

# **Gender, Tax Policies and Tax Reform in Comparative Perspective**

**Fran Bennett  
Department of Social Policy  
University of Oxford**

**GeNet Working Paper no 30**

**February 2008**

Please do not cite or quote without the author's permission

Contact:

Fran Bennett  
Senior Research Fellow  
Department of Social Policy and Social Work  
University of Oxford  
Barnett House, 32 Wellington Square  
Oxford OX1 2ER  
tel: + 44 (0)1865 270325; fax + 44 (0)1865 270324)  
email: [fran.bennett@sores.ox.ac.uk](mailto:fran.bennett@sores.ox.ac.uk) or [fran.bennett@dsl.pipex.com](mailto:fran.bennett@dsl.pipex.com))

# **Gender, Tax Policies and Tax Reform in Comparative Perspective**

Paper presented at The Levy Economics Institute of Bard College

17-18 May 2006

## **Gender Issues in Tax Reform – the example of the UK**

### **1. Introduction**

‘Taxation is often represented as operating within a distinct realm of economic policy in which gender considerations are extraneous’ (Cass and Brennan, 2003, p. 17).

‘Gender budgeting’ and gender impact assessment have been championed in the UK by the Women’s Budget Group<sup>1</sup> and others in part in order to challenge this. And the UK government has argued (HM Treasury and Department of Trade and Industry, 2004, p 3) that ‘gender analysis can contribute to the evidence base which is used to inform policy development, implementation and evaluation’. But the use of gender analysis in the UK has been limited to date, and in public at least has focused more on expenditure programmes than on taxation mechanisms.<sup>2</sup>

---

<sup>1</sup> The Women’s Budget Group is an independent UK organisation that brings together economists, researchers and policy experts from academia, nongovernmental organisations and trades unions to form a network of experts to promote gender equality through appropriate economic and social policy. It has an increasing focus on ensuring that the voices of women living in poverty are heard by policy makers.

<sup>2</sup> The Customs and Excise Department did carry out an analysis of the incidence of indirect taxation according to gender several years ago; but this was not a public exercise and was carried out for the Women’s Budget Group as an experiment.

It is true that in 1998, 'Policy Appraisal for Equal Treatment' guidelines were published (Cabinet Office, 1998), intended to help civil servants think through how policy can have a differential impact on different groups. The government also declared a Public Service Agreement on gender equity in mid 2002 (HMT, 2002):

'By 2006, working with all departments, [to] bring about measurable improvements in gender equality across a range of indicators, as part of the Government's objectives on equality and social inclusion.'

The Women and Equality Unit published a guide to gender impact assessment (WEU, 2002). And the 2004 spending review repeated the commitment to bring about improvements in gender equality (HMT, 2004). There has also been an attempt to increase and publicise gender disaggregated statistics (ONS, 2003).

But nonetheless gender analysis has not been a prominent aspect of policy making by the UK government in recent years.<sup>3</sup> The government tends instead to focus on what it has done to enhance the position of women, or particular groups of women, which is not quite the same (see, for example, WEU, 2004). For example, in one early press release, the Government summarised the impact on women of policy measures in this area of policy by saying that 'a typical mum will have up to £70 a week more in the household budget [by April 2000]' (Women's Unit/Cabinet Office, 1999). Or, as Lister argued (2001), 'instead of systematic gendered analysis, the inequalities still faced by women are reduced [by the then Labour government] to a series of individual problems, faced by particular groups of women, such as lone mothers'.

---

<sup>3</sup> The situation is rather different in Northern Ireland, where monitoring differences of outcome between population groups has been more important (Donaghy, 2003; McLaughlin, 2004). The Engender group in Scotland has worked on 'gender budgeting' with the Scottish Executive; and the Government of Wales Act 1998 calls on the Welsh Assembly Government to exercise its functions with due regard to the principle of equal opportunity for all.

Moreover, where gender impact assessment has been used, it has not necessarily incorporated a more nuanced examination of the impact of policies on social roles and power relations, as well as the distribution of resources (with ‘resources’ understood as time and opportunities, as well as material resources) (Daly and Rake, 2003). For example, an exercise by the Department for Trade and Industry and the Department for Work and Pensions, whilst it may have been useful as a pilot, did not appear to apply a very sophisticated analysis to the programmes which it reviewed (HMT and DTI, 2004).

This paper therefore attempts such a gender impact assessment of recent reforms in income tax and tax credits in the UK, drawing out some of the implications for wider debates about gender and tax issues in a comparative context.

To date, key issues for those viewing taxation and associated transfers in the UK through a gender lens have been the successful efforts to achieve independent taxation and the routing of income for children via the main carer (usually the woman). These have both been seen as necessary – though not of course sufficient – for the achievement of broader gender equality. However, there is now concern that independent taxation is being compromised by the joint assessment of couples’ income<sup>4</sup> for tax credits (equivalent to means-tested benefits, but (more or less) aligned with income tax). And a debate is beginning about whether the label of ‘main carer’ in the new tax credits scheme militates against a more equal gendered division of labour, as well as potentially allowing policy-makers to ignore women’s needs as individuals

---

<sup>4</sup> The Civil Partnership Act means that joint assessment is in principle extended to same sex couples.

and treat them instead as conduits for directing resources to others (Daly and Rake, 2003; Bennett, 2002).

This paper is structured as follows. It examines in sections 2, 3 and 4 three ‘moments’ in the recent history of taxation<sup>5</sup> and gender issues in the UK :

- the introduction of independent taxation in the income tax system in 1990;
- the introduction of the first tax credit in 1999 (with a look back at its predecessor benefit); and
- the introduction and reform of new tax credits more recently, from 2003 to 2006.

In section 5, it draws out lessons from these ‘moments’, in particular in terms of the fragility of independent taxation and the double-edged nature of routing payments for children via women/main carers. The introduction of a ‘gender duty’ on public bodies in the UK from April 2007 means that they will be required to proactively promote gender equality. The paper concludes by arguing that this could present an opportunity to pursue a more comprehensive application of gender impact assessment tools to policy on taxation and associated transfers, as well as in other areas.

The paper does not attempt a statistical analysis of the gender impact of recent reforms itself, although it does present some data from others, including the UK government. It is more an opportunity to share preliminary personal reflections on some of the more vexed issues of gender, tax policies and tax reform with sympathetic colleagues in an interdisciplinary and comparative perspective.

---

<sup>5</sup> The paper does not discuss national insurance (social security) contributions, which some would see as a form of personal direct taxation.

## 2. Independent taxation: 1990

One of the key campaigns of the women's movement in the UK in the late 1970s and early 1980s was for 'legal and financial independence' for women (Lister, 2005). A specific demand within this campaign had been for the independent treatment of women within the income tax system. Simultaneously, a wider group of women was also increasingly protesting about a situation in which letters about their tax affairs were sent by the Inland Revenue to their husbands. This was because at that time husbands were legally responsible for the payment of tax on their wives' incomes as well as their own, and taxation was joint for married couples.<sup>6</sup> Significantly, this wider group included women of different political persuasions, and probably many who would not have labelled themselves as feminists, but who saw this practice as unacceptable.

Wives could get a personal tax allowance if they were in employment – called the wife's earned income allowance – and tax was deducted through Pay as You Earn (PAYE) in the same way as for other taxpayers. (Most employees in the UK do not fill in annual tax returns, but instead have the correct amount of income tax deducted from their wages over the tax year as a whole by their employers, through the cumulative PAYE system). But legally, if any issue arose about their tax, it was their husbands who were responsible. If the wife's earnings exceeded her allowance, she would pay tax at a rate (determined by both her own income and her husband's) equal to her husband's tax rate – that is, the system was based on the aggregation of couples' incomes (Symons and Walker, 1986). Couples received an additional

---

<sup>6</sup> In terms of the different variants of joint taxation used by Callan in the accompanying paper to this one, this was aggregation, rather than income splitting or a family quotient system; and no choice between independent and joint taxation was possible.

allowance just for being married; but this was called the married man's allowance, because it went to the husband. (The additional personal allowance, an equivalent tax allowance of the same amount, was also available to lone parents who were taxpayers.)

The then Conservative Government published a Green Paper on the reform of personal taxation in 1986 (HM Treasury, 1986). It was a wideranging document, covering many different topics, including cumulation. But the key issue from a gender perspective was the discussion of the treatment of women and families in the income tax system.

The issue which preoccupied the Government most seemed to be not so much the relationship between the treatment of men and women, or even people with and without children.<sup>7</sup> The crucial issue instead appeared to be the balance between single earner and dual earner couples, and especially the desire not to disadvantage traditional single earner (usually 'male breadwinner') families. One rationale for concern about such families, even if they did not have children or other caring responsibilities, was that many workless partners (in practice usually women) were said to be doing valuable voluntary work.

One of the key options put forward in the Green Paper was that couples' incomes should no longer be aggregated, but that personal tax allowances should be transferable between married partners, in order to help one partner to support the other if they stayed out of the labour market. This would have applied to childless couples

---

<sup>7</sup> Child tax allowances in the income tax system, and family allowances in the benefits system, had both been abolished in the late 1970s and replaced by a cash payment, child benefit, usually paid to mothers.

as well as to those with children. In practice, in most cases, it would have meant the husband being able to claim his wife's tax allowance as well as his own. As Symons and Walker (1986) pointed out, many women would have found that the tax rate on their earnings if they then returned to the labour market would have depended on their husband's income. Married women's labour supply is known typically to be more sensitive to (dis)incentives. Joint taxation and transferable personal tax allowances have been shown to create disincentives to employment amongst potential second earners in couples (O'Donoghue and Sutherland, 1999).

Feminists, and poverty lobby groups - such as the Child Poverty Action Group, which called for 'social priorities in taxation' (Lister and Bennett, 1986) - had two major lines of comment. One was that supporting spouses who happened to stay at home for any one of many different reasons could not automatically be seen as one of these 'social priorities'; it depended instead on the reason for their being at home. (It was, for example, a somewhat indirect and uncertain means of supporting worthwhile voluntary work, to say the least.) In any case, women's and poverty groups argued, support would be better directed at the person who was at home themselves - rather than giving such support indirectly via their partner, as it would be with a transferable tax allowance. For families with children, for example, as Symons and Walker (1986) pointed out, 'a more direct way of assisting households with children is to increase child benefit' (p. 46). This reasoning of course links the two issues discussed in this paper - independent taxation for women and the routing of income for children via the mother or main carer (see below).<sup>8</sup>

---

<sup>8</sup> Though it could be argued that it also confuses the direct and indirect costs of children (with indirect costs being understood as foregone earnings).

The second comment was that the money spent on the married man's allowance for couples - which (as Beatrix Campbell, feminist commentator and journalist, put it succinctly) was given to men just because they had been through a marriage ceremony more recently than a divorce – would be better spent on 'social priorities' too, such as the presence of children in a family, rather than on marriage *per se*. So women's organisations and the poverty lobby also called for the abolition of the married man's allowance, with the resources to be spent on improving child benefit and benefits for carers. (The then Conservative Government's ideological preference for tax allowances and reliefs over cash transfers via the social protection system was also challenged by these arguments.)

Independent taxation of husband and wife was subsequently introduced in 1990, with no transferable personal tax allowances. The married man's allowance remained, however.<sup>9</sup> It was later renamed the married couple's allowance. Many employed women saw few changes in practice, since they had already had their own personal tax allowance before the change. But men and women were treated independently for tax purposes, and married women for the first time dealt with the tax authorities and filled in their own tax returns, if they had to do so. Even today, married couples are still treated differently from cohabiting couples in some other parts of the tax system – for example, for capital gains tax and inheritance tax<sup>10</sup> - but this is on the basis of their marital status, rather than their sex:<sup>11</sup>

‘The only advantages that remain to those of us in the married state now [*sic*]

---

<sup>9</sup> This included the equivalent additional personal allowance for lone parents.

<sup>10</sup> These and other issues were explored in 'Give and Take: Family, Policy and the Law', a residential conference on family law and taxation in April 2005 organised by the Institute for Fiscal Studies ([www.ifs.org.uk](http://www.ifs.org.uk)).

<sup>11</sup> Indeed, the Civil Partnership Bill, which came into effect in December 2005, extends some privileges and responsibilities of marriage to same sex couples who register their relationship (and extends the responsibilities of cohabitation even to those who do not register).

are the freedom to transfer capital (but not the personal tax allowance) from one partner to the other without attracting tax, and the freedom from inheritance tax when one partner dies.’

(Mary Dejevsky, *The Independent*, 9 March 2006)

Eventually the married couple’s allowance was first reduced (by a Conservative government) and then phased out entirely (by a Labour government).<sup>12</sup> The resources saved were not used in exactly the way feminists and poverty lobby groups had asked for, however. At first, the savings just seemed to disappear into the (Conservative) government’s coffers. Under Labour, they could be seen as being directed to a new ‘children’s tax credit’; but this was only introduced in 2001, a full year after the married couple’s allowance and additional personal allowance were phased out completely. It was a ‘nonrefundable’ tax credit, which meant that anyone with children whose income was not high enough to pay income tax could not claim it. It operated more like a traditional tax allowance; but in couples (married or not) it had to be claimed by the partner who was liable for higher rate tax, if there was one, and was then tapered away as income increased above that level.<sup>13</sup> But this particular tax credit was only temporary, and was replaced by the new child tax credit, introduced in 2003 (see below) (Bennett, 2003).

The Government is now spending much more on support for children than was spent under previous governments (Adam and Brewer, 2004). But commentators do not always ‘net off’ the support for marriage which was given previously against the increased financial support for children. The argument of the women’s lobby and

---

<sup>12</sup> It is still retained for couples in which one person is aged 65 or over.

<sup>13</sup> This could be seen as resulting in effect in an element of joint taxation, although it did not technically involve joint assessment.

poverty groups was that support for adult dependence which might or might not exist should be replaced by support for child dependence which indisputably did exist.

### **3. Working families tax credit: 1999**

In the late 1980s, the Conservative Government was engaged in reforming not only the income tax system, as described above, but also social security. As part of this extensive reform programme, it replaced the in-work supplement for families (family income supplement), which had been introduced in 1971, with a similar means-tested benefit known as family credit from 1988. Initially, however, the Government wanted to pay this benefit through the paypacket – although it was not assessed through the income tax system, and was never promoted as a true tax credit, despite its name.<sup>14</sup>

The rationale for introducing payment via the paypacket was, according to the then Secretary of State, that the total amount of state support provided to low-income families with an earner would be more visible to the low-paid (male) employees in them if such benefits were paid to them, rather than to their partners – and so they would make lower pay claims. However, as a result of lobbying from small businesses (who did not want to be responsible for paying this new benefit), and the poverty lobby and women's organisations - who argued that payment through the paypacket meant that family credit would be less likely to benefit the children - the Government gave in at the last moment, as the legislation was going through the House of Lords. So family credit was paid as a benefit instead, usually to mothers.

---

<sup>14</sup> The name 'family credit' in fact was anecdotally said to have led some recipients to believe that it would have to be repaid, and therefore to decide not to claim it.

When Labour came in, in 1997, the Chancellor (Gordon Brown) was very enamoured of the Earned Income Tax Credit in the United States, and was determined from the start to introduce something like it in the UK. The case put by the Government for replacing a benefit with a tax credit was interesting, as it built on the poverty lobby's own argument that the take-up of means-tested benefits (including by those in paid work) was lower than it should be because of the stigma involved in claiming. Labour argued that if claimants felt themselves to be part of the great taxpaying public, this would overcome the stigma. As with family credit under a Conservative government, payment through the paypacket was put forward once again - but this time round, it was promoted as ensuring that claimants would associate the support being given to them with paid work and with the income tax system (which were good things), rather than with social security benefits (which were seen as bad).

In addition, treating the payment as a tax credit meant that all or part of the expenditure on it could be counted as foregone revenue – money which is not collected in taxation - rather than public expenditure (money which is given out in benefits). So part of the cost of tax credits would not count towards the public spending total, even though their economic effects are similar to government giving equivalent amounts out in the form of benefits. (The same is of course true for straightforward tax reliefs and allowances.) This was seen as useful, in that proposals for increases might not come up so hard against public spending constraints.

The new in-work supplement for families with children, in the form of a refundable tax credit, would be called working families tax credit. 'Refundable' meant that, as well as reducing the amount of tax payable for some families, those whose tax credit

outweighed the income tax they were due to pay could get the balance from the state as a positive payment.<sup>15</sup> However, unlike income tax, which was by then individual, and wages, which have always been individual, this tax credit would be based on joint assessment for couples. In other words, any income either of the partners had would be added together ('aggregated'), to see if it was low enough for them to qualify. This will be discussed more below.

There was also a childcare tax credit, to help lone parents and two-earner two-parent families with the costs of child care.<sup>16</sup> And a national minimum wage was introduced in the same year – 1999. This was initially set at a low level, but has been increased by more than prices in subsequent years. The Low Pay Commission is asked by the government to examine potential increases (and sometimes other issues); it then recommends increases which are agreed (or not) by the government and implemented.

Working families tax credit conflated two aims: 'making work pay' and addressing child poverty. The problem that many commentators saw was that payment through the paypacket might meet one aim (making work pay, and – importantly - being seen to do so). But it would undermine the other (addressing child poverty) because payment in the wage rather than payment as a benefit meant that it was less likely to be spent on the children.

---

<sup>15</sup> See below, which describes how the current Government has started to express this as a negative tax rate for families in this situation.

<sup>16</sup> Previously help with childcare costs had existed in connection with in-work support, but had operated as part of family credit through a disregard of part of that portion of income spent on child care.

However, Labour had put itself forward as a government which was committed to practising ‘evidence-based policy making’.<sup>17</sup> So, when a qualitative research study (Goode *et al.*, 1998) confirmed that money would be more likely to be spent on the children if it were routed via the purse rather than the wallet – that is, paid as a benefit rather than in the paypacket – the Government was (reluctantly) forced to rethink. The Women’s Budget Group and others ensured that these findings were brought to the attention of the Government, which then decided not to force families into its preferred method of payment.

Like the Conservatives before them, therefore, Labour was persuaded to change its mind; in this case, it decided to give couples the choice as to how working families tax credit would be paid to them. This did not solve the whole problem, as women’s groups and others pointed out, since in inequitable couples it might be difficult for the person at home – usually the woman - to insist on payment to her. But it was reported that most couples who had been receiving family credit as a benefit chose to have working families tax credit paid as a benefit too, ie to the ‘main carer’.

It is worth noting, however, that the Government appeared to think it had solved the ‘purse to wallet’ problem, by paying working families tax credit as a benefit to the main carer when this was requested. The Government was alive to the dangers of child poverty being exacerbated by the (mal)distribution of income within the family.

---

<sup>17</sup> It was not put off this course by those critics who described the Government’s commissioning of research and evaluation as increasingly exhibiting a bias towards ‘policy based evidence making’.

What was not so clear, however, was its attitude to applying a similar logic to the position of dependent partners, who are usually women.<sup>18</sup>

#### **4. New tax credits: 2003-06**

The Labour Government stated that it had not been able to introduce its desired form of tax credits immediately on taking office, and its thinking developed over time as well. New tax credits were eventually implemented in April 2003.<sup>19</sup>

The final form of new tax credits was influenced by models from other countries besides the US, in particular Canada and Australia (Mendelson, 1998; Millar and Hole, 1998; Hirsch, 2000; Whiteford *et al.*, 2003). Part of this shift in focus comprised an increased emphasis on seeing a function for tax credits in relation to payments for children separate from in-work support. The US experience had less to offer in this respect. Unlike working families tax credit or the earned income tax credit in the US, under the new system payments for children to tackle child poverty (child tax credit) were separated from payments providing in-work support to ‘make work pay’ (working tax credit).

New tax credits are also refundable, like working families tax credit. They are claimed together on one form. Part of child tax credit – the payment per family – is paid to nine out of ten families in the country, following a means test. Low- to moderate-income families can qualify for this part, but also for a (much larger) per child element as well. Working tax credit is paid to individuals and families with a

---

<sup>18</sup> Indeed, recent threats to take child benefit away from ‘parents’ who allow their children to truant suggested that access to benefit for children could in future be defined more strictly as dependent on the satisfactory performance of caring duties. (This suggestion was withdrawn after protests.)

<sup>19</sup> Information about new tax credits and social security benefits can be found in CPAG (2005).

low income as long as there is an earner in the household working a certain number of hours.<sup>20</sup> There is an element of working tax credit to help with childcare expenses for lone parents, and two-earner two-parent families (as long as each earner is in paid work of at least 16 hours per week).

The system of new tax credits has significant advantages (HM Treasury, 2005). Child tax credit gives more generous help for children than previous systems of financial support (Adam and Brewer, 2004). And it does this in a ‘seamless’ way, to parents both in and out of employment, by integrating the support for children given through various means-tested benefits on the one hand and part of the former working families tax credit on the other.<sup>21</sup> Tax credits have played a significant role in reducing child poverty in the UK, which in 1997 when Labour took office was the highest in Europe (Stewart, 2005). They have also helped to increase employment, particularly amongst lone parents (eg see Brewer *et al.*, 2005).<sup>22</sup>

Child tax credit is paid to the main carer, and is more generous than the amounts out-of-work low-income families previously received for their children. The ‘main carer’ is nominated by the couple, but in practice largely comprises women.<sup>23</sup> On the other hand, in out of work families, whilst again technically couples have a choice, men have usually been the claimants of out of work means-tested benefits, getting the additions for children in addition. So abolishing these additions and making them part

---

<sup>20</sup> The earner must be working at least 16 hours per week for families with children and disabled people, and some over-50s who qualify, or 30 hours per week for able-bodied single people and childless couples; the latter groups must also be aged 25 or more to be able to receive support.

<sup>21</sup> Once the new system is fully in place, that is – the extension of child tax credit to those families on out-of-work benefits has not yet been completed, although all such families are receiving an equivalent amount of support for their children via their benefits. The latest information from the Government suggests that the migration of these families to child tax credit should be completed in 2006.

<sup>22</sup> Though the authors note that other reforms may have acted to reduce the labour supply of parents.

<sup>23</sup> In the case of disagreement, there is an appeal to HM Revenue and Customs, which refers to a guidance about what ‘main carer’ may mean (though this guidance is not otherwise referred to).

of child tax credit will effect a significant transfer from men to women. The childcare element of working tax credit is also paid to the main carer, because it was argued that it is the main carer who usually pays for child care (Pahl, 2005).

Previously in-work support was only available to families with children. Working tax credit also extends some financial help to low-paid single people and childless couples. However, critics (eg Brewer, 2003) assert that there is little evidence that either in-work poverty or work disincentives is generally extensive amongst childless single people and couples. Child tax credit has on the whole been more warmly welcomed than working tax credit.

But, like other systems of means-tested financial support, both working tax credit and child tax credit have disadvantages, especially for women. These are all jointly assessed ('aggregated'). This means that, for couples, the income which both partners have is added together, to see whether they qualify. Potential 'second earners' in couples in particular may be deterred from taking employment if they know that much of what they earn will be deducted from the means-tested benefits/tax credits the family is getting, and therefore will not add much to their total income. These potential second earners are usually women. The evidence about the former working families tax credit suggests that this may have happened (Brewer *et al.*, 2005), although the reduction of labour supply by mothers under that system was slight.

The Government has made various modifications in new tax credits, to try to ensure that disincentives to work are lessened for second earners. In particular, the initial disregard of earnings over the year has recently been raised from £2,500 to £25,000. And it has in any case been keen to encourage women into employment in various

ways – though more in order to reduce the number of workless households than to secure an independent income for women. But there is an inherent limit to how far disincentives can be reduced in a means-tested system (Bennett and Hirsch, 2001).

In addition, other issues arise with new tax credits because they are closer to the income tax system than the preceding schemes. In principle, either assessment or delivery of tax credits - or both – can be done via the income tax system. These new tax credits are not in fact assessed through the income tax system, as a separate form has to be completed to claim them. And, although working tax credit was paid through the paypacket, deducted from income tax owing where that was relevant, this stopped in April 2006, and payment is now made direct, just like a benefit, instead. Although the Government claimed that this change is being made because people now do associate working tax credit with income tax and with employment, so there is no need to go on paying it through the paypacket, the real reason is likely to have been pressure from employers not wanting to deal with it any more.

On the other hand, HM Revenue and Customs (previously the Inland Revenue) does administer tax credits; definitions of income are similar to those for income tax; and, perhaps most importantly for claimants, income is looked at over a whole year like income tax, rather than at one point in time, or over a short period, like most benefits. Taxpayers in the UK are used to their income tax payments being adjusted from month to month under the PAYE system. But the fact that tax credits are also adjusted throughout the year, depending on changes of circumstances, in addition to initial computer problems, was causing such difficulties in terms of overpayments that it

threatened in 2003-05 to discredit the whole system (Parliamentary and Health Services Ombudsman, 2005).

And because tax credits are jointly assessed for couples, this has been identified by feminists and others as a threat to the hardwon principle of independent taxation for women (see, for example, Fabian Society, 2000). The Government denies that tax credits do threaten independent taxation (Brewer, 2003). It argues that each partner continues to be assessed separately for income tax in terms of tax allowances, tax bands etc. However, for nine out of ten couples with children, ie the vast majority, joint assessment is now the norm for at least part of the money they get for their children – child tax credit.<sup>24</sup> This must compromise both privacy and autonomy, especially since tax credits must be jointly claimed, with both partners signing the claim form. New tax credits also introduce the concept of joint ownership, and joint liability on both partners for supplying information to the authorities and for repaying any overpayments.<sup>25</sup>

As noted before, the government has always been keen for tax credits to be associated with income tax, which is an individualised system (and with employment and wages, which also relate to individuals rather than to households) (HM Treasury, 1998).

Ironically, therefore, to deny the threat which tax credits pose to independent taxation dissociates them from the income tax system, in a way which contradicts the Government's linkage of the two.

---

<sup>24</sup> Although there were fears about the future of child benefit on the introduction of the new tax credits, it currently continues as a non-means-tested, non-contributory benefit for virtually all children in the UK.

<sup>25</sup> For this purpose working tax credit and child tax credit are treated as one; so, for example, one partner's overpayment on working tax credit may be deducted from the other partner's child tax credit (Griggs *et al.*, 2005, p. 39).

Brewer (2003) argued that new tax credits illustrate the Government's frustration with the income tax system for not allowing sufficient targeting, and the benefits system for being complicated and stigmatising. The government has declared that its goal is a 'family-friendly tax system' - and that to achieve this, the 'integration of tax and benefits' is necessary (Brown, 2002). But on closer examination this seems to prioritise the relationship between the resources of single earner and two earner families as the key issue (HM Treasury, 2005, p. 33; Cass and Brennan, 2003). A 'family-friendly tax system' seems to mean one in which resources can be targeted on families whose total income is lower because one partner is out of the labour market.

We have of course been here before; this is reminiscent of debates around the 1986 Green Paper on Personal Taxation (Lister and Bennett, 1986), which were discussed earlier in this paper. In particular, policy makers arguing in favour of mechanisms to support the one-earner family - whether these are transferable personal allowances or jointly assessed means-tested transfer payments - do not seem to ask why one adult may be out of the labour market, or whether it might make more sense in any case to direct any additional resources at them rather than at their partners. What such policy makers do not focus on, in this context at least, is the relationship between the resources of individual men and women (the gender gap). In addition, they tend to look at the household at one point in time (see, for example, HM Treasury, 2005), rather than looking at the incomes of the individuals who make up that household in a dynamic, lifetime perspective. If they did the latter, they would also have to focus on key gender issues. And yet these figures are assiduously collected and analysed every year in the UK (see, for example, WEU, 2005).

This raises a wider issue, which is the opposition sometimes perceived between tackling gender inequality and working against child poverty (the latter being a key concern for the Labour Government). For example, it appears that independent taxation is sometimes seen as the major practical obstacle to a targeted, integrated tax and benefits system, better focused on families living in poverty - perhaps in the form of a negative income tax (HM Treasury, 2005).<sup>26</sup> However, the opposing case can be argued: that there is an intimate relationship between women's and children's poverty (Women's Budget Group, 2005), and that tackling the inequalities between men and women is fundamental to eradicating child poverty.

## **5. Lessons from the UK?**

In previous reforms of taxation and tax credits, as described above, key goals for those concerned with gender inequality in the UK have been the achievement of independent taxation for women and the routing of income for children via the main carer, usually the woman. Independent taxation was achieved in 1990. Women currently pay about £1 in every £4 of income tax and capital gains tax, though they also pay about £3 in every £5 of inheritance tax<sup>27</sup> (House of Commons *Hansard*, Written Answers 31 October 2005, col. 728W). And on several occasions, as outlined above, there have been battles over resources for children being paid to the main carer, which have so far been won.

What challenges currently face us in the UK? The first is the concern, explained above, that whilst independent taxation still exists for income tax, joint assessment is being extended to a much larger group of the population than hitherto, and is

---

<sup>26</sup> The Government also believes that a negative income tax would not distinguish sufficiently between being in and out of (paid) work.

<sup>27</sup> Largely because married women often outlive their husbands, and so are left with the estate to pay tax on at their own death, whereas on transfer from their husbands it was exempt from inheritance tax.

increasingly encroaching on the lives of those subject to it, via new tax credits. As noted above, the Government denies that tax credits threaten independent taxation. It argues that new tax credits do not interfere with privacy, and that each partner continues to be assessed separately for income tax in terms of allowances, tax rate etc. However, an alternative definition of independent taxation would also include autonomy (Fabian Society, 2000). In other words, this would imply that a partner's decisions and actions should not affect the amount of income tax payable or tax credit/allowance claimable. On this definition, tax credits clearly do threaten independent taxation; and, as noted above, to deny this dissociates new tax credits from the income tax system, thus defeating one of the Government's objectives.

Questioning of independent taxation may be growing. A recent incident in which a current government minister admitted that she had signed a mortgage form proffered by her husband without knowing much about what it entailed has (perhaps rather paradoxically) raised issues about independent taxation. One journalist, for example, wrote in a recent article in a quality broadsheet:

‘... the personal tax allowance is not transferable between couples.

This penalises a partner in a lower or middle-income household who opts for full-time family responsibilities over paid work.’

(Mary Dejevsky, *The Independent*, 9 March 2006)

It is possible to speculate why independent taxation for women appears to have been such a fragile achievement, and why it appears to be being threatened by joint assessment for new tax credits. Although there was an alliance of women's groups and the poverty lobby in the mid to late 1990s, the achievement of independent taxation has often been characterised as benefiting better-off women in particular (in

part of course this was true, as those on lower incomes do not pay income tax at all, and women with more savings income benefited more from the separation of their income from their husbands'). Measures could have been taken simultaneously to increase taxation on better-off individuals, but were not. It is possible that advocacy of independent taxation may also undermine the rather rosy beliefs about sharing of resources within couples, not always borne out in practice (Rake and Jayatilaka, 2003), and may therefore be resisted by those anxious to maintain such beliefs.

There has also been a long-running emphasis in the UK on joint assessment (means-tested provision) within a social security system which is often categorised as being at the 'residualist' end of welfare state regimes (Esping Andersen, 1990). The key function of transfers for people of working age is therefore seen in the UK as addressing household need at one point in time (HM Treasury, 2005), rather than providing either social protection over the lifecycle for individuals or a base for citizenship rights for all. This view constructs gender equality as inimical to the drive against poverty (particularly child poverty), and especially in the current context therefore makes for an unstable basis for pursuing independence and autonomy for women and men in direct taxation and transfer payments.

In the past, the Institute for Fiscal Studies has suggested that tax credits support a 'male breadwinner' model family; and all the examples in the recent government document on tax credits (HM Treasury, 2005) seem to be one earner couples (or single earners). It could be argued that in some ways new tax credits actually encourage more equal sharing of paid and unpaid work within couples. Help with childcare costs is only available if both partners are in paid work of 16 hours per week or more. And couples can share their working hours between them in order to qualify

for the 30 hour bonus in working tax credit. But in practice over 90 per cent of main earners in couples on working tax credit are working 35 hours or more per week (House of Commons *Hansard*, Written Answers 28 October 2004, col. 1382W).

Indeed, the prime minister has claimed<sup>28</sup> that working tax credit helps half a million mothers to choose to stay at home.

Now some commentators are arguing that the system should be reformed to go further in this direction. David Willetts MP (then spokesperson on social security issues for the Conservative Party) argued,<sup>29</sup> for example:

‘... the failure of tax credits to provide any extra help for the second adult in a one-earner family might be defended by the Treasury as an extra incentive to work but it also means that their instruments are not properly aligned with their poverty objectives.’ (*Search*, Winter 2004/05, Joseph Rowntree Foundation, p. 35)

The UK has been characterised as being one of the stronger rather than weaker male breadwinner regimes (Lewis, 1992). In addition, in the past there has been a marked reluctance in the UK to interfere in the ‘private’ sphere of the family (Kamerman and Kahn, 1978, 1997); such interference would be seen as social engineering (although under successive Labour governments since 1997, this is now changing). This may explain why in the past under Conservative governments there was such loyalty to the protection of the single earner (in practice male breadwinner) family; and why even

---

<sup>28</sup> In a speech on 11 November 2004.

<sup>29</sup> This is in fact to misunderstand the structure of the tax credits system, which does give more for a couple than a single person, but gives the couple rate to lone parents in addition. (By contrast, however, in the *Households Below Average Income* statistics, on which low income data are based, equivalence scales give very different income totals for lone parents compared with couples with children.)

now under a Labour government there is still some reluctance to interrogate the idea(l), and the implications, of 'choice' in relation to gender roles within the family.

Secondly, there is beginning to be a debate about the label of 'main carer' – who is usually still the mother in most couple families (although as explained above couples can choose which partner best meets this description). Woolley (2002) has argued that there is both a 'maternalist' and a 'feminist' case for routing payments for children via the mother. The 'maternalist' case is that money paid via the woman is more likely to reach the children. The 'feminist' case is that women may suffer if they have no independent access to economic resources.

This argument has been won several times in the UK over the last thirty years, with both Conservative and Labour governments being persuaded to change their minds despite their initial intentions (on child benefit, family credit and working families tax credit). In 2003, although part of the new tax credits payments was diverted via employers as working tax credit, there never seems to have been any doubt that child tax credit was going to be paid to the 'main carer'. This therefore appears to be a principle with a much firmer policy foundation - even though, paradoxically, it also appears to comprise 'social engineering'. But this influences the intra-household distribution of resources in a traditionalist direction in terms of gender roles, rather than challenging the traditional gender division of labour by challenging 'choice'.

The current Labour Government in the UK claims to have effected a transfer from men to women (usually still the 'main carer' in families) through the introduction of tax credits and other recent measures of some £2 billion once child tax credit is fully

in place for those out of work as well (HM Treasury, 2003). But these additional resources are largely not for women's own needs but for others', with women acting as a conduit for the safer transfer of resources to other people (Daly and Rake, 2003; Bennett, 2002). There may be a tendency to assume that, once women have been given resources to meet children's needs, issues about their access to income for their own needs have been solved – which is of course not the case. Has the success of the arguments for paying money for children to mothers/the 'main carer' ironically perhaps exacerbated the problem of the invisibility of women's own needs?

In addition, there is some concern about the label of 'main carer' itself. This is largely coming from the separated fathers' lobby, which is calling for benefits and tax credits for children to be shared - if care of the children is shared between father and mother after separation - rather than all of them being given to the parent with care (who is still usually the mother).<sup>30</sup> But it is difficult in practice to discuss this issue without it being seen as relevant to intact families as well. Indeed, very preliminary analysis from qualitative research being carried out for the Within Household Inequalities and Public Policy project funded by the Economic and Social Research Council indicates that many men, and some women, in the intact couples interviewed are hostile to the concept of the 'main carer', believing that it denies a caring role to the other partner.

The Government argues that, although it will continue to listen to representations on this topic, its target to eradicate child poverty means that

'it is necessary to focus financial support in a way which enables the parent with main responsibility for the child to provide for the child's needs. Child

---

<sup>30</sup> Family law recognises and indeed encourages shared care between separated couples in principle, although the overriding consideration in law is the welfare of the child, rather than any supposed rights of the parents.

poverty groups support this approach. Splitting tax credits and benefits could have far reaching risks and consequences.’ (House of Commons *Hansard*, Written Answers 2 December 2004, col. 199W)

Some commentators (such as Cass and Brennan, 2003) seem to equate gender equity with the redistribution of income to carers. This is obviously very important, especially in a context in which many women have no access to other sources of independent income. But another key goal for the achievement of gender equity for many is the more equal sharing of caring tasks between the sexes. Some feminist writers (eg Daly and Rake, 2003) have therefore also queried whether the application of the label ‘main carer’, and the fact that couples have to identify which one of them performs this role, may solidify the gendered division of labour and militate against a more equal sharing of care responsibilities between men and women.<sup>31</sup>

But this does raise the final issue for discussion, which is the wider context of debates on tax and benefits. It is important to ensure that taxation and transfer payments are working in the right direction, in terms of gender relations. But commentators on taxation and gender issues are clear that the impact of tax systems can only be judged in the context of the broader mix of policy instruments in a society (O’Donoghue and Sutherland, 1999; Dingeldey, 2001). In addition, we have become increasingly aware over recent years that true autonomy and gender equity will only be achieved by a more fundamental shift in men’s behaviour, together with the wider sharing of caring tasks by society as a whole, rather than leaving it to individual women and men.

---

<sup>31</sup> The legislative position on child benefit is rather different, with a default arrangement that the mother receives child benefit unless she transfers it to the father. This appears to be questioned more rarely, perhaps because it is not accompanied by a label such as ‘main carer’. But separated fathers are querying mothers’ rights to child benefit in cases of shared care in a similar way.

Thus, for example, whilst current gender inequalities persist – for example, while separated fathers are usually much better off than separated mothers - it is difficult to see how reforms in taxation and benefits alone can solve this. And any moves towards individualisation of tax (and benefits) need to be carried out in a way which protects the interests of those women who have not achieved full economic independence, by giving transitional protection, and must be accompanied by measures to ensure that women will be able to achieve independence in the future – rather than having it assumed, or indeed thrust upon them. As Lewis and Bennett (2004, p. 43) argue, problems arise in this area if policies are based on an ‘ought’ rather than an ‘is’.

Whilst gender aware policies on taxation are crucial, therefore, they can only ever be part of a broader strategy to achieve gender equality.

The introduction of a ‘gender duty’ on public bodies in the UK from April 2007 means that they will be required not only to combat discrimination but also to proactively promote gender equality. This could present an opportunity to pursue a more comprehensive application of gender impact assessment tools to policy on taxation and transfers, as in other areas – one which does focus, as this paper has tried to do, on roles and power relations in addition to resources.

## **Annex 1 - Rates of selected tax allowances, tax credits and benefits**

**Married man's allowance** (1986): £70 per week

**Wife's earned income allowance** (1986): £45 per week

**Personal tax allowance** (2006/07): £5044/year ie £97 per week

**National minimum wage** (from October 2005)

- : £5.05/hour for most workers aged 22 or over  
(development rate for new workers in training: £4.25/hour)
- : £4.25/hour for 18-21 year olds
- : £3/hour for 16-17 year olds

**Child benefit** (2006/07)

- : only/eldest child: £17.45 per week
- : other child/ren: £11.70 per week

**Child tax credit (CTC)** (2006/07)

- : family element: £545 per year
- : child element: £1765 per year

**Working tax credit (WTC)** (2006/07)

- : basic element: £1665 per year
- : couple element: £1640 per year
- : bonus (for 30 hours' work per week or more): £680 per year
- : childcare element: 80% of childcare costs to a weekly maximum of £175 per week for one child or £300 for two or more children
- : first income threshold: £5220 (WTC alone or with CTC)  
: £14155 (CTC only)

Families with annual gross incomes below £14155 are entitled to the full amount of CTC. Incomes above this reduce entitlement to the per child element at the rate of 37p in the pound until a family is left with just the family element (this threshold will depend on the number of children in the family). Incomes above some £50,000 per year or so reduce entitlement to the family element at a rate of c. 6.7p in the pound.

Families with annual gross incomes below £5220 are entitled to the full amount of WTC. Incomes above this level reduce entitlement at the rate of 37p in the pound. As the childcare element is part of working tax credit, this increases the eligible income.

(Figures for current benefit and tax credit rates from CPAG (2006); explanation of tax credits system from Brewer (2003); 1986 figures from Symons and Walker (1986).)

## Bibliography

- Adam, S. and Brewer, M. (2004), *Supporting Families: The financial costs and benefits of children since 1975*, Bristol: The Policy Press
- Bellamy, K., Bennett, F. and Millar, J. (2006), *Who Benefits? A gender analysis of the UK benefits and tax credits system*, London: Fawcett Society
- Bennett, F. (2002), 'Gender implications of current social security reforms', *Fiscal Studies* 23 (4): 559-584
- Bennett, F. (2003), 'Myths about the tax and benefit system', *Benefits*, issue 38, vol 11, issue 3, 199-200
- Bennett, F. (2005), 'Policy implications of tax credits', unpublished paper, available on Institute for Fiscal Studies website ([www.ifs.org.uk](http://www.ifs.org.uk))
- Bennett, F. (2005), *Gender and Benefits*, Manchester: Equal Opportunities Commission
- Bennett, F. and Hirsch, D. (2001), *The Employment Tax Credit and Issues for the Future of In-work Support*, York: Joseph Rowntree Foundation
- Brewer, M. (2003), *The New Tax Credits*, Briefing Note no. 35, London: Institute for Fiscal Studies
- Brewer, M. (2005), 'Time to stop weakening work incentives?', presentation to Institute for Fiscal Studies conference, 'Where Now for Tax Credits?', 15 September
- Brewer, M., Duncan, A., Shephard, A. and Suarez, M.J. (2005), *Did Working Families' Tax Credit Work? The final evaluation of the impact of in-work support on parents' labour supply and take-up behaviour in the UK*, London: HM Revenue and Customs
- Brown, Rt. Hon. G. (2002), Budget speech, 17 April
- Cabinet Office (1998), *Policy Appraisal for Equal Treatment (guidelines)*, London: Cabinet Office
- Cass, B. and Brennan, D. (2003), 'Taxing women: the politics of gender in the tax/transfer system', *eJournal of Tax Research* 1 (1): 37-61
- Child Poverty Action Group (2006), *Welfare Benefits and Tax Credits Handbook 2006/07*, London: CPAG
- Commission on Taxation and Citizenship (2000), *Paying for Progress: A new politics of tax for public spending*, London: Fabian Society

Daly, M. and Rake, K. (2003), *Gender and the Welfare State: Care, work and welfare in Europe and the USA*, Cambridge: Polity Press in association with Blackwell Publishing Ltd.

Dingeldey, I. (2001), 'European tax systems and their impact on family employment patterns', *Journal of Social Policy* 30 (4): 653-672

Esping Andersen, G. (1990), *The Three Worlds of Welfare Capitalism*, Cambridge: Polity Press

Goode, J., Callender, C. and Lister, R. (1998), *Purse to Wallet? Gender inequalities and income distribution within families on benefits*, London: Policy Studies Institute

HM Treasury (1986), *The Reform of Personal Taxation*, Green Paper, Cmnd 9756, London: HMSO

HM Treasury (1998), *Work Incentives: A report by Martin Taylor – The modernisation of Britain's tax and benefit system no. 2*

HM Treasury (2002), *2002 Spending Review: Public Service Agreements 2003-2006*, Cm 5571, London: The Stationery Office

HM Treasury (2003), *Pre Budget Report: The strength to take the long-term decisions for Britain - seizing the opportunities of the global recovery*, Cm 6042, The Stationery Office

HM Treasury (2004), *2004 Spending Review: Security, stability and opportunity for all – Investing for Britain's long-term future, New public spending plans 2005-2008*, London: The Stationery Office

HM Treasury (2005), *Tax Credits: Reforming Financial Support for Families – The modernisation of Britain's tax and benefit system no. 11*, London: HMT

HM Treasury and Department of Trade and Industry (2004), *Gender Analysis of Expenditure Project: Final report*, London: The Stationery Office

Hirsch, D. (2000), *A Credit to Children: The UK's radical reform of children's benefits in an international perspective*, York: York Publishing Services for Joseph Rowntree Foundation

Hobson, B. (2004), 'The individualised worker, the gender participatory and the gender equity models in Sweden', *Social Policy and Society* 3 (1): 75-83

Kamerman, S.B. and Kahn, A.J. (eds.) (1978) *Family Policy*, Columbia University Press

Kamerman, S.B. and Kahn, A.J. (eds.) (1997), *Family Change and Family Policies in Great Britain, Canada, New Zealand and the United States*, Oxford: Oxford University Press

- Lewis, J. (1992), 'Gender and the development of welfare regimes', *Journal of European Social Policy* 2: 159-173
- Lewis, J. and Bennett, F. (2004), 'Introduction' to themed section on gender and individualisation, *Social Policy and Society* 3 (1): 43-45
- Lister, R. (2001), 'New Labour: a study in ambiguity from a position of ambivalence', *Critical Social Policy*, 21: 425-447
- Lister, R. (2005), 'Being feminist', *Government and Opposition* 40 (3): 442-463
- Lister, R. and Bennett, F. (1986), *Opportunity Lost: A response to the Green Paper on the Reform of Personal Taxation from the Child Poverty Action Group*, London: CPAG
- Mendelson, M. (1998), *The WIS That Was: Replacing the Canadian Working Income Supplement*, York: York Publishing Services for Joseph Rowntree Foundation
- Millar, J. and Hole, D. (1998), *Integrated Family Benefits in Australia and Options for the UK Tax Return System*, York: York Publishing Services for Joseph Rowntree Foundation
- O'Donoghue, C. and Sutherland, H. (1999), 'Accounting for the family in European income tax systems', *Cambridge Journal of Economics* 23 (5): 565-598
- Office for National Statistics (2003), *Brief Guide to Gender Statistics*, London: Office for National Statistics
- Pahl, J. (2005), 'Individualisation of couple finances: who pays for the children?', *Social Policy and Society* 4 (4): 381-391
- Parliamentary and Health Service Ombudsman (2005), *Tax Credits: Putting things right*, HC 124, Third Report, Session 2005-06, London: The Stationery Office
- Rake, K. and Jayatilaka, G. (2003), *Home Truths: An analysis of financial decision making within the home*, London: Fawcett Society
- Stewart, K. (2005), 'Towards an equal start? Addressing childhood poverty and deprivation', in J. Hills and K. Stewart (eds.), *A More Equal Society? New Labour, poverty, inequality and exclusion*, Bristol: The Policy Press
- Symons, E. and Walker, I. (1986), 'The reform of personal taxation: a brief analysis', *Fiscal Studies* 7 (2): 38-47
- Whiteford, P., Mendelson, M. and Millar, J. (2003), *Timing it Right? Tax credits and how to respond to income changes*, York: Joseph Rowntree Foundation
- Women and Equality Unit (2002), *Gender Impact Assessment*, London: Department of Trade and Industry

Women and Equality Unit (2004), *Individual Incomes of Men and Women by Ethnicity*, London: Department of Trade and Industry

Women and Equality Unit (2005), *Individual Incomes of Men and Women 1996/97 to 2003/04*, London: Department of Trade and Industry

Women's Unit/Cabinet Office, press release CAB 205/99, 6 October 1999