training (Kronfol, Nichols, and Tran 2019). While tax incentives, unlike tax subsidies, often impose a lesser administrative burden on businesses, they can also be less cost-effective and create tax loopholes if not managed properly.97

**a. Hiring and Promoting Women**

Asia and Pacific countries have proactively promoted gender equality by providing tax incentives to businesses that hire women and meet their gender-specific workplace demands.98 Tax incentives can help motivate and/or recompense private actors (i.e., enterprises or investors) to participate in initiatives or have policies with positive social externalities (such as increasing female employment), but they can be costly for individual businesses (Chen 2015). Tax incentives (Box 5.5) might help companies cover the increased cost of employing women (e.g., maternity leave) or training them and help combat hiring prejudice (Kronfol, Nichols, and Tran 2019:15).

Good reintegration and training policies can encourage women to participate in the labor market, although the effectiveness of such policies has not yet been measured. The Republic of Korea has implemented a policy that offers incentives to rehire women after pregnancy, childbirth, or childcare, which has helped increase the female employment rate from 47% in 1990 to over 53% in 2021. However, the country still lags behind many other advanced economies in terms of female employment, such as New Zealand (65%) and Australia (60%).99 Another policy is Malaysia’s fiscal support to train women and encourage them to return to the workforce. Although more women than men graduate from university in Malaysia,100 female labor force participation remains at 51%, one of the lowest rates in Southeast Asia. Malaysian women are dissuaded from returning to the labor force after having children.

### Box 5.5: Tax Incentives for Hiring Women

Tax policies can incentivize companies to rehire women after childbirth or childcare. **Malaysia** grants tax incentives for firms that train women to reenter the workforce after a career break.98 **Nepal** grants an additional 10% tax exemption to information and communication technology businesses where at least one-third of the workforce are women.99 In the **People’s Republic of China**, employees’ contributions to the compulsory maternity social security insurances of employees are deductible. **The Republic of Korea** grants tax credits for private small- and medium-sized enterprises (SMEs) that rehire female employees after childrearing within a certain period (2–15 years) to work in the same classification of industry she worked in prior to resigning.100 The tax credit allows SMEs to subtract up to 30% of labor costs (15% for medium-sized companies) per female employee rehired. The share is deducted from the corporation’s tax payable for 2 years following the month of reemployment if prescribed conditions are met. **Sri Lanka** allows companies an additional

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97 Although subsidies are easier to target than other incentive categories, they frequently involve more complicated administrative procedures. In contrast, some tax incentive programs, for example, can be granted automatically (Kronfol, Nichols, and Tran 2019:8).


99 ILO, ILOSTAT database, labor force participation rate, female (modeled ILO estimate).

100 UNESCO Institute for Statistics, School enrollment, tertiary, male and female.
deduction of 50% of the salary cost for the mandatory 3-month maternity leave to encourage the participation of women in the workforce. An additional deduction of 100% is granted for the 4th month of maternity leave. The concession applies for 5 years. Uzbekistan applies a reduced social tax rate of 1% for businesses in the register of labor-intensive rural areas to increase women’s employment for the 1 September 2022 to 1 January 2025 period. Viet Nam includes enterprise income tax reductions for establishments employing a significant number of female laborers in manufacturing, construction, or transport. In 2015, Viet Nam issued a decree to ensure increased rights for female employees, with corporate tax rate reductions for companies that employ female staff and supply them with benefits that include childcare, sufficient bathroom facilities, menstrual leave, and obstetric and maternal examinations.

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Box 5.6: Tax Incentives for Women-Owned and/or Managed Businesses

Pakistan allows tax reductions for start-ups established by women. The tax payable on business income is reduced by 25% for new businesses that are sole proprietorships owned by women, associations of persons all of whose members are women, or companies fully owned by women. The 2021–2022 national budget in Bangladesh stipulates that female small- and medium-sized enterprises engaged in the producing any goods with limited annual turnover receive a higher tax-free threshold instead of the general exemption. This widens the tax-free transaction ceiling to encourage women entrepreneurs in business. Nepal allows a tax holiday of 10 years for a cottage industry operated by women (or 7 years for such businesses operated by men). Sri Lanka’s Samurdhi Department of Development aims to empower vulnerable people. If a woman from a Samurdhi beneficiary family establishes a shop through a Samurdhi loan, qualifying payments can be deducted from the taxable income.
c. Sectors with Female-Dominated Occupations

Women in Asia continue to be overrepresented in informal work arrangements and low-skilled and low productivity sectors, including often in health, retail, hospitality, garment, and agriculture (ADB 2015:16). Tax policies can encourage employment in female-dominated sectors. Tax incentives (Box 5.7) may be given in sectors that employ many women, although women are often not employed in the formal sector (ADB 2018e:64). A value chain analysis might give insights into whether a policy reform benefits women more than men. To effectively promote female employment, tax incentives must be distributed to workers rather than just increasing profits for corporate capital owners.

Box 5.7: Tax Incentives for Sectors where Women Are Predominantly Present

Turkmenistan exempts farms from taxes on land, water, and livestock. These measures have facilitated the inclusion of more women in entrepreneurial activities in rural areas, thus enhancing living standards in those areas. More than 50% of tenant farmers are women. Fiji exempts from tax the income of micro and small enterprises engaged in agriculture, fisheries, or tourism sectors with a maximum threshold of F$500,000 (US$228,000). Uzbekistan has several tax incentives for specific industries. Effective from 1 September 2022, Uzbekistan introduced a reduced social tax rate of 1% for companies in the register of labor-intensive rural areas in order to boost female employment. Since 1 January 2020, Uzbekistan granted a property tax exemption until 1 January 2023 for enterprises with export shares comprising finished clothing and knitwear products. Starting 1 January 2014, Azerbaijan has exempted producers of agricultural products (individual entrepreneurs and companies) for a 5-year period from corporate income tax in addition to an exemption from simplified, value-added, and property taxation.

Source: Author’s desk research based on national legislations.

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Box 5.6 continued

a Pakistan: Income Tax Ordinance, Part III, Sec. 19.
b Bangladesh: 2021/2022 National Budget, prolonged to fiscal year 2022/2023. The threshold for small- and medium-sized businesses to be exempt from income tax has been raised to Tk5 million (US$52,665). The annual turnover threshold for tax exemption for small- and medium-sized enterprises owned by women is Tk7 million (US$73,732).
d Sri Lanka: Inland Revenue (Amendment) Act No. 10 of 2021, Art. 55.
Source: Author’s desk research based on national legislations.

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For example, the share of women employed in agriculture was 57% in South Asia, but only 24% in the East Asia and Pacific region (excluding high-income earners). Women in agriculture employment exceeded 50% in Afghanistan, 65%; Bangladesh, 58%; Bhutan, 64%; India, 55%; Lao People’s Democratic Republic, 64%; Nepal, 74%; Pakistan, 65%; Papua New Guinea, 60%; Tajikistan, 60%; and Vanuatu, 57% (Data retrieved from employment in agriculture, female [% of female employment], modeled ILO estimate [2019], https://data.worldbank.org/indicator/SL.AGR.EMPL.FE.ZS, accessed 31 December 2022).
During the COVID-19 pandemic, measures to assist sectors in which women are overrepresented (e.g., the services sector such as hairdressing, laundry, and tourism)\textsuperscript{102} have increased (Gullo et al. 2021:8), including a broad range of sectoral fiscal measures to facilitate post-COVID-19 economic recovery (Box 5.8).\textsuperscript{103} Gender-sensitive policies were temporarily aimed at improving women’s economic security.\textsuperscript{104}

**Box 5.8: Preferential Tax Treatment that Encourages Female Labor Force Participation**

In Brunei Darussalam, companies in tourism, hospitality, restaurants and cafes, and sea and air passenger transport services were given a 50% COVID-19 discount on corporate income tax for 6 months effective from 1 April 2020. The companies are also eligible for a 50% discount on any tax payable for 2021 (assessment year 2022).\textsuperscript{a} Cambodia granted a tax exemption for 6 months to 1 year to severely affected factories producing garments, footwear, and bags, due to a lack of raw materials caused by COVID-19.\textsuperscript{b} The People’s Republic of China implemented 20 targeted incentives between 13 March 2020 and 1 October 2020, including lower value-added tax (VAT), consumption tax, and corporate and individual income taxes, as well as waived employers’ contributions to various social insurance schemes. Some exemptions (VAT and corporate income) target specific medical, catering and accommodation, and personal services (e.g., hairdressing and laundry) that primarily employ women.\textsuperscript{c} Kazakhstan exempted small- and medium-sized enterprises (SMEs) from taxes and social security payments until 1 October 2020, covering tourism, catering, hotel business, large retail facilities, shopping centers, cinemas, theaters, exhibitions, sports and fitness facilities, and trade entities. Wholesale and retail trade employs 18% of women and 11% of men in the country. Women comprise more than 70% of people working in tourism-related activities (accommodation and food service).\textsuperscript{d} Sri Lanka granted tax relief measures for SMEs to facilitate post-COVID-19 economic recovery. Viet Nam temporarily suspended social insurance contributions from businesses that lost more than 50% of their total asset value or had more than 50% of their workforce on leave due to COVID-19 (excluding land value).\textsuperscript{e} The suspension applies to businesses in passenger transport, tourism, lodging, restaurant, and other affected industries. In Viet Nam, nearly 70% of employees in the accommodation and food services sector are women.

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\textsuperscript{b} Cambodia: Ministry of Economic and Finance, Letter 1313, 25 February 2020.
\textsuperscript{c} World Bank (2021).
\textsuperscript{d} World Bank (2021).
\textsuperscript{e} World Bank (2021) and Nguyen (2020).

Source: Author’s desk research based on national legislations.

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d. Women-Friendly Business Environment, Including Support for Childcare Services

 Preferential tax policies can also facilitate the provision of childcare services by private providers through CIT tax incentives schemes (Box 5.9). The economies that grant benefits to private centers for the provision of childcare services (in addition to benefits for employers and parents) tend to have higher

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\textsuperscript{102} UNWTO (2022) and ADB (2022b:146).
\textsuperscript{103} See Sen (2021) for general COVID-19 stimuli in Asia and the Pacific.
\textsuperscript{104} UNDP. Data Futures Platform. COVID-19 Global Gender Response Tracker: https://data.undp.org/gendertracker/.
levels of tax-to-GDP and/or female labor force participation, and thus are likely to have more fiscal space than the economies not granting such benefits (World Bank 2022c:60–61). Tax incentives should be targeted at situations when the cost of private childcare is a major constraint and at families where women face great barriers to enter the labor market, for example, low-income or single mothers (Kronfol, Nichols, and Tran 2019:21). A study in Australia indicated that using childcare subsidies rather than childcare tax incentives can lead to a more equitable redistribution of benefits to lower-income and less-educated households (Gong and Breunig 2012).

Box 5.9: Preferential Tax Regimes for Private Childcare Centers

Several countries grant tax incentives for private childcare centers, which help women to stay in the labor force. Azerbaijan exempts preschool education institutions from corporate tax for a 10-year period starting from 1 January 2014. Georgia exempts land plots used for daycare centers from property tax. In the Kyrgyz Republic, preschool educational organizations (privately owned kindergartens) allow childcare operators a tax exemption regarding the business statutory income for a 5-year period. The Republic of Korea allows a tax incentive for expenses incurred in operating childcare centers. In Uzbekistan, sales turnover tax exemptions are granted to preschool educational institutions that provide supervision and care of children.

<table>
<thead>
<tr>
<th>Country</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Azerbaijan</td>
<td>Exempts preschool education institutions from corporate tax for 10 years.</td>
</tr>
<tr>
<td>Georgia</td>
<td>Exempts land plots used for daycare centers from property tax.</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>Allows childcare operators a tax exemption regarding business statutory income for 5 years.</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Allows childcare operators a tax exemption regarding business statutory income for 5 years.</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>Allows a tax incentive for expenses incurred in operating childcare centers.</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>Grants sales turnover tax exemptions to preschool educational institutions.</td>
</tr>
</tbody>
</table>

* Out of the 23 Asia and Pacific economies reviewed by Women, Business and Law, 6 economies (i.e., Georgia, Republic of Korea, Kyrgyz Republic, Malaysia, Thailand, and Uzbekistan) provide tax incentives to private centers (World Bank 2022c).
* Azerbaijan: Tax Code, Art. 106.1.15.
* Malaysia: Public Ruling No. 4/2016, Secs. 5.1.1, 5.1.2, and 5.2.7.
* Republic of Korea: Child Care Act, Art. 39(2).

Source: Author’s desk research based on national legislations.

Incentives can also be granted to employers that provide on-site childcare and overtime allowances for women who are not on maternity leave (Box 5.10). Employers who accept such fiscal support must often comply with additional labor code requirements such as providing space for extracting and storing breast milk, supporting women’s unionization, adhering to gender equality in workplace policies, offering health and maternity accommodations, and covering the costs of childcare resources (Lahey 2018:36).

Box 5.10: Preferential Tax Regimes for Employers Establishing Childcare Facilities that Promote Gender Equality

Beside promoting women’s labor force participation, favorable workplace regulations enhance parents’ life satisfaction and children’s development. In Australia, employers can deduct the cost of providing fringe benefits from their income tax. Recreational or childminding facilities are tax exempt if the facilities are provided on the business premises for the benefit of employees. In Bangladesh, expenditures for constructing and maintaining any educational institution established for the benefit of employees and their families and dependents may be deducted from the business income or profession. Fiji introduced a 200% deduction for maternity leave for corporations on the amount of salary or wages paid to an employee when the employee is on maternity leave.

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105 Exceptions are the lower tax/GDP level in Bangladesh and the lower level of female labor force participation in India.
on maternity leave. The Republic of Korea allows businesses tax reductions or exemptions for expenses borne to establish and operate a workplace childcare center. Malaysia grants a deduction for the expenses incurred for providing and maintaining a childcare center for the benefit of a business’s employees. Malaysia grants a deduction for the expenses incurred for providing and maintaining a childcare center for the benefit of a business’s employees. Vietnam excludes from taxable income the salaries and allowances for teachers of nurseries and kindergartens organized and run by business establishments.

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D. Tax Rate Structure

The tax rate structure was discussed to some degree with the discussion of PIT. Here, the focus is on certain structural aspects of the tax treatment of corporate tax rates in relation to income tax rates, assuming the policy decision has been made to subject corporations to lower tax rates. The corporate tax rate generally ranges from 20% to 25% in Asia and the Pacific. Asia and Pacific governments have decreased CIT rates in the last decade in line with the global trend (Figure 5.2) to promote corporate investment by making it more competitive and hence stimulate GDP growth (Hebous 2021).

When viewed through the gender lens, differential CIT as compared with PIT may benefit men disproportionally when compared to a neutral benchmark of comprehensive income taxation (Hebous 2021). Decreasing progressive corporate income tax rates (Box 5.11) can exacerbate gender inequality, as progressive taxation mitigates after-tax inequality of income. Hence, incorporating their companies can be advantageous for business owners if CIT rates are lower than PIT rates on business profits. Fewer women can incorporate their businesses to benefit from the lower CIT rates as opposed to labor tax rates. When reducing CIT rates relative to PIT rates, the gender gap in after-tax profits between women-led and men-led enterprises widens (Lahey 2018:4,32).

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106 For example, the CIT rate has been reduced from 25.5% in 2009 to 18.5% in Brunei Darussalam from assessment year 2015 on. The CIT rate was 20% in years 2012–2014, 22.0% in 2011, 23.5% in 2010, and 25.5% in 2009. In Indonesia, the CIT rate has been reduced from 25% (applicable from fiscal years 2010–2019) to 22% for the fiscal years 2020 and 2021 (IBFD Country Tax Guides, accessed 31 December 2022).

107 For example, in Indonesia, the capital gain received by a company is subject to the normal CIT at 22%, while if received by an individual, it is subject to progressive tax rates of 5%–30%, depending on the value of the gain.
In Asia and the Pacific, the detrimental impact is likely more direct and severe on women than men. The decrease in CIT revenues and tax-to-GDP ratios constrain government budgets, paving the way for cuts in public services such as health care, education, and infrastructure. Because of the dynamics and the asymmetries in corporate ownership structures, a global agreement on an effective minimum CIT could help economies to maintain higher tax rates and collaterally reduce the gap in effective income tax rates between genders. Major reform of the international tax landscape agreed on 8 October 2021 aims to subject multinational enterprises to a minimum 15% tax rate from 2023.108

Box 5.11: Decreasing Progressive Corporate Income Tax Rates

Most Asia and Pacific economies determine a flat rate on all forms of income from corporations. Only a few of the region’s economies have a progressive corporate income tax (CIT) rate. In the Republic of Korea, CIT rates are 10%–25%. In Taipei, China, the CIT rate is 0% for earning up to a certain threshold and 20% on earnings over a certain threshold. In the Federated States of Micronesia, corporations are subject to CIT rates of 21%–30%. In Hong Kong, China, a two-tiered profits tax rates regime applies of 8.25%–16.5%. Kiribati has CIT rates of 20%–35%. In Maldives, income of persons other than banks and individuals is taxed at 0% and 15%. The Marshall Islands levies gross revenue tax at the rate of $80 on the first $10,000 and 3% on the amount over $10,000. Mongolia levies corporate income tax at 10% and 25%. Nauru levies 20% or 25% depending on the annual gross revenue.

108 OECD (2021b) and OECD (2020).
Some economies have different tax rates for corporations depending on their industry, activities, assets or financial characteristics, and some apply a graduated system based on income brackets. CIT rates are generally lower than personal income tax rates, except for a few Asia and Pacific economies with flat income tax rates. In Kazakhstan, the standard CIT rate is 20%, while the income of individuals is taxed at a flat rate of 10%.

Since 2011, the average corporate tax rate in broader Asia decreased from 22.91% to 21.43% in 2021. The standard CIT rates in the Lao People’s Democratic Republic, Thailand, and Viet Nam declined sharply during 2010–2020: by 15 percentage points in the Lao People’s Democratic Republic (from 35% to 20%), 10 percentage points in Thailand (from 30% to 20%), and by 5 percentage points in Viet Nam (from 25% to 20%). Pakistan’s rate declined by 5 percentage points between 2014 and 2019 (from 34% to 29%).

VI. TAXATION OF PROPERTY AND OTHER FORMS OF WEALTH

This chapter discusses the gender implications of property and wealth taxation in Asia and the Pacific. The discussion serves as a primer for additional research on the tax implications of property and wealth taxes on female ownership in the region.

A. Biases in Tax Legislation that Exacerbate Gender Inequality

Wealth taxes and several forms of property taxes (e.g., land tax, real estate tax, and house tax) are not very common in the Asia and Pacific region, except in its more advanced economies (Box 6.1). One of the key reasons property and wealth taxes are so little used is the absence of reliable and adequate land and cadastral registers with geographic information on land and property ownership in most Asia and Pacific developing countries.

Box 6.1: Wealth Taxes and Property Taxes

Wealth or net worth taxes were found in only a few Asia and Pacific tax legislations and are mainly for corporations. For example, Turkmenistan applies a net worth tax on worldwide property (fixed assets and inventory) of resident legal entities. Uzbekistan applies a land tax on legal entities at 2%. In individual taxation, Indonesia has a net wealth tax over a certain threshold. In Pakistan, the Finance Act 2013 introduced the Income Support Levy on net movable wealth of an individual since tax year 2013 but it has been challenged on behalf of taxpayers. India abolished wealth tax from 1 April 2015.
Real estate and land taxes were found in 24 Asia and Pacific economies: Armenia; Azerbaijan; Bangladesh; Bhutan; Georgia; Hong Kong, China; India; Indonesia; Japan; Kazakhstan; Kiribati; the Republic of Korea; the Kyrgyz Republic; the Lao People’s Democratic Republic; Malaysia; Mongolia; Myanmar; Pakistan; Papua New Guinea; the Philippines; Singapore; Sri Lanka; Tajikistan; and Uzbekistan. No form of property tax was found in at least 16 Asia and Pacific tax legislations: Afghanistan, the Cook Islands, Fiji, Maldives, the Marshall Islands, the Federated States of Micronesia, Nauru, Niue, Palau, Samoa, Solomon Islands, Timor-Leste, Tonga, Turkmenistan, Tuvalu, and Vanuatu.

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\[\text{Turkmenistan}: \text{IBFD Country Tax Guides (accessed 31 December 2022).}\]
\[\text{Uzbekistan}: \text{Income Tax Act, Art. 429.}\]
\[\text{Indonesia}: \text{Income Tax Law, Art. 4(1)[p].}\]
\[\text{Pakistan}: \text{Income Support Levy Rules 2013 vide SRO 904[I]/2013; Intra Court Appeal [ICA] on 27 July 2016 [ICA No. 1181/2016]; Yaqoob Ahmad & Others v. Federation of Pakistan and Others [(2020) 122 TAX 27 (High Court Sindh at Karachi)].}\]
\[\text{India}: \text{Wealth Tax Act 1957.}\]

Source: Author’s desk research based on national legislations.

Revenue from property taxation remains low in Asia and Pacific countries (OECD 2021a:49). Property and land taxes typically provide a minor revenue source for the central government but an important funding source for local public services. In OECD countries, property taxes contributed on average 2% of GDP in 2018. The equivalent average for Asia and Pacific countries was negligible at 0.7% (OECD 2021a).

Figure 6.1 illustrates the correlation between gender equality in terms of property rights\(^{109}\) and a lack of robust property taxes (Coelho et al. 2022:34–5). Property tax revenues in Asia and the Pacific tend to be higher where female property rights are stronger, which is aligned with International Monetary Fund findings on the global level.\(^{110}\) These findings can be linked to the diverse stages of development of the economies. Economies with equal asset ownership provisions in their legal frameworks (21 of 44 economies in Asia and the Pacific) frequently tax property or wealth, likely due to better underlying institutional capacity. Most such Asia and Pacific economies are higher-income economies.

Even when the legislation grants women and men equal rights to property ownership, significant gender disparities remain. Inheritance of residential properties historically benefits men over women, and men own most of the real estate and assets (e.g., automobiles, agricultural apparatus, equipment, and livestock).\(^{111}\) This might be different when avoiding prospective tax burden. Mapping of the gender implications continues to be hampered by joint ownership and shared reporting of couple or family assets.\(^{112}\)

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\(^{109}\) Measured by Women, Business and the Law based on four questions in the assets index: (i) Do men and women have equal ownership rights to immovable property? (ii) Do sons and daughters have equal rights to inherit assets from their parents? (iii) Do male and female surviving spouses have equal rights to inherit assets? (iv) Does the law grant spouses equal administrative authority over assets during marriage? (World Bank 2022c).

\(^{110}\) The OECD’s definition of property tax includes property (real estate and land) and wealth taxes (net worth taxes); See Coelho et al. (2022:34–5).

\(^{111}\) For example, after marriage, the family home normally belongs to the oldest son, who lives with his parents, while the daughters go to the groom’s house. Rural houses are traditionally headed by men (ADB 2018d:17).

\(^{112}\) Whether there is joint ownership for taxation purposes is beyond the scope of this study.
While prioritizing property taxation for gender equality purposes appears attractive for many reasons (e.g., immobile base, and high visibility), there are significant inherent tax trade-offs. Property taxes generally lacks progressivity as they do not increase proportionally with the value or wealth of the property being taxed. Due to the absence of a direct focus on investment returns (i.e., earnings above the minimum associated with the investment), property taxes may have a comparatively lower implicit impact on men, on average, than other similar taxes on capital income flows. This discrepancy arises from men, on average, tending to possess greater financial capacity to undertake higher investment risks, which may result in potentially higher returns, assuming all other factors remain equal. (Coelho et al. 2022:33). Taxes that target possible economic rents or profits may mean that governments have to rely on capital income tax to capture people earning higher rents (Scheuer and Slemrod 2021:207–30).

B. Preferential Tax Regimes that Promote Gender Equality

The review of the tax legislation in Asia and the Pacific revealed instances of preferential treatment for women regarding land registration taxes or lower taxes on land owned alone by or jointly with women (Box 6.2). Such legislation could increase land registration under women’s names, leading to improvements in their quality of life, social status, and bargaining power. To support women’s access
to land and their productivity, the legal framework could exempt women from paying land registration taxes or could reduce taxes on land they own alone or jointly (FAO 2018b:54). To fully assess the effect of these policies, more empirical literature is needed to examine the outcomes and impacts on women’s access to land and their overall productivity.

However, such measures can be misused for tax avoidance, for example, when men shift assets to wives but not property rights.115 Lack of information about legal entitlement is another key barrier to enforcing female land rights in Asia and the Pacific (World Bank 2012:92). As the active engagement in the Lao People’s Democratic Republic’s land titling program 1997–2010 shows, raising community knowledge of land titling and providing training for women on their rights, as well as assuring their participation during titling, is critical.116

**Box 6.2: Preferential Property Tax Treatment for Women or Households**

India applies property tax rebates for women in municipal corporations in states where the property is registered in the women’s name. Some local governments have instituted lower stamp duty rates for property purchases by women to mitigate the duty’s disincentive for purchasing property (e.g., New Delhi and Punjab).a Nepal has established several tax incentives since 2006 by providing a tax rebate of 20% on women’s land registration and gradually increasing it from 25% to 50% depending on different criteria. The International Organization for Migration reported an increasing trend of female land ownership in Nepal.c In Kazakhstan, land taxes are normally payable by individuals who own or possess land based on the right of ownership, perpetual usufruct, or primary unpaid temporary usufruct. However, Kazakhstan exempts the mothers of large families (seven or more children) who have the “Mother Heroine” title from taxes on land plots with buildings and structures or land plots attached to houses.9 Tajikistan exempts from paying land tax female military personnel who have been discharged (retired) after serving for more than 20 years, due to age, health, or a reduction in forces.e Other countries apply tax incentives for the household. For example, Uzbekistan exempts property owned by one parent who has 10 or more children.f

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a India Today (2022), Sethi (2021).
b The following exemptions for women’s land ownership apply: (i) 25% tax exemption for land registration in a woman’s name; (ii) 35% tax exemption for land registration of single woman, whose husband has died; (iii) 50% exemption for land registered in a woman’s name in Remote Mountainous Districts; (iv) 100% exemption for purchased land through bank loans to landless women; and (v) 0.5% of the total tax charged for land transferred to a daughter or granddaughter (IOM 2016).
c IOM (2016:35).
d Kazakhstan: Tax Code, Art. 526(5).
e Tajikistan: Art. 271, Sec. 16.
f Uzbekistan: Tax Code, Art. 421.

Source: Author’s desk research based on national legislations.

Several governments in Asia and the Pacific responded to the COVID-19 pandemic by issuing preferential property tax regimes for priority sectors employing women (Box 6.3).117

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115 Chakraborty and Chakraborty (2010) noted a related tax avoidance mechanism in which higher-income men transferred capital-generating assets to women in the household to benefit from the higher personal income tax exemption allowance in India before 2013.

116 Following the active engagement, women received more titles than men (Lao Land Titling Project II ICR 2010).

Box 6.3: COVID-19-Related Preferential Property Tax Regimes that Favor Women Disproportionately

Georgia announced property and income tax exemptions for tourism-related businesses for the 2020 summer season. Of employees in the accommodation and food services industry, 61.5% are women. Kazakhstan proposed fiscal support to large trade facilities, cinemas, theatres, exhibitions, and sports facilities. The measures consist of a 1-year exemption from property tax for legal entities and individual entrepreneurs, as well as a one-quarter suspension of interest accrual on tax debt and postponement of the deadline for submitting tax reports and calculations to the third quarter. Women make up slightly more of the wholesale and retail trade workforce (18% women compared to 11% men). Uzbekistan granted tax deferrals for micro-, small-, and medium-sized enterprises, including tour operators, travel agents, and tourism entities providing hotel services. Among tourism activities (accommodation and food services) employees, 61.5% are women.

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VII. INDIRECT TAXATION OF GOODS AND SERVICES

This chapter assesses gender dimensions in indirect taxation on consumption such as value-added tax (VAT), also known as “goods and services tax”; sales tax; and excise tax of Asia and Pacific economies. Several aspects of indirect taxes are evaluated, including the design of indirect taxation because of data challenges and the scope of products and services to be taxed, the rate structure, and a subset of preferential tax regimes for certain goods and services. The chapter does not measure the actual rate of various consumption items or patterns of consumption expenditures at the individual and household level.

A. Design of Indirect Taxation

The chapter first describes the challenges pertaining to collecting evidence on individual and household consumption in the Asia and Pacific region. The differential incidence of VAT zero-rating (no VAT) or exemptions from VAT for different types of goods cannot be easily discerned, given the aggregated nature of household consumption. In the absence of gender-disaggregated data on consumption expenditure or because of the inherent inability to easily separate the consumption of household members, individual consumption patterns may not accurately reflect the gender impact.

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118 “Zero-rating” occurs when the sales tax rate is zero, but registered individuals and businesses can claim tax credits on inputs.
119 “Exemptions” are similar to zero-rating in that no taxes are levied on outputs; however, taxes paid on inputs cannot be reclaimed.
of consumption taxes. Individuals may be making purchases on behalf of their families. This makes it difficult to determine the effects of consumption taxes on intra-household spending and income decisions (Grown and Valodia 2010:15).120 Men and women within a household may react differently to fiscal policies, necessitating very precise knowledge about household behavior.121 Better understanding of how tax policies affect men and women differently within a household as well as the extent to which tax policy mitigates or reinforces gender inequities within the household is crucial.122 Women tend to spend a higher proportion of their income than men on goods that contribute to family maintenance (e.g., food, health care, education, and child and elderly care), but all family members eat and consume things that benefit from preferential regimes (Joshi 2017:2).

A second observation is that indirect taxation related to purchasing or producing goods or services is not assumed to have explicit gender biases. However, there may be instances of preferential treatment for goods purchased exclusively by women (or men). As explained in the following text, gender biases may arise because indirect taxation disproportionately targets lower-income groups, where women are overrepresented. If the rate is the same for all groups, it will take a larger percentage from those at the bottom of the income spectrum. The VAT structure may disadvantage women compared to men in terms of their different consumption patterns due to gendered social roles. Gender biases also arise from the discrepancy in VAT registration and input cost structure of female-owned versus male-owned enterprises. Female-owned businesses may face a relatively higher VAT burden, resulting in higher costs and lower profits.123

Third, indirect taxation independent of income tends to be regressive because it applies equally to everyone, disproportionately affecting vulnerable people because they spend a higher portion of their income on essential goods and services.124 Indirect taxation inevitably poses equity questions amplified by gender (i.e., differences in average income). Lower-income individuals (with a greater share of households headed by women) and households with a general lower ability to pay often spend a greater proportion of their income than do higher-income households on the consumption of basic requirements and family necessities (e.g., health care, education, water, and sanitation).125 Increased taxes on services that serve as house work substitutes (e.g., cleaning services and childcare) may boost the value of unpaid house work, making it more appealing to provide these services oneself rather than acquire them on the market, hence limiting the supply of second-earner labor.

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120 Grown and Valodia (2010) comprehensively evaluated the gender effects of VAT on different categories of households (in the absence of intra-household consumption data) using consumption data from eight countries. The study found no explicit bias in the incidence of VAT but discovered implicit gender biases for specific goods used by lower-income women-dominated households, such as providing care and reducing women’s unpaid care burdens.


122 For example, increasing VAT on children’s clothing and footwear may disproportionately affect women’s disposable income, potentially reducing their bargaining power to influence household decision-making on areas such as education and family nutrition. Grown and Valodia (2010:302).

123 Akram-Lodhi and Van Staveren (2003) find that female entrepreneurs in Viet Nam faced consistently greater input costs due to their reliance on expensive informal lenders offering high-interest loans, as they struggled to obtain formal financing. In contrast, men decreased their costs by using unpaid family labor (Akram-Lodhi and Van Staveren 2003, cited by Buenaventura and Miranda 2017:9–10).

124 However, Jenkins, Jenkins, and Kuo (2006) found that vulnerable people tended to purchase more goods and services from unregistered vendors, who were not subject to output VAT, compared to their wealthier counterparts who relied more on taxed goods and services.

125 Individual consumption patterns, however, do not always accurately reflect the gender impact of consumption taxes, as some purchases may be made on behalf of the household, and the effect of such taxes on intra-household spending and income decisions remains unknown (Casale 2012:25).
B. Gender Biases in Tax Rate Structure

1. Single Rate versus Value-Added Tax Rate Differentiation

Multi-VAT rate regimes are commonplace.\(^\text{126}\) A multi-VAT tariff has several advantages in theory. Rate differentiation across goods could introduce differences in men’s and women’s patterns of consuming certain goods, notably when the share of expenditures differs permanently (over a lifetime) between genders (Coelho et al. 2022:37). However, the economic literature tends to discourage exemptions and zero-rating because they are seen to promote unfair redistribution in favor of the wealthy, who can buy more commodities in absolute terms and hence benefit more (IMF 2020:17-18).\(^\text{127}\) Other arguments against too much rate differentiation include an increase in tax administration and enforcement costs as well as revenue losses.\(^\text{128}\) Minimal preferential tax regimes could lead to more stable government revenue for public services, which could by itself have positive effects for vulnerable people, including women (Gail 2016). However, this does not rule out some high-impact essential goods and services for preferential treatment (Section 7.3.2).

Even when there is no gender mainstreaming in tax policy, a functioning gender budgeting approach embedded into the country’s budget system could return money to achieve gender-related objectives (Box 7.1). The regressive impact of indirect consumption taxes, particularly VAT, could be mitigated by using the revenue gained through targeted measures, such as subsidies for vulnerable people or free provision of goods (Coelho et al. 2022:37). Revenues from VAT reform could fund social security and welfare initiatives to help women and other vulnerable populations. Yet, the government’s inability to collect sufficient taxes could jeopardize the long-term viability of social and public services. As a result, the burden placed on poor women may increase, perpetuating the cycle of inequity.

<table>
<thead>
<tr>
<th>Box 7.1: Value-Added in Tax Rate Differentiation</th>
</tr>
</thead>
<tbody>
<tr>
<td>A standard 15% value-added tax rate is common in Asia and the Pacific. Some countries apply lower or higher standard rates (e.g., 4% in Afghanistan and 20% in Armenia), except for zero-rated supplies or other exceptions.</td>
</tr>
<tr>
<td>The majority of Asia and Pacific countries apply different tax rates to different categories of goods. India applies, beside the standard tax rates of 12% and 18% on most goods and services, 5% to transport and 28% to luxury items (e.g., chocolate and coffee and “sin” products such as tobacco and cigars). Luxury commodities are soaps, shampoos, and other cosmetics, as well as baths and toiletries. The People’s Republic of China applies 13% to the supply or import of goods and on repair and maintenance services, 6% on financial and consumer services (including educational and medical services), and 9% on essential goods and services. For example, 9% applies to essential goods such as grain and edible oil, feed, chemical fertilizers, pesticides, farm machinery, agricultural plastic film, running water, central heating, gas, newspaper, books, magazines, and digital products; transport, postal, basic telecommunication services; construction services; and leasing or sale of real property and transfer of land-use rights.</td>
</tr>
</tbody>
</table>

Source: Author’s desk research based on national legislations and for the People’s Republic of China’s 9% tax, Circular [2019] No. 39.

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\(^{126}\) The Indonesian VAT, set at a minimum 5% rate and a maximum of 15%, based on government regulation, provides an interesting example. Because no government regulation has been issued so far, the standard rate of 10% applies. The government and the House of Representatives have been debating a multistartiff VAT scheme for a more inclusive COVID-19 recovery. The Indonesian government has announced plans to lower tariffs on basic necessities and invest new revenues into social programs and transfers for vulnerable people, aiming to reduce the disproportionate effects of tax reform on vulnerable people (Nasruddin 2021).

\(^{127}\) IMF (2020:17-18) and Ebrill et al. (2002).

2. Specific Taxes for Demerit Goods

Specific excise taxes (Box 7.2) apply on selective consumption items, including “merit goods” (e.g., health care and digital financial services), “demerit goods” (e.g., alcohol, tobacco, and polluting goods), and luxuries (e.g., jewelry and perfume). Merit goods are assumed to be socially valued as necessary for a good quality of living; demerit goods may negatively affect consumers and others; luxuries are optional extras. So-called “sin taxes” usually aim to reduce the negative externalities as well as to raise revenue.\(^{129}\) Taxing merit goods and necessities at lower rates than demerit goods and luxuries is generally assumed to be justified (Grown and Valodia 2010:16).

While more empirical evidence is needed, women are typically assumed to purchase more “merit goods”—which are generally “good products” such as health care and education—frequently subject to zero-rating or preferential rates, while men are believed to spend more on excisable “demerit goods.”\(^{130}\) Excessive cigarette and alcohol consumption among men is common in the region, and gender norms about masculinity play a significant role in this (World Bank 2012:14). Genuine bias against men consuming more of a demerit good could happen if the specific tax were set too low or too high relative to its externality or internality cost.\(^{131}\) Such excise taxes may indirectly disadvantage women, especially those with limited bargaining power over household budgets and consumption.\(^{132}\)

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**Box 7.2: Excise Duties**

The **Philippines** levies excise tax on gasoline (10%), and on distilled spirits and cigars (as a combination of a fixed percentage of *ad valorem* tax and a fixed amount of specific tax on the net retail price per liter of alcohol or per cigar).\(^a\) The **People’s Republic of China** imposes a 5% excise tax on alcohol and a diversified excise tax on tobacco.\(^b\) **Timor-Leste** levies excise tax on alcohol per liter and tobacco products per kilogram.\(^c\) **Cambodia** levies a 35% excise tax on locally produced or imported alcoholic beverages.

\(^a\) Philippines: Republic Act 11467 of 22 January 2020.
\(^b\) People’s Republic of China: Provisional Regulations of the People’s Republic of China on Consumption Tax.
\(^c\) Timor-Leste: Taxes and Duties Act 2008 (Act 8/2008 of 30 June 2008), Sec. 10 and Schedule II.

Source: Author’s desk research based on national legislations.

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C. Preferential Tax Regimes for Certain Goods and Services

Asia and Pacific countries apply extensive reductions, zero rates, or exemptions to goods and services to alleviate indirect tax’s regressive effects.

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\(^{129}\) In many Asia and Pacific countries (e.g., Fiji, Japan, and Kazakhstan), excise duties are generally imposed on goods that are considered luxuries and nonessentials, such as cigarettes, alcohol, and petroleum.


\(^{131}\) If the specific excise duties were set at the optimal Pigouvian level, there would be no gender bias in the system, even though the tax would be mostly borne by men given the systemic differences in consumption patterns across genders. There would only be different incidence, which would not need to be corrected.

1. Taxation of Male-Dominated Sectors that Exacerbates Gender Inequality

VAT zero-rating and exemptions appear to be concentrated in male-dominated sectors such as renewable energy, manufacturing, trade, and construction in various Asia and Pacific countries (Box 7.3). A substantive gender analysis is needed to understand the incidence or the gender discrepancy. For the gender analysis, data are needed to demonstrate which sectors are male-dominated, but most countries, especially developing countries, lack such data and the available data has inadequate information for conducting a gender analysis.

Box 7.3: Preferential Tax Regimes for Sectors that Tend to Be Male Dominated

Sectors that tend to be male-dominated include commercial and financial services, export and import, and packaging materials. Some economies have consumption tax incentives for commercial and financial services (Fiji, Indonesia, Mongolia, and Uzbekistan). Many economies have incentives for the import and export of goods and services (e.g., the People’s Republic of China, Sri Lanka, and Tonga), raw materials (e.g., the Lao People’s Democratic Republic), and packaging materials (e.g., Malaysia and the Philippines).

Source: Author’s desk research based on national legislations.

2. Essential Goods and Services that Promote Gender Equality

a. Essentials

Determining which items should be classified as essential and thus benefit from preferential consumption tax rates is a challenging task. Asia and Pacific countries should consider instituting preferential indirect tax regimes centered on household needs. Gender equality goals should be incorporated into the design of new VAT policies to help balance the equity–efficiency trade-offs inherent in taxation. Governments may provide VAT exemptions, zero-rating for consumption goods, and reduced rates for essential goods and services consumed by more women than by men (Box 7.4). Family essentials (such as food, clothing, education, and health) are a few examples. The results will benefit not only women but all family members.

Recognizing the different development stages and varying tax administration capacities of Asia and Pacific countries, the findings suggest that, even in low-income Asia and Pacific countries, it is possible to administer VAT systems that exempt essential goods (e.g., nutrition and personal care goods) and services (e.g., housing, transport, health care, education, childcare, and after-school care).133 Such incentives could help poor and low-income women reduce their indirect tax burden but are not always adequately gender targeted. Valodia and Grown (2010) used consumption spending in their incidence study to confirm gender discrepancies in household expenditures.134 Since women tend to allocate a larger share of their income toward products that enhance the well-being and potential of children such as food, education, and health care, it is crucial to consider their needs and preferences when formulating VAT policies (Grown and Valodia 2010:5–6). VAT on childcare is a barrier to women accessing the labor market and employment. Subsidies or income tax credits could mitigate the additional barriers created

133 Zero-rating goods that women consume is generally assumed to benefit women more than exempting those goods from tax. Under zero-rating, the seller can still claim VAT on its inputs despite not charging VAT. In exemption, however, the seller is not required to collect VAT from the customer, but they also cannot claim VAT on inputs. As a result, they may still pass on the VAT input costs to purchasers (Joshi et al. 2017:15, Zhen and Talpur 2017:7).
by zero-rating or exempting care services from VAT (Coelho et al. 2022:39). More research on the differences in the consumption basket and the rate structure of essential goods and services is required to assess the need for preferential treatment.

Australia exempts all care, medical, and health services from goods and service tax (Coelho et al. 2022:39). People living on the margins of poverty face a direct and fundamental dilemma: whether to increase paid work time to bring in additional income, or whether to increase untaxed unpaid work time for family childcare, food preparation, and labor within households, self-employment, and agricultural businesses (Lahey 2018:50). Also, in Australia, a woman-friendly policy is freeing childcare provided by a registered approved caregiver from goods and service tax (which is zero-rated rather than just exempt). Some supplies (e.g., meal provision) directly related to a childcare service are also not subject to general service tax. A tax policy simulation is needed to determine how such tax incentives affect the end users’ costs of access to childcare and improve its affordability.

**Box 7.4: Preferential Consumption Tax Regimes for Essential Goods and Services**

Household-oriented tax incentives include exemptions and zero rates for education (e.g., Armenia, Australia, Azerbaijan, Cambodia, Fiji, Japan, Myanmar, Niue, and the Kyrgyz Republic), health and medical services (e.g., Australia, Cambodia, the Republic of Korea, Mongolia, Nepal, and Niue) and childcare and daycare (e.g., Australia and Maldives). Armenia exempts from value-added tax (VAT) the provision of services related to the care of children in preschool institutions, nursing homes, orphanages, children with disabilities, and institutions for the care of the disabled. In Bangladesh, women entrepreneurs are granted a VAT exemption on the rent of their business showrooms. The Lao People’s Democratic Republic exempts school textbooks and learning and teaching equipment. Some Asia and Pacific countries apply zero rates or exemptions for water (Australia, Cambodia, the Kyrgyz Republic, and Samoa), and electricity (Cambodia, Maldives, Samoa, and Tonga). In terms of essential food goods, exemptions apply for meat (Azerbaijan, Mongolia, and Turkmenistan), milk (Mongolia), eggs (Sri Lanka), vegetables and fruit (Mongolia and Bangladesh). The milk and eggs supply is zero rated in Fiji. Uzbekistan exempts public passenger transport services. Maldives applies a zero rate for all essential goods, including rice, sugar, flour, salt, cooking oil, tea leaves, diesel, and petrol.

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*d* Maldives: Goods and Services Act, Schedule 1.

Source: Author’s desk research based on national legislations.

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### b. Feminine Hygiene Products

A few countries have preferential tax regimes for essential feminine hygiene products, which is very pro-women (Box 7.5). Taxation of menstrual products (as “nonessential” items) places an additional burden on poor women by increasing the costs of an essential item. Feminine hygiene products should be taxed as other basic necessities under multi-rate VAT systems. Market competition and the structure of private production will determine if tax reforms effectively lower consumer costs. An incremental

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135 Australia: Division 38-D of the GST Act.

136 World Bank (2022b); Jurga, Yates, and Bagel (2020).
tax reduction for already high product prices could mainly favor the wealthy over vulnerable people. Countries could also provide poor women with free or heavily subsidized access to such goods, rather than linear reductions or preferential tax rates. The latter could benefit affluent women and those who buy luxury brands or imported goods, but using tax money for subsidies may be more complex than reducing tax on the product for political economy reasons (Coelho et al. 2022:37).

Box 7.5: Addressing Specific Needs of Women

In **Australia**, female sanitary products have been free of the goods and services tax (GST) since 1 January 2019.

**Bangladesh** removed the value-added tax (VAT) on raw materials for producing menstrual hygiene products from July 2019 until June 2021 to stimulate local production.

**Bhutan** exempts sanitary towels (pads), tampons, and napkins from GST. After protests, **India** removed the GST on sanitary napkins in July 2017, which had previously been taxed at 12%. Poor and low-income women who could not afford these items, which were classified as “luxury products,” resorted to unsafe alternatives such as cloth or ash.

**Malaysia** does not subject tampons, sanitary pads, and panty liners to sales and services taxes.

**Maldives** considers sanitary napkins, tampons, menstrual cups, and other such products as essential goods.

The **Republic of Korea** exempts basic daily necessities (e.g., female hygiene products) from VAT.

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137 *Rossouw and Ross (2020) and Rossouw and Ross (2021:2582).*
recommendations based on economy examples and should be validated by further economy-specific research.

A. Four Priority Areas

Four priority areas for policy reform options that Asia and Pacific governments could consider to foster women’s participation in the economy\(^\text{138}\) are in (i) personal income tax, (ii) corporate tax, (iii) wealth tax, and (iv) indirect taxes.

**Personal income tax.** In terms of personal income taxation, tax authorities could offer incentives for married couples by switching from a joint-family system to an individual taxation system (Section 4.1.2) or providing families with an additional tax deduction. The secondary earners in a family, who are typically women, are often at a disadvantage under joint-family taxation systems because their contributions to family income are effectively taxed at a higher marginal tax rate when added to the primary income-earners’ income. Under an individual taxation system, married women would retain more disposable income, which would encourage them to join the workforce or work longer hours. Women could receive aid from tax policy to maintain a work–life balance (Section 4.4). Tax benefits for supporting families, such as for childcare (Section 4.3.3) and working mothers (Section 4.4.2.2), might encourage increased female labor force participation without placing an additional burden on women.

**Corporate tax.** Tax authorities could design specific corporate taxation policy interventions to support female entrepreneurship, such as tax benefits for hiring or promoting women (Section 5.3.2.1), women-owned or women-led businesses (Section 5.3.2.2), and sectors with a preponderance of female participation (Section 5.3.2.3). Policy interventions could also be constructed to promote a business environment that is welcoming to women, including fiscal support to companies that implement women-friendly policies such as childcare services and maternity leave (Section 5.3.2.4).

**Property and wealth tax.** In terms of property and other forms of wealth taxation, policy could allow for preferential tax regimes that boost women’s access to property and assets (Section 6.2), for example, by providing tax exemptions from registration duties, property taxes, or land taxes.

**Indirect taxes.** Preferential indirect tax regimes could be centered on household needs after a gender incidence analysis has been made based on gender-related data. The analysis should be country-specific. Exempting programs for childcare, infant care, and senior care (Section 7.3.2.1) from VAT could lower the expense of returning to work. Preferential tax regimes for feminine hygiene goods (Section 7.3.2.2) should also be included in indirect tax strategies.

B. Supporting Tax Policy for Women

To understand how tax provisions impact people and the trade-offs at the country level, more research is needed on the actual incidence of the different taxes, particularly in an economy-specific context. ADB could support governments with initiatives to improve the gender analysis of tax policy in several ways.

\(^{138}\) The policy recommendations have to be balanced with nontax policies (e.g., labor market regulation and spending policy) that may be first-best alternatives to address different sources of inequality, particularly where scant evidence exists of the effectiveness of tax instruments (e.g., tax incentives to sectors employing more women). Addressing the structural conditions is crucial to enhancing the social protection of workers in informal employment and to incorporate the informal economy into the formal economy.
Strengthening sex-disaggregated data collection on household consumption and income. Improving sex-disaggregated data collection, sharing the data, and monitoring it regularly should be a high priority of a national fiscal strategy plan. Although it is hard to assign consumption expenditures to individuals within a household, assessing the gender implications of the tax legislation continues to be hampered significantly by the paucity of gender-disaggregated data, particularly pertaining to the true incidence of zero-rating and exemptions in indirect taxation and how that affects small taxpayers, and to fundamental goods and services taxation, including medical services and education. Making better data available would enhance the ability of gender analysis to inform gender-inclusive designs and targets. A specially designed toolkit could help to gather the sex-disaggregated data for measuring the gender implications of fiscal policy, a toolkit that can be applied to household data for numerous economies.

Examining the incidence and dynamic behavioral responses to assess the implications of tax and tax reforms on gender. Investing in comprehensive and long-term analyses of the gender implications of tax policies (on the expenditure and revenue side) is crucial for producing evidence needed to validate the effectiveness of various tax options. Surprisingly little evidence shows the effect of women-friendly fiscal reforms. With better data available, policymakers are likely to increase their consideration for encouraging female labor participation, especially for low-income women. An example is by proposing fiscal incentives that consider the varying degrees of taxpayers’ ability given expenses such as for medical care and childcare. The government could identify support areas in taxation to address affordability barriers in maternal and child services, such as reduced tax rates for feminine goods similar to other basic necessities. Another area for further research is the implications of the tax-free bracket amount on gender equality, particularly determining the optimal personal income tax rates, with higher marginal rates for the well-off (for equity reasons) and tax-free brackets above the poverty line.

C. Areas for Potential ADB Support

To enhance the awareness of gender issues in tax policy in Asia and the Pacific, ADB could provide technical assistance and other support to enhance knowledge of gender in taxation.

Technical assistance and training programs to increase the capacity to mainstream gender into tax policies. Technical assistance could support government and nongovernment actors in analyzing the macroeconomic and development-related implications of gender in fiscal laws and policies. Particular attention is needed in reassessing gender biases in gender-neutral tax settings that worsen gender biases in society.

Support for global and regional knowledge-sharing and policy dialogue on how tax policy can help achieve gender equality outcomes. Increased knowledge is needed on both the tax side and the expenditure side, as some wealth redistribution might be better accomplished through expenditure than through taxation. Tax policy can be linked with specific gender equity goals, such as supporting the redistribution of unpaid care responsibilities that women in Asia and the Pacific continue to bear disproportionately. Exemptions, deductions, and credits that are inefficient should be limited. A broader tax base could allow for more pro-poor spending to account for taxpayers’ varying ability to pay, such as for medical care and childcare.
Table 8.1: Summary of Recommendations for Promoting Gender Equality in Asia and the Pacific

<table>
<thead>
<tr>
<th>Gender Issues and Examples</th>
<th>Policy Measures, Recommendations, and Best Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personal Income Taxation</strong></td>
<td></td>
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<tr>
<td>Taxable persons: Joint taxation</td>
<td>Recommendations:</td>
</tr>
<tr>
<td>Gender issues:</td>
<td>(i) Remove joint taxation and promote individual taxation.</td>
</tr>
<tr>
<td>(i) Joint taxation may result in higher effective marginal tax rates on secondary earners, typically women (Sec. 4.1.1).</td>
<td>(ii) Remove different tax rates associated with joint taxation.</td>
</tr>
<tr>
<td>(ii) Moving to individual taxation may result in higher average tax rates for many households, but this would raise revenues on its own, enhancing equity (Sec. 4.1.2).</td>
<td>(iii) While mitigation of the higher effective tax rate for secondary earners seems attractive for strengthening the positive labor supply, generalized tax rate reductions can reduce revenue needed for social policy intervention, and reducing marginal tax rates at the top can lead to less progressivity that would exacerbate gender inequality in the personal income tax system.</td>
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<tr>
<td>Examples:</td>
<td>Good practice:</td>
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<tr>
<td>(i) Joint taxation:</td>
<td>Use the individual as the unit of taxation, as practiced in many Asia and Pacific economies.</td>
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<tr>
<td>(a) Brunei Darussalam and Solomon Islands</td>
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<td>(b) Bangladesh and India assess Hindu undivided families as separate and independent persons</td>
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<tr>
<td>(ii) Opt-out joint taxation: Indonesia, Taipei, China</td>
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<tr>
<td>(iii) Opt-in joint taxation: Hong Kong, China, Kyrgyz Republic; Malaysia; Nepal; Thailand</td>
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<td>(iv) Different tax rates for individual versus joint tax filing: Nepal</td>
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<td>(v) Historic joint taxation: Republic of Korea</td>
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<tr>
<td>Gender issues:</td>
<td>Recommendation:</td>
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<tr>
<td>The allocation of labor, family business, or nonlabour income may increase the primary earner’s income tax. While this may benefit women with lower tax liabilities more than their husbands, it may cause issues in the event of divorce or separate legal rights on joint property (Sec. 4.3.1).</td>
<td>Use gender-neutral tax systems, which allow the couple to allocate their income as they see fit or consistent with anti-avoidance principles. This might involve splitting up the property (the assets owned by both spouses), distributing income equally among them, or giving property income to the legal owner if it’s not jointly owned, rather than giving nonlabour or family income to the husband or spouse.</td>
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<tr>
<td>Examples:</td>
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<td>Allocating nonlabour income only to males with explicit reference to gender: Singapore (income from property)</td>
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<tr>
<td>Allocating family business income to the husband, explicitly referencing gender: Cook Islands</td>
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<td>Gender-neutral tax system where family business income is allocated to the spouse: India, Pakistan</td>
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<tr>
<td>Gender issues:</td>
<td>Recommendation:</td>
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<td>Transferring tax benefits can create tax barriers for a spouse entering the paid labor workforce market. The after-tax value of the benefits is likely to be lower if they are claimed by the other spouse, rather than the supporting spouse who earned them (Sec. 4.3.2).</td>
<td>Limit transferrable tax benefits.</td>
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<td>Examples:</td>
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<tr>
<td>(i) Transfer of unused tax benefits to spouse with taxable income: Republic of Korea</td>
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<td>(ii) Historic transfer of tax benefits: Indonesia</td>
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*continued on next page*
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Gender issues: PIT incentives that discriminate based on gender in sectors that primarily employ males. Allocation of tax benefits to men or male households primarily benefit men and could discourage women from entering the labor force. Some economies still include tax reliefs available for men with a “dependent” wife, but not for women who support their husbands. The allocation of tax benefits could also be gender-neutral, but more in line with men’s socioeconomic realities, i.e., in sectors that primarily employ men (Sec. 4.2).

Tax examples without referencing gender: Tax incentives in sectors that primarily employ men: military severance pay (PRC; Cook Islands; Federated States of Micronesia; Pakistan; Taipei, China; Uzbekistan); business trips (Japan, Uzbekistan); night shift or overtime hours (Lao PDR, Philippines, Tonga); movable income (Armenia; Brunei Darussalam; Fiji; Hong Kong, China; Samoa; Singapore); personal property (Philippines, Nepal, Viet Nam). Additionally, some tax credits may not be advantageous to taxpayers who have insufficient or no income to utilize the credits (Japan, Republic of Korea, Mongolia).

Examples referencing gender: Tax benefits for an individual with a wife or for alimony or maintenance to a previous wife: Brunei Darussalam, Malaysia. Tax benefits for men for a working wife: Indonesia. Tax benefits for housewife: Cambodia. Losses of married women are considered husband’s losses from business or profession: Indonesia. Historic allocation of exemption for husband: Philippines.

Recommendation: Conduct a substantive gender analysis to understand the purpose or goal of what should be classified for incentives, then accordingly limit tax benefits that primarily benefit men or are for male-dominated sectors. Gender analysis is particularly required when implementing or changing a fiscal policy, in order to know the incidence of the gender discrepancy.

Level the playing field for men and women to enjoy tax incentives by (i) entitling women supporting families to the same benefits as men, (ii) limiting tax benefits to men or male households, (iii) implementing tax benefits to correct for socioeconomic dimensions of women after sufficient data analysis on the effectiveness of these measures, and (iv) replacing family-based tax benefits with refundable tax credits for earned income and childcare especially for low-income taxpayers (e.g., in-work tax benefits). The change would support equity and encourage women’s labor force participation by encouraging single poor women and single mothers to work or work more hours in paying jobs.

Best practices of tax provisions with explicit gender referencing to correct for socioeconomic gender differences:

(i) Tax exemption for alimony or maintenance payments from (former) husband to woman: Papua New Guinea
(ii) Tax benefits: 
   (a) Explicitly to women: child relief for married women (Singapore), and tax benefits for female residents with no income other than from employment (Nepal) 
   (b) To mothers for children’s equipment: Malaysia 
   (c) To non-earning or low-earning spouse: Cambodia, Malaysia 
   (d) To working mothers: Singapore, Indonesia 
   (e) To single female parents: Georgia 
   (f) To widows: Nepal, Uzbekistan 
   (g) To married women for grandparent caregiver: Singapore 
(iii) Increased tax-free threshold for women: Bangladesh 
(iv) Reduced social security contributions for women: India 
(v) Social security benefits for maternity: Viet Nam 
(vi) Reduced age for social security benefits for women: Kazakhstan

Table 8.1 continued

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<td>Tax incentives in sectors</td>
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<td>that primarily employ</td>
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<td>men: military severance</td>
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<td>Taipei, China; Uzbekistan;</td>
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<tr>
<td>business trips (Japan,</td>
<td></td>
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<tr>
<td>Uzbekistan); night shift</td>
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<tr>
<td>or overtime hours (Lao</td>
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<tr>
<td>PDR, Philippines, Tonga);</td>
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<tr>
<td>movable income (Armenia;</td>
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<tr>
<td>Brunei Darussalam; Fiji;</td>
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<tr>
<td>Hong Kong, China; Samoa;</td>
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<tr>
<td>Singapore); personal</td>
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<tr>
<td>property (Philippines,</td>
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<tr>
<td>Nepal, Viet Nam).</td>
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<tr>
<td>Additionally, some tax</td>
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<tr>
<td>credits may not be</td>
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<tr>
<td>advantageous to taxpayers</td>
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<tr>
<td>who have insufficient or</td>
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<tr>
<td>no income to utilize the</td>
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<tr>
<td>credits (Japan, Republic</td>
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<tr>
<td>of Korea, Mongolia).</td>
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<tr>
<td>**Examples referencing</td>
<td></td>
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<tr>
<td>gender:**</td>
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<tr>
<td>Tax benefits for an</td>
<td></td>
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<tr>
<td>individual with a wife or</td>
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<tr>
<td>for alimony or maintenance</td>
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<tr>
<td>to a previous wife:</td>
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<tr>
<td>Brunei Darussalam,</td>
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<tr>
<td>Malaysia</td>
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<tr>
<td>Tax benefits for men for a</td>
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<tr>
<td>working wife: Indonesia</td>
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<tr>
<td>Tax benefits for</td>
<td></td>
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<tr>
<td>housewife: Cambodia</td>
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<tr>
<td>Losses of married women</td>
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<tr>
<td>are considered husband’s</td>
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<tr>
<td>losses from business or</td>
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<tr>
<td>profession: Indonesia</td>
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<tr>
<td>Historic allocation of</td>
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<td>exemption for husband:</td>
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<tr>
<td>Philippines</td>
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</tr>
</tbody>
</table>
### Tax benefits

**Best practices of gender-neutral tax provisions to correct for socioeconomic gender differences:**

(i) Gender-neutral tax benefits for

   (a) Dependent children: Many Asia and Pacific economies: e.g., Azerbaijan, Malaysia, New Zealand, Viet Nam, Singapore (none in Kazakhstan, Kiribati)

   (b) Non-earning or low-earning spouse: India, Japan, Republic of Korea, New Zealand

   (c) Single parents: Hong Kong, China; Republic of Korea; New Zealand; Uzbekistan

   (d) Education and health: many Asia and Pacific economies

   (e) Care for relatives: PRC; Hong Kong, China

   (f) Parents for childcare services: Cambodia; PRC; Japan; Republic of Korea; Kyrgyz Republic; Malaysia; Taipei, China

(ii) Lower tax rates for secondary incomes, most often women: Niue

(iii) Waivers or allowances for social security contributions for low-income workers: Hong Kong, China

### Tax rate structure

**Gender issues:**
As most self-employed individuals are female, higher tax rates for nonsalaried than for salaried individuals could exacerbate the bias against women (Sec. 4.5).

**Examples:**
Higher tax rates for nonsalaried than salaried individuals: Pakistan

**Recommendation:**
Analyze the gender impact of differential tax treatment in rates, including the efficiency–equity trade-off, then determine whether to limit higher tax rates for nonsalaried than salaried individuals.

**Gender issues:**
Disincentives for low-income earners to enter the labor market and to work (Sec. 4.5.3).

**Examples:**
Flat rates of individual taxation: Kazakhstan, Kyrgyz Republic, Turkmenistan, Tuvalu

Similarly, many Asia and Pacific countries apply flat rates for social security contributions

**Recommendation:**
Establish measures to institute progressive taxation of income by (i) using progressive marginal rate schedules that achieve vertical equity without imposing excessively high marginal tax rates that could harm efficiency and (ii) implementing an appropriate threshold below which there is no tax on income, such as a “zero-bracket amount,” a general exemption of income, or a tax deduction or tax credit. Such measures can enhance progressivity while also simplifying the tax administration for individuals who fall below the threshold.

### Others/General

**Gender issues:**
Lower corporate income tax (CIT) than labor tax gives disproportionate benefits to men and creates distortions in how taxpayers earn income (Sec. 4.5).

**Example:**
CIT versus PIT is misaligned in most of Asia and the Pacific.

**Recommendation:**
Align PIT and CIT rates.
Gender issues:
Several tax benefits predominantly benefit men, such as investment allowances or deductions for particular sources (such as losses or interest payments), or certain types of businesses (Sec. 5.2.1).

Example:
Such tax incentives are present in many Asia and Pacific countries.

Recommendation:
Level the playing field for men and women to enjoy tax incentives by (i) limiting tax benefits that predominantly benefit men and male-dominated sectors and (ii) developing strategies for tax incentives or positive measures (e.g., for female entrepreneurship) to correct gender disadvantages for women, after sufficient analysis of data on the effectiveness of such measures. Use legislation, including taxation laws, effectively to reduce women’s exit from the labor force due to childcare costs.

Best practices of tax provisions with explicit reference to gender to correct for socioeconomic gender differences:
(i) Tax benefits for
   (a) Female entrepreneurship or female start-ups: Bangladesh, Pakistan, Sri Lanka
   (b) Corporations employing women: PRC, Nepal, Viet Nam
   (c) Contributing to compulsory maternity social security insurance of female employees: PRC
(ii) Waiver of social security contributions from employers of women aged 55 years or more: Pakistan
(iii) Preferential property tax regimes for sectors that employ women: Turkmenistan, Uzbekistan

Best practices of gender-neutral tax provisions to correct for socioeconomic gender differences:
Preferential tax regimes for
(i) Small- and medium-sized enterprises: Armenia, Brunei Darussalam, Cambodia, India, Indonesia, Thailand
(ii) Newly incorporated enterprises: Brunei Darussalam, Myanmar, Nepal
(iii) Sectors where women are overrepresented: Brunei Darussalam, Cambodia, PRC, Kazakhstan, Sri Lanka, Viet Nam
(iv) Private centers providing childcare services: Azerbaijan, Georgia, Republic of Korea, Kyrgyz Republic, Malaysia, Thailand, Uzbekistan
(v) Employers providing childcare services: Australia, Bangladesh, Republic of Korea, Malaysia, Viet Nam
(vi) Other women-friendly policies (e.g., maternity leave): Pakistan, Viet Nam

Gender issues:
Many tax exemptions for special economic zones (SEZs) boost privatized business earnings.
Tax benefits for SEZs: Pakistan, Philippines, Malaysia, Thailand (Sec. 5.2.2).

Recommendation:
Assess the gender impact of tax benefits for SEZs on women, particularly the effects on the corporation as an entity, shareholders who may derive some benefit, and employees.
## Table 8.1 continued

<table>
<thead>
<tr>
<th>Gender Issues and Examples</th>
<th>Policy Measures, Recommendations, and Best Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender issues:</td>
<td>Recommendation:</td>
</tr>
<tr>
<td>Having flat rates or low progressivity results in poorer people—the majority of whom are women—facing higher marginal tax rates and, as a result, having lower incentives to work more. Note: CITs differ significantly from PITs (including direct forms of capital income taxation) in that their incidence falls not only on capital owners, but workers and consumers as well (Sec. 5.4).</td>
<td></td>
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<tr>
<td>Examples:</td>
<td>Recommendation:</td>
</tr>
<tr>
<td>Flat corporate tax rates:</td>
<td>Develop a neutral benchmark of comprehensive income</td>
</tr>
<tr>
<td>Armenia, Georgia, Kazakhstan, Kyrgyz Republic, Turkmenistan, Tuvalu, Uzbekistan</td>
<td>taxation rather than differential CIT in relation to PIT, which may benefit men disproportionally.</td>
</tr>
</tbody>
</table>

### Gender issues:
Fewer women can incorporate their businesses to benefit from the lower CIT rates as opposed to labor tax rates (Sec. 5.4).

### Examples:
While promoting progressivity of the tax system seems attractive to fund essential services that reduce the net marginal tax rate and thus the regressive burden of the tax system for women, progressive CIT is problematic. Firms are separate legal persons, and one individual can own many firms and have other sources of income, while a firm can be jointly owned by many individuals, so the firm's profit does not reveal the owner's welfare. CIT rates are lower than PIT rates in many Asia and Pacific countries.

#### Property Taxation

### Preferential Tax Regimes

#### Gender issues:
Tax policy that favors capital income over labor income typically disproportionately benefits men given the unequal distribution of capital income across genders (Sec. 6.1).

#### Example:
Few Asia and Pacific countries consider property taxation.

#### Recommendations:
(i) Broaden the tax base to include property and other wealth. If they are included, try aligning different types of assets similarly to avoid market distortions and economic inefficiencies.
(ii) After a gender analysis, assess whether preferential treatment for women in land registration taxes or taxes solely imposed on land owned by women, whether individually or jointly, enhances women's access to land and productivity; build in the necessary anti-avoidance mechanisms (Sec. 6.2).

#### Best practices:
(i) Lower property tax or inheritance rates for women: Kazakhstan, Nepal
(ii) Exemption from land tax for female military personnel: Tajikistan

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*continued on next page*
Gender Issues and Examples

**Indirect Taxation**

**Gender issues:**
Indirect tax rate differentiation across goods could introduce differences in men’s and women’s consumption patterns, mainly when the share of income consumed differs permanently (over a lifetime) across genders (Sec. 7.3.1).

**Examples:**
Male-oriented tax incentives (e.g., zero-rating or exempting commercial and financial services): Fiji, Indonesia, Mongolia, Uzbekistan, many others.

**Recommendations:**
Strengthen gender analysis of the exemptions to determine where conditions are inequitable, and then ensure equitable playing field.
Promote efficient and effective fiscal incentives to improve women’s economic standing.
For example, exempt basic foodstuffs, education, and other such items to address equity concerns, but keep the exemptions to a minimum. Incentives (such as for menstrual hygiene goods and childcare services) could help even the “playing field,” stimulating female labor participation.
Exempting necessities from VAT may help low-income households headed by single mothers.

**Correcting for socioeconomic gender differences:**
(i) Zero-rating or exempting education and medical services from VAT: Many countries
(ii) Excise duty on selective consumables (alcohol, tobacco, petroleum): Many countries, including Fiji, Kazakhstan, Japan (Sec. 7.2.2)
(iii) Higher VAT rates for alcohol and tobacco: Bangladesh, Bhutan (Sec. 7.2.1)

**Explicit referencing of gender to correct for socioeconomic gender differences:**
(i) Zero-rating or VAT exemption of female hygiene products: Australia, Bangladesh, Rep. of Korea, India (Sec. 7.3.2.2)

Source: Author based on a review of fiscal legal frameworks in Asia and the Pacific.
REFERENCES


References


References

TRT World. Pakistan Sees Growing Presence of Women in Civil Services, Armed Forces. 7 March.


Taxation and Gender in Asia and the Pacific
A Review of Gender Equality Provisions in Fiscal Legal Frameworks

Tax systems and policies in the Asia and Pacific region contribute to—or hinder—gender equality in several socioeconomic dimensions, including labor force participation and the distribution of income and household unpaid care. This report assesses key aspects of fiscal policies and legislation that affect gender equality by establishing a comprehensive baseline of reliable legal and tax information, supported by economy-specific case studies. It emphasizes the need for further gender analysis and underscores the potential of tax policies to drive desired socioeconomic outcomes, enhance labor force participation, and mitigate the widening gender gaps resulting from these factors.

About the Asian Development Bank

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.