International Tax and Gender [In]equality

ICRICT

8 March 2025

Gender, progressive taxation and equality

Fiscal policies determining public revenue and expenditure – and by extension, the measures to combat cross-border tax evasion and avoidance highlighted by ICRICT - are not gender neutral. Tax policy is a key instrument by which societies modify the distribution of income and wealth and can thus alter economic equity in both the vertical (i.e. between rich and poor) and horizontal (i.e. between genders, ethnicities, age cohorts, location) dimensions.

The different effects on men and women owe to their unequal positions as economic agents in their roles as workers, consumers, entrepreneurs, and persons responsible (or not) for unpaid domestic and care work, among others.

Although most countries have seen an improvement in indicators of gender equality over time, and many have abolished tax regulations with explicit gender bias, **the persistence of socioeconomic gender gaps results in differentiated outcomes even in the context of apparently gender-neutral tax systems.** While gender is the most egregious and universal of various horizontal inequalities, other horizontal inequalities also need to be considered in tax design, such as those between generations, ethnicities, or locations.

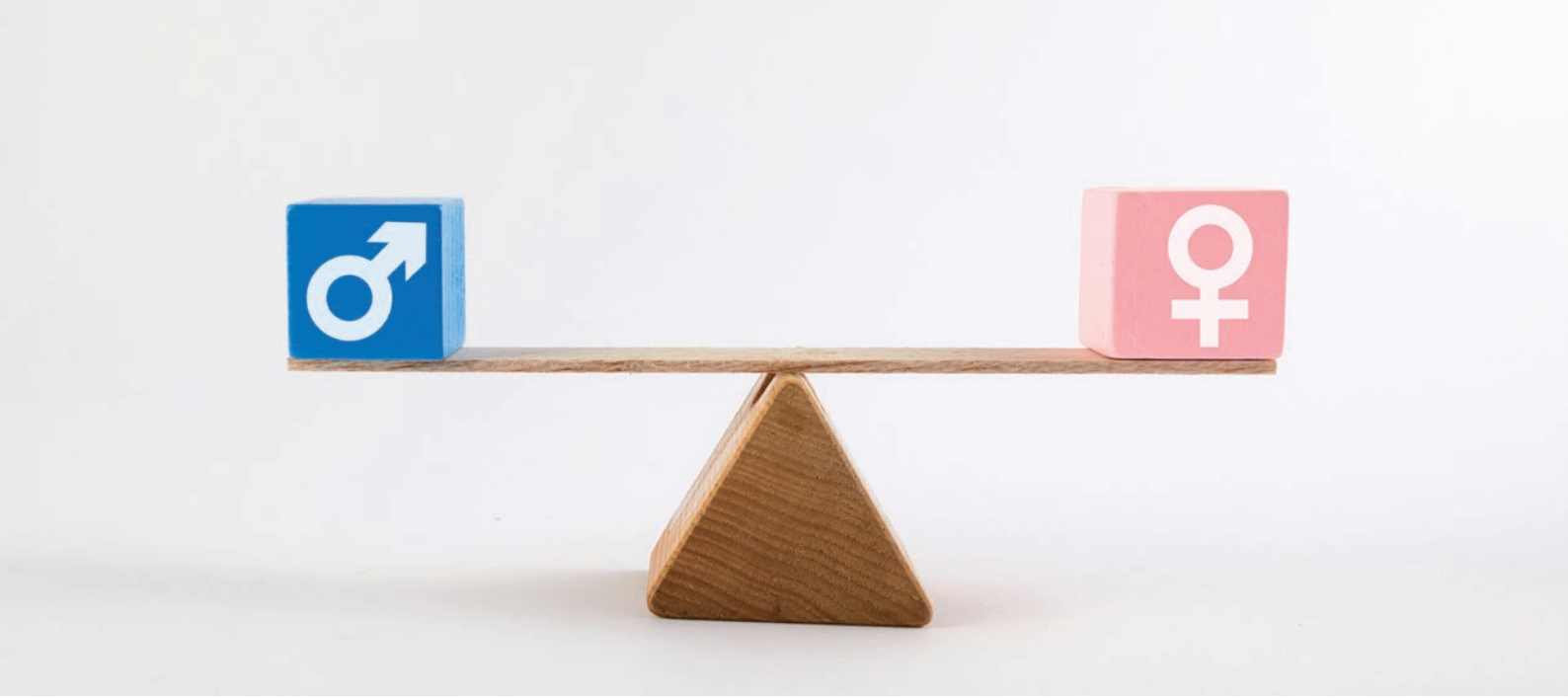
Progressive tax systems can both address general inequality and narrow gender gaps. For example, income tax and social security contributions **have reduced the gender income gap considerably** in advanced economies. However, countries with relatively **low female shares of capital income and wealth also tend to tax property and inheritances particularly lightly.** In order to achieve gender equality, it is necessary to invest in public services, care systems and infrastructure.
Although progressive tax systems do not necessarily result in progressive fiscal expenditure, reducing gender bias in direct taxation can be associated with expanded public provision and therefore lower gender bias in access to public services, such as education and health.

However, ensuring greater tax progressivity requires both national and international measures. The current global rules for international corporate taxation, as well as the possibilities provided by different jurisdictions for arbitrage among different tax systems by individuals and corporations, constrain what individual states can achieve on their own to reduce gender inequalities through tax policies, by reducing the capacity to tax both multinational entities (“MNEs”) and extremely wealthy individuals.

Corporate Income Tax (CIT) and Gender [In]equality .

Improving the effectiveness of the international corporate tax system to tax multinational corporations will improve the progressiveness of the global tax system.





The incidence of corporate taxation falls on dividends (accruing to shareholders as income or capital gains) rather than on productive investment, and thus essentially on wealth holders in the jurisdictions where the shareholders are located. Profit shifting across countries contributes to inequality, as equity ownership tends to be concentrated, and shareholders increase their wealth with such legal methods of tax avoidance.

Since asset ownership (of financial assets, real estate, etc.) is heavily skewed toward men in all countries, even more so than labour income, lower corporate tax rates favor gender inequality, and vice versa. Specifically, because women tend to be less represented at the top tail of capital income distribution, currently amounting to less than 30 % of individuals at the top 10 % of capital income distribution, improving the effectiveness of the international corporate tax system logically reduces gender inequality.

Taxation of high-net-worth individuals and gender equality

Nominal taxation of high-net-worth individuals and billionaires has been falling over the years, along with a proliferation of various means of tax avoidance. As a result, ultra-high net worth individuals are being taxed at effective tax rates lower than the rest of the population today, as observed in the case of France, where billionaires pay 27% of their income in taxes, while the rest of the population pay something close to the ratio of taxes to national income (52%).

Women's ability to accumulate - or inherit - wealth is very often quite limited, conditioned by economic processes, social norms and even legal rules. The gender gap in asset holding is observed in relation to all types of assets, e.g. landowners tend to be male throughout the world; and the net worth of women's principal residence and financial assets in developed countries is lower than that of men, despite men being more highly leveraged.

At the apex of the global wealth distribution, of the three thousand billionaires on the Forbes "Rich List", barely one tenth are women. Moreover, just over half of all female billionaires are heiresses, with an additional third having a combination of inherited and created wealth. In other words, less than 2 percent of global billionaires are self-made women.

Therefore, taxation of high-net-worth individuals or billionaires would fall mostly on men and could provide significant revenues to advance public services that typically disproportionately benefit women.

Tax evasion and avoidance not only favour men more on the revenue side but also reduce the fiscal space for equalising fiscal policies. Tax evasion in itself makes the system less equal, as it erodes horizontal equality. Although evidence can be difficult to gather in this respect, tax non-compliance seems to be particularly concentrated

at the top of the wealth distribution, even more so when **offshore wealth** is considered.

Since men dominate the top of wealth distribution, offshore tax evasion by wealthy individuals tends to be more prominent among men. Indeed, recent evidence shows that **women tend to have less offshore accounts and participate less in tax amnesties** than men. This suggests that tax evasion further adds to gender inequality.

The real owners of wealth are often hard to detect because they can hide their wealth using sophisticated practices enabled in specific jurisdictions around the world. In extreme cases, not just the location but the very existence of some assets can be hidden.

The possibilities provided by **secrecy jurisdictions** for hiding wealth in different ways (e.g. through complex legal structures hiding beneficial owners, special economic zones allowing for hiding of art and other goods, etc) are obviously problematic in themselves. In addition, they **exacerbate gender inequality** not only because wealth is more often held by men, but because tax evasion adversely affects both revenues and the progressiveness of tax systems.



The ICRICT Position

- ***Reform the international corporate tax system***

Two elements of the international tax infrastructure since the 1920s - the independent entity principle (allowing for affiliates of MNEs to be considered as separate entities rather than part of the MNE) together with the arm's length principle (prescribing that prices and profits of intragroup transactions should be the same as those of unrelated companies negotiating under market conditions) - are increasingly counterproductive in today's global economy. They disregard the economic reality of international transnational operations within MNEs, their advantages of scale, the synergies resulting from their global integration operations, and their ability to utilize declared economic activity in different tax jurisdictions to their own benefit.

The system was never fit for purpose, but this problem has been exacerbated by the growth of international trade in services and the digitalization of the economy. The inequalities of the current system are made worse by the unequal distribution of taxing rights provided in both OECD and the UN model tax conventions, which reduce the taxable revenues of developing countries.

To put an end to MNEs' tax avoidance, as an independent Commission we have urged governments to move away from the existing transfer pricing system towards a unitary approach to taxation of MNEs' income, based on a system whereby taxable profits would be apportioned to countries based on a formula, together with a global effective minimum tax of 25%.

- ***Tax ultra-high-net-worth individuals (UHNWI)***

The Brazilian G20 Presidency advanced discussions on the creation of a coordinated global minimum income tax on billionaires, based on a **blueprint** minimum tax expressed as a fraction of wealth. This can be designed as a top-up tax in addition to individual income tax, ensuring that the total tax (individual tax + top up) adds up to at least 2% of wealth.

The Terms of Reference adopted by the UN General Assembly for a UN Framework Convention on International Tax Cooperation (UN FCITC) include among its commitments the need to address the tax evasion and avoidance by ultra HNWIs and guarantee their effective taxation.

Taxation of HNWIs falls mostly on men. However, the effective taxation of such a segment of the global society is affected by the possibilities provided today for arbitration among different tax and residence schemes, and existing limitations in terms of administrative cooperation between countries.

Therefore, ensuring effective taxation of HNWI's wealth, including through a minimum level of taxation, can help in ensuring gender equality in tax compliance and effective tax burden.

- ***Create a Global asset register***

There is a need to establish common principles and minimum standards for ensuring transparency of wealth ownership, including the design of global standards for asset registers with beneficial ownership identification and the creation of a global asset register ("GAR") including for trusts which currently obfuscate beneficial ownership.

A GAR would allow wealth inequality to be measured and understood, by linking information from national registries and all types of assets, companies, and other legal vehicles used to own assets, to the persons that really own or control - or benefit from - them, the so-called "beneficial owners". This is likely to reveal even more gender wealth inequality and enhance the ability of governments to control tax evasion and avoidance.

- ***Reform the global governance of international tax cooperation***

Equality and non-discrimination, including gender equality, are among the fundamental principles of the guiding legal document of the United Nations (UN), its Charter, adopted by world leaders in 1945.

The ongoing discussions around a UN FCITC are an opportunity to incorporate such principles in international tax cooperation.

In this respect, it is particularly relevant that the Terms of Reference (ToR) for a UNFCITC adopted by the Ad-Hoc Committee on August 2024; and by the UN General Assembly in December 2024, contain the following references:

- In its Objectives:

  > "... c. Establish an inclusive, fair, transparent, efficient, equitable, and effective international tax system for sustainable development, with a view to enhancing the legitimacy, certainty, resilience, and fairness of international tax rules, while addressing challenges to strengthening domestic resource mobilization."

- In its Principles:

  > "... c. in the pursuit of international tax cooperation be aligned with States' obligations under international human rights law... "

Introducing principles of gender equality and progressiveness in a framework convention on international tax cooperation could thus help address gender inequality.

icrict.com
Contact: icrictsecretariat@gmail.com
For all media enquiries and interview requests please
contact our Global Communications Manager:
Diego Lluma: diego@icrict.com

The commission



Jayati Ghosh
Co-Chair, Development economist and Professor at the University of Massachusetts Amherst.



Joseph Stiglitz
Co-Chair, Nobel Laureate in Economics, Professor at Columbia University.



José Antonio Ocampo
Professor at Columbia School of International and Public Affairs, former finance minister of Colombia



Eva Joly
Former French magistrate and Member of the European Parliament.



Thomas Piketty
Director of the World Inequality Lab and Professor at the Paris School of Economics.



Gabriel Zucman
Director of the EU Tax Observatory and Professor at the Paris School of Economics and the University of California, Berkeley.



Magdalena Sepúlveda
Director of the United Nations Research Institute for Social Development (UNRISD).



Irene Ovonji-Odida
Lawyer and former member of the African Union's High-Level Panel on Illicit Financial Flows.



Wayne Swan
National President of the Australian Labor Party; former Australian Treasurer and Deputy Prime Minister.



Martín Guzmán
Professor, Columbia University School of International and Public Affairs.



Kim Jacinto Henares
Former Commissioner of the Philippine Bureau of Internal Revenue.



Ricardo Martner
Economist and former official at the United Nations Economic Commission for Latin America and the Caribbean (ECLAC).



Edmund Valpy Fitzgerald
Economist and Professor Emeritus at the University of Oxford.



Léonce Ndikumana
Economist and Professor at the University of Massachusetts Amherst, specializing in development economics and capital flight.