GENDER IMPACT ANALYSIS OF TAX POLICIES

Revised Report Version 2

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Acronyms

BIT	Business Income Tax
BITS	Bhutan Integrated Taxation System
CD	Customs Duty
CEDAW	Convention on Elimination of all forms of Discrimination Against Women
CIT	Corporate Income Tax
CRC	Convention on Rights of Child
CRM	Common Research Methodology
DCSI	Department of Cottage and Small Industries
DHI	Druk Holding and Investment Ltd.,
DRC	Department of Revenue and Customs
FGD	Focus Group Discussion
GDP	Gross Domestic Product
GRPB	Gender Responsive Planning and Budgeting
GST	Goods and Service Tax
KII	Key Informant Interviews
MoF	Ministry of Finance
MOICE	Ministry of Industry, Commerce and Employment
NCWC	National Commission for Women and Children
NRR	National Revenue Report
PEFA	Public Expenditure Financial Management
PI	Performance Indicator
PIT	Personal Income Tax
PPCM	Policy and Planning Coordination Meeting
RAMIS	Revenue Administration Management Information System
RRCO	Regional Revenue and Customs Office
SAARC	South Asian Association for Regional Cooperation
SDG	Sustainable Development Goals
ST	Sales Tax
STF	SDGs Taxation Framework
TAT	Turn Around Time
TPN	Tax Payers Number
VAT	Value Added Tax
WCO	World Customs Organization

Executive Summary

Achieving gender equality in economic opportunities and outcomes is crucial for sustainable economic growth. Despite progress made in the past fifty years, global gender disparities persist due to constraints hindering women's access to education, healthcare, financial services, and the workforce. Advancing gender equality in these areas has proven to enhance economic productivity, resilience, and reduce income inequality. The aftermath of the pandemic has disproportionately affected women, highlighting the need for renewed focus on gender equality in taxation policies.

This study aims to support the implementation of gender-responsive taxation in Bhutan by analyzing gender within current tax laws, identifying challenges and biases contributing to gender disparities, and proposing reforms to achieve gender equality in tax policies.

The study was conducted through an extensive review of policy documents, reports, National revenue data and supplemented by global literature analysis. Key informants interview were conducted to gather insights on tax policies and gender from stakeholders. The study utilized both primary and secondary data collection methods, including an analysis of income tax data for 2022, consumption data from BLSS and an online survey to gauge tax administrators' perceptions. Focus group discussions were held with relevant stakeholders, further enhancing the depth of insights gathered. Qualitative analysis of unpaid care work and the informal sector's connection to taxation policies was primarily conducted through desk reviews and complemented using key informant interviews and focused group discussions.

The first part of the report presents the findings from global literature and discusses the National context through review of National and international commitments on gender and taxation. An overview of different taxes in Bhutan is also elaborated. The second part of the report presents the details of the methodology adopted for the study. The findings from the study are presented in the next section through analysis of sex-disaggregated data, gender mainstreaming in tax policies, unpaid care work, informal sector and tax administration and compliance.

Overall, key findings suggest taking a gendered approach to taxation can lead to increased tax revenue, improved efficiency in tax policy, reduced inequalities, and enhanced tax compliance. Gender biases in taxation can result in economic losses and perpetuate gender inequality. It is crucial to consider gender disparities in various aspects of taxation, such as paid employment, unpaid care work, consumption expenditure, and property rights. Tax policies that incorporate gender equity can support inclusive growth and economic participation for both men and women. Tax administrations play a vital role in promoting gender equality through gender-sensitive tax laws and inclusive workforce practices.

The analysis of existing tax policies of Bhutan and primary data analysis of income taxes suggests that while there are no explicit biases in taxation policies, the existence of implicit bias pose risk of reinforcing existing gender inequalities. Income tax analysis shows that

majority of women are either in the low-income categories or informal sector and bear comparatively lower tax burden. However, this also implies that women do not generally benefit from tax incentives or concessions. Further, the disproportionate burden of unpaid care work on women hinders their participation in the labour market and in taking up business opportunities, which limits the potential for increasing tax base and revenue generation. The report also highlights the lack of gender mainstreaming in the current tax policies and underscores the need for systematic approach to collecting sex-disaggregated data

The study emphasises the need for gender-sensitive tax laws, gender-balanced tax administrations, and fair enforcement to promote gender equality. Recommendations include formulating gender-responsive tax policy reforms, capacity building, and institutional strengthening.

The study underscores the role of taxation policy as a powerful instrument for shaping societal norms, fostering gender equality, and contributing to sustainable economic development. By addressing gender disparities in taxation policies, countries can promote inclusivity, empower women, and advance towards achieving global SDGs.

1. Background

Attaining gender equality in economic opportunities and outcomes is important for inclusive and sustainable economic growth. Despite notable strides in the past fifty years, global gender disparities persist significantly. The disparities stem from constraints that hinder women's access to education, healthcare, financial services, and workforce. Advancing gender equality in these realms has proven instrumental in elevating economic productivity and growth, fortifying economic resilience, and diminishing overall income inequality (Hsieh et al., 2019; IMF, 2013, 2018).

The macroeconomic significance of gender equality becomes particularly pronounced as we navigate the aftermath of pandemic crisis, economic repercussions of which have disproportionately affected women (IMF, 2021b).

The interaction of tax policies and gender equality had its presence in the global development discourse for quite some time. Currently, a renewed focus is seen as an aftermath of the COVID-19 pandemic and its negative socio-economic impacts on girls and women. Bhutan's accession to CEDAW in 1982, the Beijing Declaration and Platform for Action in 1995 and development thereafter in legal and institutional setup have resulted in greater awareness among policymakers on gender mainstreaming as a cross cutting strategy to achieve gender equality. However, discussions on taxation system and policy and its differentiated impact on men and women is limited. There are limited existing studies on taxation policies and its relationship with different genders.

The role of tax as an instrument for revenue collection to finance development goals and its redistributive functions have been practiced in Bhutan since 1989. However, given the current context, and with only six years to 2030, it is imperative to reframe the role of tax for achieving Bhutan's economic development goals and its commitments to the global SDGs. With reference to SDG5 on gender equality and the empowerment of women, taxation and fiscal policy plays a key role, not only as a means to finance but as a tool to bring transformative change such as inducing greater participation of women in the labour market and encouraging women to take up business opportunities to name a few.

As the country embarks on its ambitious economic development plan in the 13th Five Year Plan (FYP), the UNDP Tax for SDGs initiative is critical. This initiative provides an opportunity to reinforce gender-mainstreaming efforts in the fiscal policies within which tax policy forms an important aspect. The Ministry of Finance (MoF) with the National Commission for Women and Children (NCWC) adopted the Gender Responsive Planning and Budgeting (GRPB) in 2010. Therefore, a gender responsive tax and fiscal policy system would consolidate the MoF's effort for inclusivity and gender responsive policies.

This study has been initiated under the joint collaboration of the Department of Revenue and Customs of MoF and the UNDP under the Tax for SDGs initiative. The study examines gender-related aspects within taxation and tax policies, addressing issues that connect with the broader discourse on gender-responsive budgeting. It has the potential to underscore the role of taxation

policy not just as a revenue-generating tool but as a powerful instrument for shaping societal norms, fostering gender equality, and contributing to sustainable economic development.

2. Scope and objectives of study

The primary objective of this study is to support the implementation of gender-responsive taxation. The study involves undertaking analyses and research to assess gender impact and provides policy guidance for reforms to achieve gender-responsive tax policies. The study findings enhance understanding of gender-related aspects within existing tax laws, policies, regulations, reports, and other relevant documents pertaining to the country's gender equality goals. The study generates knowledge and evidence to guide formulation of taxation policies and practices that are attuned to gender considerations.

The specific objectives include:

a) Conducting an analysis of the gender impact within the current tax laws, regulations, and associated policy frameworks. Place emphasis on gender-related aspects, aligning the investigation with the guidelines outlined in the Common Research Methodology on tax and gender;
b) To build on the findings of the self-evaluation and diagnostics status regarding the coherence of tax policy and administration in reaching the targets of Sustainable Development Goal 5 (SDG 5), using the SDGs Taxation Framework;
c) Identify strategic opportunities for incorporating gender considerations into the formulation process of tax policies;
d) Analyze potential challenges, biases, or intricacies in the taxation system that contribute to gender disparities;
e) Investigate tax incentives, exemptions, or benefits accessible to marginalized groups, with a focus on women;
f) Identify challenges, gaps, and opportunities in utilizing taxation as a tool for advancing gender equality, proposing suitable measures for enhancement;
g) Assess the taxation system in comparison to pertinent international standards and best practices;
h) Formulate recommendations for gender-responsive tax policy reforms, capacity building, and institutional strengthening.

3. Contextual Analysis

3.1 Literature review (Tax and gender in global context)

Gender in taxation is a multifaceted and evolving topic that involves assessment of the differential impacts of taxation policies and systems on individuals based on their gender. The significance of a gendered approach to taxation is often argued from an economic perspective besides the fundamental rights approach. Literature suggests that due consideration of gender in tax can enhance fiscal space to mobilise additional tax revenue, increase efficiency of tax and fiscal policy, reduce inequalities through redistribution of wealth, and enhance tax

administration and compliance. On the contrary, gender inequality and discrimination results in economic losses because of the lowered total factor productivity, reduced level of education, and labour force participation in an economy. The OECD[1] estimates a loss equivalent to 16% of the global GDP because of gender inequality. (in 2016).

[2] Taxation policies are influenced by social attitudes and practices. As a result, many taxation policies exhibit gender bias. Prior to 1990, British tax laws required property incomes of a family to be attributed to the husband in a joint filing system. [3]Similarly, Income Tax regulations of Kenya, regarded the income of a married woman residing with her husband as the husband's earnings and was liable for evaluation and taxation under his name, unless the woman decided to file her taxes separately. In Burkina Faso, women were allowed to claim tax deductions if they have not already been claimed by their husbands. However, with the changing gender norms and attitudes, the taxation policies have also changed. Working papers published by the IMF in the mid-1990s states that many Western European nations reformed their taxation policies in early 1980s.[4]A notable rise in the discussion was seen around the biases in taxing the secondary earner, which were mostly women, within the joint filing of tax as well as on how incentive in the income tax has influenced women's labour force participation and childbearing. These suggest that existing gender neutral taxation policies that do not consider pre-existing gender inequalities in society risk causing further inequality.

[5]Scholars studying the intersection of gender and taxation advocate for a thorough investigation into the disparities between men and women arising from societal power dynamics within households, markets, and organisations. Additionally, they stress the significance of examining intersectionality by considering other social factors like class, race, ethnicity, caste, and location (e.g., urban or rural).[6] Empirical research on the gender analysis of taxation policies has resulted in the following established patterns for consideration:

(i) **Gender differences in paid employment, including formal/informal employment, wages and occupational segregation:** Women in general pay less personal income and direct taxes due to their employment profiles, which are marked by intermittent work, lower earnings compared to men, and a prevalence in low-paying informal sectors. Nonetheless, their disadvantaged employment status also hinders their ability to access specific benefits provided by tax systems for formal employees.

[1] OECD(2022), Tax Policy and Gender Equality: A stocktake of country approaches, OECD Publishing, Paris, https://doi.org/10.1787/b8177aea-en.
[2] Stotsky, J. G. (1996). Gender Bias in Tax Systems. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.882995
[3] Gender and Tax Policies in the Global South. (2020, May 26). In the International *Center for Tax and Development, Institute of Development Studies* .
[4] Stotsky, J. G. (1996). Gender Bias in Tax Systems. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.882995
[5] Grown, C., & Valodia, I. (Eds.). (2010, June 10). *Taxation and Gender Equity: A Comparative Analysis of Direct and Indirect Taxes in Developing and Developed Countries*. Routledge.
[6] ibid

(ii)**Women's work in unpaid care work:** In most countries, unpaid care work is not factored in the calculation of taxable income. Debates focusing on unpaid work and caregiving underscore the need for a broader definition of income. Gender experts contend that unpaid work and caregiving are essential services that support the functioning of the paid economy. This perspective implicates the concept of income, thereby suggesting that it should influence the determination of who bears the burden of taxes.

(iii) **Gender differences in consumption expenditure:** Women often allocate a greater proportion of their income to goods like food, education, and healthcare, which contribute to the well-being and capabilities of children. Consequently, it is crucial to examine how shifts in the relative prices of commodities impact spending patterns of women and men.

(iv) **Gender differences in property rights and asset ownership**: Legal ownership of land in numerous developing countries is predominantly held exclusively by men. Social norms tend to dictate male ownership of other family properties and businesses, despite women contributing to labor. Although there are signs of progress for women, particularly in entrepreneurship and business development, tax systems still lack recognition and attribute business income to the husband. Studies suggest that while property and business ownership are increasingly significant, tax policies have not yet addressed these evolving dynamics.

Taxation has diverse effects on gender equality, influencing both the methods of tax collection (with explicit and implicit biases) and the volume of tax revenue collected (allocated for gender-responsive public services). These effects encompass various aspects including but not limited to (i) gender bias labour taxation, (ii) gender-related challenges in transnational corporate tax practices, (iii) implications of consumption taxes, (iv) considerations regarding wealth and property taxation, and (v) gender-specific concerns within tax administration. Tax design that incorporates gender equity as a fundamental element supports inclusive growth. Tax policy measures wield significant influence over the economic participation of both men and women. This influence is evident in how taxes can either encourage or discourage engagement in the labour force, as well as its impact on decisions related to entrepreneurship and investment. Findings from the stocktake study of country approaches to gender equality and tax suggests that while explicit bias in the tax system was noted in some countries, most acknowledged the risk of implicit bias in the tax system which could reinforce gender gaps. Further, gender disaggregated data that is limited to income and labour force participation limits analysis of gender impact of tax on consumption, property and capital ownership.

[7]Tax administrations play a crucial role in contributing to gender equality through:

[7] Gender and Revenue Administration: Principles and Practices. (n.d.). In *https://www.elibrary.imf.org/view/journals/005/2023/004/article-A001-en.xml*.

-Administering Gender-Sensitive Tax Laws: Effectively implementing and applying gender-sensitive tax laws is essential. This involves viewing tax and trade laws through a gender lens, aiming to minimize barriers to women's employment, entrepreneurship, and trade. Providing unbiased information and support can significantly influence a woman's decision to seek employment, start a business, or achieve success in her entrepreneurial endeavours.

-Creating a gender-balanced and inclusive workforce of trade administrators is important. Implementing policies and procedures that ensure equal employment opportunities for all genders is crucial. This not only promotes fairness within the organization but also sets an example for broader societal inclusivity.

To prevent unintended reinforcement of gender biases, governments can adopt gender-sensitive tax rules and regulations, through a fair and efficient administration. For example, implementing refundable tax credits for childcare, available for the lowest secondary earner in a family, often a women, can be considered. However, when revenue administrations enforce stringent compliance measures for these credits, it may discourage women taxpayers from claiming them, thereby undermining the intended benefits. [8]On the other hand, literature from Global South shows that biases may arise when tax collectors apply certain tax policies more rigorously than others. For instance, businesses that are more visible, like market traders and street vendors, may end up paying more than less visible or harder-to-tax businesses due to stricter enforcement. The gendered implications of this depend on whether women dominate the more visible or harder-to-tax sectors, requiring a context-specific examination. [9] In situations where tax administration involves face-to-face interaction, numerous reports indicate that women often experience more harassment compared to men. Studies, particularly within marketplaces and border areas, highlight that women are more vulnerable to harassment and may be subject to demands for sexual favours by tax collectors in lieu of payments.

Research on taxation for achieving gender equality remains relatively uncharted in Asia and the Pacific[10]. While cross-country comparative studies on gender equality in taxation are accessible for certain global regions, such analyses are lacking for Asia and the Pacific. Consequently, policymakers in the region might not fully grasp the connections between taxation and gender, often perceiving taxation as gender neutral. Limited evidence exists regarding the impact of taxation on women, particularly in terms of its role in either bolstering or impeding their economic empowerment and resilience.

[8] Gender and Tax Policies in the Global South. (n.d.). In *https://www.ictd.ac/wp-content/uploads/2022/11/ICTD-Literature-Review-Tax-and-Gender.pdf*.
[9] ibid
[10] Niesten, H. (2023, July 28). *Taxation and gender in Asia and the Pacific: A Review of gender equality provisions in fiscal legal frameworks*. Asian Development Bank. https://www.adb.org/publications/taxation-gender-asia-pacific

3.2 Gender equality review of existing national policies, legal frameworks and international commitments

The Constitution of the Kingdom of Bhutan provides the overarching framework for gender equality in Bhutan. It ensures equality of citizenship rights, equal and effective protection by the law, and elimination of exploitation and discrimination against women. Recognizing global trends, GRPB was endorsed as a key strategy to accelerate investments for gender equality and women's empowerment. The formulation of the strategic framework for gender mainstreaming and GRPB, along with GRPB analysis of three key sectors for evidence building serve as facilitative frameworks. The adoption and implementation of National Gender Equality policy 2020 underscored a renewed commitment and focus on enhancing gender equality in all aspects of life.

The unconditional ratification of CEDAW and CRC by Bhutan demonstrates the political and legal commitments to advancing gender equality in Bhutan. The Beijing Declaration and Platform for Action (BPFA) in August 1995 provided additional momentum for the empowerment and progress of women. This includes securing the right to freedom, ensuring women the opportunity to fulfil their potential, and shaping their lives in alignment with their individual aspirations. In addition, gender equality is a central theme in the UN Sustainable Development Goals (Goal5) and Bhutan's approach to sustainable development are closely linked to its GNH principles. These international and national commitments and frameworks contributed to the significant strides made in advancing gender equality.

Enabling policy and legal frameworks pertaining to Taxation include free trade agreements as a member of SAARC, and legislations pertaining to income, consumption, property. Relevant national tax legislations include the Income Tax Act of Bhutan 2001, Fiscal Incentive (amendment) Act of Bhutan 2022, Customs Duty Act of Bhutan 2021, Property Tax Act of Bhutan 2022, Goods and Service Tax (Amendment) Act of Bhutan 2022 and the corresponding rules and regulations pertaining to these Acts. These legislative frameworks however appear to be neutral policies with gender dimensions not considered to a large extent. The Tax for SDG initiative is a recent development in Bhutan, which acknowledges the intersection of gender and tax. However, a good basis has been set with the SDG for taxation framework self-evaluation report spearheaded by MoF and the Public Expenditure and Financial Accountability (PEFA) assessment of gender responsive public financial management report (2023). Both reports demonstrate the leadership and ownership for adopting more gender responsive taxation policy and public finance management in general.

3.3 Overview of Taxes

The tax mix, defined as the distribution of total tax revenue obtained from various tax types in the country, include direct and indirect taxes as below:

Table 1: Categorization of Tax mix

Direct Tax	**Indirect Tax**
- Personal Income tax, - Business Income Tax, - Corporate Income tax and - Property Tax	- Goods and Services Tax (*Sales Tax, Excise Duty, Green Tax, tax on use of goods and on permission to use goods or perform activities*) - Taxes on international trade and transaction (*Customs Duty*) - Other taxes (*Service charges, royalties etc.*,)

In 2021-2022, the contribution of total revenue to GDP was 20.24%, of which tax revenue accounted for two-third[11]. Within tax revenues, direct taxes make up a slightly larger contribution compared to indirect taxes. Corporate income taxes contribute a large share of direct taxes with 74.7%. As for indirect taxes, sales taxes and Royalty together make up 80 percent of the total.

The revenue trend for the period 2017-2022 shows that taxes on average accounted for 67% of the national revenue with contribution of indirect taxes being slightly higher than that of the direct taxes. As indirect taxes are generally considered regressive, this could potentially exacerbate gender based income inequalities. Indirect taxes are typically embedded in the price of goods and services and an increase in sales tax or consumption taxes mean women, who frequently oversee household budgets and play a key role in making purchasing decisions and managing day-to-day expenses, may experience an increased burden. Such a tax burden would affect the well being of women especially in households with limited financial resources. The contribution of direct and indirect taxes experienced a decline from 2020 to 2021, primarily due to the pandemic's impact on various sectors, including employment, hydropower, and tourism. The tourism levy that contributed a fair share as royalty to indirect taxes was zero for 2020-2022. Further, the tax reforms of 2020 led to a decline in the number of taxpayers and overall tax revenue collection.

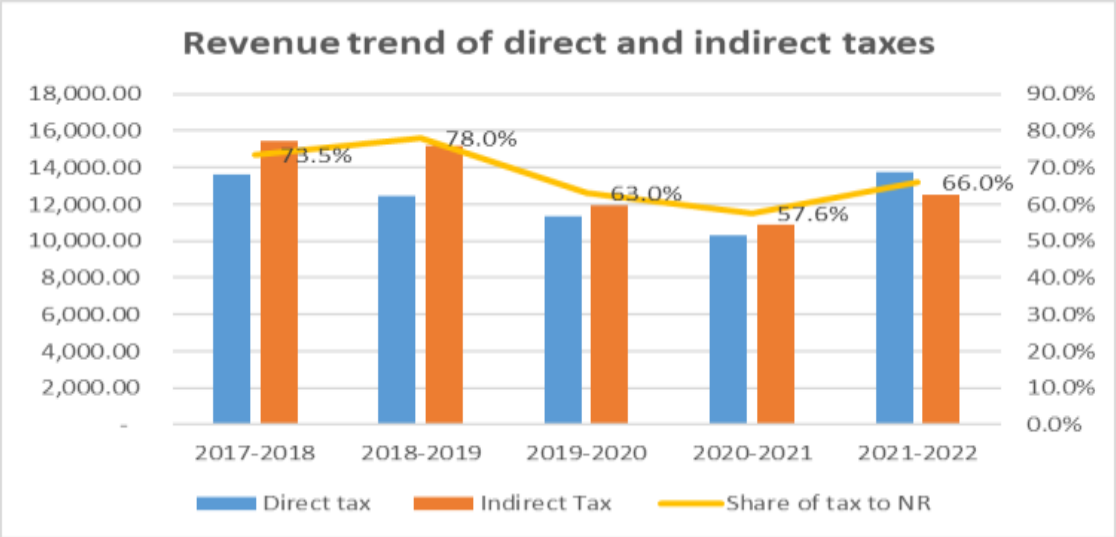


Figure1: Revenue trend of taxes and share of tax to National Revenue (source: NRR)

[11] Annual Financial Statement, MOF, June 2022

Some notable reforms in the tax system include the revision of the PIT schedule in 2020, the introduction of GST, rationalisation of customs duties through the Customs Duty Act of Bhutan 2021 and the amendment of Fiscal Incentive Act of Bhutan in 2022. The revision in the PIT schedule increased the PIT exemption threshold from Nu. 200,000 to Nu. 300,000 and was aimed to provide tax relief to lower income individuals, a majority of whom are women and reduce potential burden from the introduction of GST. This reform also improved the progressivity of direct taxes because income from pension and cash crops were exempted and a new maximum marginal tax rate of 30% was introduced with tax brackets readjusted which shifted the burden of taxes slightly more to higher income earners.

While the introduction of GST was planned to be effective from mid-2022, the implementation of GST was deferred until July 2024 due to the country's unfavourable economic situation and the operational readiness of the software component, the Bhutan Integrated Taxation System (BITS). The existing sales tax is viewed as consistently progressive due to its reliance on a small tax base and variations in consumption patterns among different income levels, placing a greater burden on the higher-income group. However, the introduction of GST will replace the current sales tax and implement a single customs duty of 7%. With fewer tax exemptions for Goods and services under the new GST and the application of standard rate, the new GST however may be regressive. These reforms are not gender responsive as differentiated impacts of these reforms on men and women are not considered. However, one can assume that since PIT and current sales tax is progressive, gender biases may be limited as opposed to the new GST, which may be slightly regressive.

4. Methodology

The study was conducted using the common research methodology (CRM), designed to aid countries in conducting a thorough examination of the gender responsiveness of their tax system. This approach offered a systematic approach to evaluate gender biases and disparities within prevailing tax policies, regulations, and administrative practices and services. By combining quantitative evidence, qualitative assessments, and participatory analysis, the outcomes of the assessment seek to guide policy discussions on the intersection of gender and taxation and facilitate the implementation of tax policies that are responsive to gender considerations.

4.1 Study Design and procedure

The following outlines the steps undertaken for the conduct of the assessment and preparation of study report:

- Initial discussions were held with the UNDP and DRC focal officials to establish a shared understanding of the anticipated outputs, scope of the assignment and discussion on the available information/data sources. The meeting also discussed support for formal introduction with key stakeholders including facilitation to acquire data.

- Considering the limited existing studies on gender and taxation policies in the national context, desk research involving an examination of existing literature on the gender and taxation policy in the global and regional context was undertaken. These reviews mainly provided insights into different practices in analyzing tax policies for gender equality. Additionally, the literature review was intended to understand some of the best practices and trends in tax policy for gender equality.

- An analysis and study on the responsiveness of various taxes and levies to gender was conducted through review of the existing policies and legislations. This was guided and based primarily on the Common Research Methodology.

- Report benefitted from the extensive review and comments received on the draft presented to the DRC management, the UNDP team and the NCWC.

4.2 Data collection and analysis

Several methods were used to collect information and data for the assessments of tax and gender. Firstly, an extensive review of relevant policy documents, published reports, websites, and national revenue reports was undertaken. This process was augmented by analysis of the global literature and publications specific to the topic from international organisations such as the World Bank, IMF, and ADB, as well as referring to relevant scientific papers. A set of key informant interviews was carried out in the second phase to gather insights on tax policies and gender from various stakeholders relevant to gender and taxation. The study involved both primary and secondary data collection. Primary data on perception of tax administrators was collected through an online survey using google forms. Secondary data on PIT and BIT for income year 2022 obtained from DRC and micro-data on BLSS 2017 and 2022 obtained from the National Statistical Bureau (NSB) were analysed to comprehend how income taxes distinctly impact men and women.

Focused group discussions (FGDs) were held with DRC, business representatives and gender focal persons in separate groups. The key informant interviews (KIIs) and FGDs facilitated the acquisition of comprehensive and first-hand insights using structured questionnaires. This approach ensured a triangulation of findings, incorporating information from the survey, data analysis, and the reviewed literature. The qualitative analysis of the unpaid care work and informal sector and its link with taxation policies were mostly conducted through desk review and supplemented by findings from the FGDs and KIIs. Excel analytical tools were used for data analysis and synthesis.

4.3 Study Limitations

The evaluation study encountered various organisational and analytical constraints. Despite the methodological approach aiming for a thorough review, incorporating consultations, additional validation interviews, quantitative data analysis, report preparation, and policy brief development, time constraints were limiting factors. The study period coincided with tax

season and the introduction of new property tax, which hindered timely consultations with tax officials.

The scarcity of sex-disaggregated data posed a significant challenge primarily. Quality and reliability of data provided was another issue with missing information. The availability and quality of data for consumption, sales tax, corporate income tax, and property income tax were limited to comprehensively illustrate the potential gender-differentiated impacts. It is therefore possible that the review may not have fully captured all the intricate nuances surrounding tax and gender. Further, study analysis had to be substantiated with global literature in the absence of past studies on the research focus.

5. Findings and discussions

5.1 Sex-disaggregated data

Collection of sex-disaggregated data is not institutionalised. At present, none of the tax acts, rules, and regulations mandate the inclusion of gender or sex disaggregated data. Therefore, the annual revenue report does not contain sex-disaggregated data of taxpayers. Moreover, there is currently no requirement in any acts, rules or regulations for both ex ante and ex post analysis of tax policies. Therefore, there are no available impact studies on any of the existing tax policies and regulations. This observation was confirmed during the focus group discussions (FGDs) held with DRC officials. The discussions highlighted the following points:

> *"Availability of (sex) disaggregated data has not been deemed important as of date and therefore most of the data available is not disaggregated by gender. Further, considering the mandate of the organisation is primarily in collecting revenue, most data are on the revenue"*

All respondents in the tax administrators' survey stated that assessing the specific effects of taxes on various genders is not part of their job responsibility, and no gender analysis of existing tax policies has been undertaken to date. This assertion is reinforced by the self-evaluation performed by the MOF in 2023 using the SDG for Taxation framework. The self evaluation report highlighted the absence of a formalised system for gathering sex-disaggregated data. A similar observation is also noted in the PEFA Assessment of Gender-Responsive Public Financial Management in 2023, albeit pertaining to the entire public finance sector.

The taxpayer registration information for PIT and BIT was the only source for sex-disaggregated data. This data was retrieved from the backend of the tax systems specifically for the study's purposes. 6% of the total registered PIT taxpayers and 24% of registered BIT payers lacked gender information as the inclusion of gender information was optional field in the registration forms.

Nearly all KIIs conveyed that basic information regarding male and female taxpayers is unavailable because tax policies do not incorporate gender considerations in any manner. The

KIIs pointed out that this issue may primarily stem from a lack of awareness among policymakers and tax administrators.

As a member of the World Customs Organization (WCO), Bhutan aligns its customs acts, rules and regulations with the WCO standards. FGD with the DRC officials affirmed this requirement. The WCO core values include inclusiveness, diversity, and ensuring fair treatment and opportunities for all but the national customs laws and rules do not fulfil the basic requirement of sex-disaggregated data for inclusiveness. Opportunities therefore exist to integrate such data into Bhutan's customs regulations in keeping with the WCO's core values.

In general, findings from various FGDs, KIIs and surveys of the tax administrators reveal three main obstacles in collecting sex disaggregated data i) lack of the awareness and capacity within the DRC, ii) the absence of legal mandates requiring the collection and analysis of sex-disaggregated data and iii) the focus on revenue collection overshadowing considerations related to gender impacts.

[12]The absence of gender-disaggregated data is a widely recognized challenge globally, acknowledged by organisations like the IMF and World Bank in many of their publications on gender and taxation. This challenge is particularly pronounced in developing nations. However, for Bhutan, being a signatory to CEDAW, the Beijing Platform for Action, and the recent PEFA Assessment, and, notably, the SDG for Tax Framework, establishes a robust legal obligation and a foundation for a systematic institutional approach to gather sex-disaggregated data.

5.2 Gender mainstreaming in tax policies

An online survey was administered with tax officials to understand their perception on gender and tax. A total of 80 tax officials (51.2% Male) from eight Regional Revenue and Customs Offices (RRCO) and DRC participated in the survey. The survey responses were fairly well represented. 35% respondents were from Thimphu RRCO that has the majority taxpayers as well as the major revenue collection. 82.5% respondents are tax administrators who administer taxes from income, gains and capital, which contribute to 98% of the total direct tax revenue. 18% of respondents were sales tax administrators. Figure2 shows the representation of the respondents by regions and by type of tax administered.

[12] Methodological/Analytical Tools for Gender-revenue analysis https://www.thecommonwealth-ilibrary.org/index.php/comsec/catalog/download/271/268/2077?inline=, *OECD: Tax Policy and Gender Equality :a stocktake of country approaches* . (n.d.), The urgent need for data to understand the link between taxation and women's economic empowerment. (n.d.). In *https://blogs.worldbank.org/developmenttalk/urgent-need-data-understand-link-between-taxation-and-womens-economic-empowerment*.

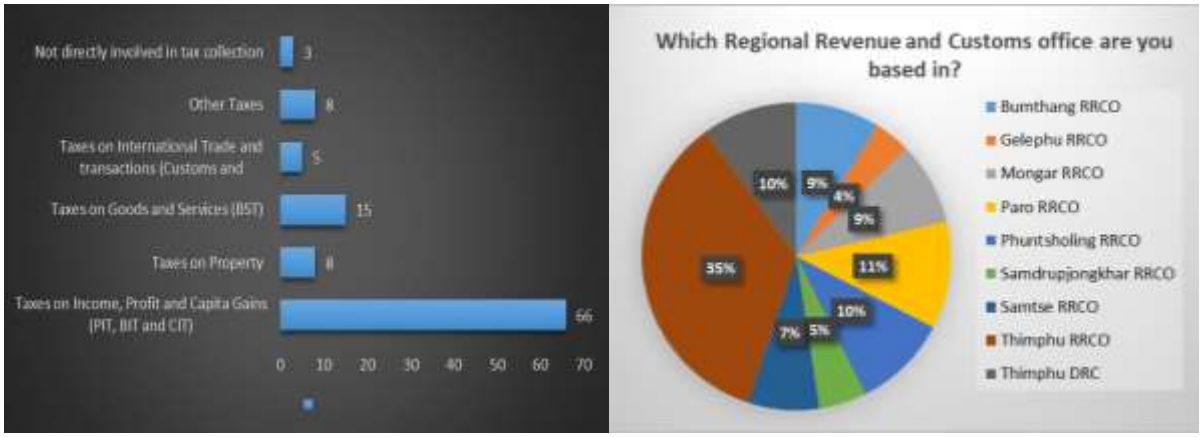


Figure2: Respondents representation by region and tax administered

a) Tax policy formulation cycle and processes

A prescribed procedure involved for the formulation or review of tax policies is not available nor documented. However, the tax policy formulation also generally follows the same protocol of policy formulation process in Bhutan (as detailed below) with few modifications wherein the tax policy being a money bill is presented for deliberation and approved through both houses of the parliament. Possible entry points for gender mainstreaming within the tax policy formulation process are suggested in figure 3

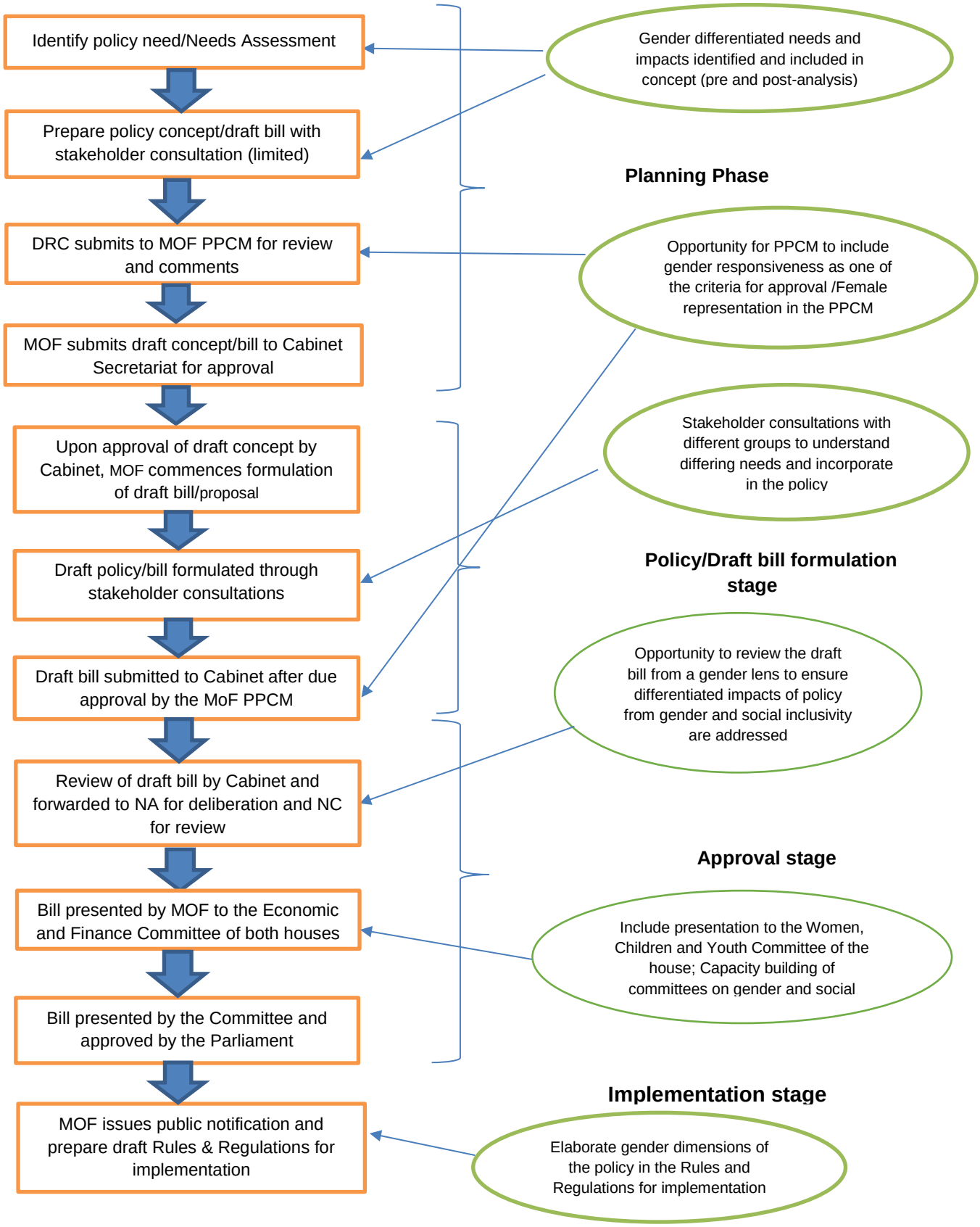


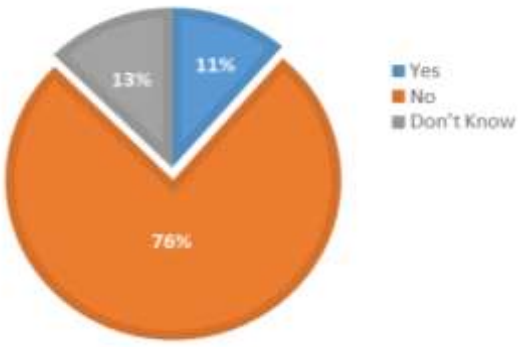
Figure 3: Tax policy formulation process and potential entry points for gender mainstreaming

Consideration of gender in the tax formulation process is lacking. The results of the KIIs reveal that gender is not taken into account during the tax formulation process. The majority of participants noted that tax policies are primarily viewed as an instrument to collect revenue and influence behaviour, particularly in terms of alcohol and tobacco consumption. This was further confirmed through the FGDs where the rationale for levying taxes was noted to be for domestic revenue generation, inculcating behaviour changes and also to reduce income inequality. Gender was never considered.

> *Gender mainstreaming is there as one of the cross cutting themes at the National/policy level. But it is rarely implemented. In most projects and activities, we see gender mentioned but to what extent it is implemented and who actually benefits is not assessed. Gender consideration is not there even in the Fiscal Incentives. – FGD with business representatives*

Almost all key informants interviewed mentioned that there is a lack of awareness and limited capacity to understand the intersection of tax and gender. The survey results confirmed this finding. 76% of tax administrators who participated in the survey believe that tax policies do not have differentiated impacts on different genders. 12.5% of tax administrators did not know about the differentiated impact of tax policies on different genders.

All respondents of the tax administrator's survey indicated that thus far there are no analyses or studies carried out to understand the differentiated impact of the existing tax policies. The same was the case with regard to the impact of tax concessions and/or compliance to tax.



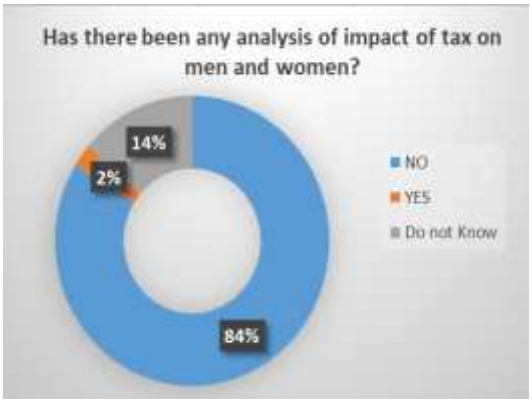


Figure4 & 5: Differentiated impact of tax on different gender; Availability of analysis of tax impact on men and women

Tax administrators have differing views in terms of opportunities for improving gender equality through tax policies. One group expresses that taxes are levied on income and therefore should not be differentiated based on gender. On the contrary, another group highlights that tax policies could be made more responsive through provision of tax concessions, educating taxpayers, fiscal incentives and through digitising the taxation process for efficiency.

Opportunities to improve gender equality through tax policies, rules and regulation

"One of the opportunities to improve gender equality through taxation policy would be to provide tax specific deductions for businesses providing benefits in terms of salary and other benefits to women employees. This is because it is often seen that businesses prefer men over women as employees. such policies will also encourage more women entrepreneurship in the country and in turn help in the creating a business ecosystem where gender equality is promoted".

"Tax is levied based on the income of individuals irrespective of gender. However, addressing income inequality between genders could be pursued through taxation policies as a broader policy consideration."

"I believe improving gender equality through taxation is not a viable idea. This is because Taxation is a mandatory imposition on individuals, irrespective of their gender, for the income they earn. Thus, it is the taxation itself that promotes equality and equity".

"I suggest that incorporation of certain achievable and common strategies like tax incentives for businesses, gender-specific tax credits, addressing income disparities, and encouraging entrepreneurship and education awareness may be some of the opportunities to improve gender equality through tax based systems".

Majority of the survey respondents mentioned that it was not part of their job responsibility to study the impact of tax deductions and exemptions on men and women. As such, until now there were no studies or analysis carried out to see the differentiated impact of tax on gender. It was also confirmed through the FGDs that pre- and post-analysis of impact of tax is not conducted. For instance, it was noted that studies to understand the different impact of the new property tax on different gender was not conducted. The rationale for the new property tax was to shift from the unit-based taxation (where the same tax rate was applied everywhere irrespective of value of properties owned) to value based tax (for equality) besides the fact that property tax was not revised for the last 30 years. Considering that the new property tax is value based taxation, tax administrators sounded that this was progressive.

The DRC also has a dedicated team for public communication with an allocated annual budget for awareness programs. Gender and inclusivity are not adequately taken into account in these awareness programs, primarily because tax administrators have a limited awareness of the distinct impacts of taxation on different genders. FGD with the DRC team highlighted the extensive efforts in promoting public awareness for instance on the Fiscal Incentives through various channels, both from the head office and regional offices but a gendered and inclusive approach was not adopted. Despite these efforts, there was limited public interest. Social media platforms, such as Facebook Live, and posters were utilized for communication, but public participation remained minimal. Personal visits of taxpayers to the offices were also used for education and awareness, but it was observed that only larger companies and business owners were aware about and availed the benefits, sometimes even for minor items like nails.

While recognizing that fiscal incentives could have aided small businesses, especially those owned by women, officials during the FGD acknowledged that many small business owners might not have been informed about the benefits and, consequently, may not have stepped forward to claim them. Data on the actual beneficiaries of the Fiscal Incentives with the exception of the 'tax holiday' and 'micro enterprise beneficiaries' were not available and therefore limited the study analysis.

b) Gender analysis of existing tax policies

Although explicit bias is absent, there is a higher risk of implicit bias.The existing tax policies in Bhutan are gender neutral. Similar to global trends, there are no explicit gender biases in the tax policies. However, due to the neutral policies there is inherent risk of further reinforcing existing gender inequalities. Table 2 sheds light on the potential presence of implicit bias within the current tax policies. Further examinations and targeted studies may be warranted once disaggregated data becomes available, allowing for the consideration of policy adjustments and interventions:

Table 2: Gender analysis of existing tax policies

Sl. No.	Tax Law	Implicit Bias
1	Income Tax Act of Bhutan 2001	1. [13]With male labour force participation of 73.4% and female participation of 53.5%, along with a male employment rate of 70.2% and a female rate of 49.2%, it suggests that men carry the predominant tax burden. Nevertheless, it is important to note that any reductions or concessions on Personal Income Tax (PIT) would also disproportionately favour men over women. 2. Among employed men, 42% hold regular paid positions, while only 24.9% of employed women fall into the same category. Given these circumstances, it can be inferred that men shoulder a greater share of the tax burden. Furthermore, the data reveals that, as of 2022, 75.1% of women workers are engaged in the informal sector, in contrast to 58% of men. While the women do not bear the burden of tax as informal workers, they also do not benefit from any tax concessions. 3. Due to a higher concentration of women in lower-tier employment positions, they typically find advantage in the tax threshold of Nu. 300,000. However, this also implies that women will generally not claim for deductions such as those related to child education expenses. This is because the higher income earner in the family (usually men) generally claims the deductions to get tax rebate for the benefit of the household. Possible entry point : Under allowable deductions

[13] Labour market information bulletin, 2023 ,Labour Market Information and Career Guidance Division, MoICE

		- "Wage, salary, and bonus paid to the employees shall be deductible as per the limits and rules prescribed by the Ministry". - Staff Welfare expenses within the limits prescribed by the Ministry shall be allowed as deductions. Both clauses mentioned above provide flexibility for the Ministry of Finance (within the parameters defined by rules and regulations) to incorporate gender-specific requirements. An immediate step, particularly aimed at increasing female participation in the workforce, could involve incorporating expenses related to maternity leave and child care. This may encompass provisions for on-site creche facilities at workplaces and tax rebates on Taxes Deducted at Source (TDS) for duration of maternity leave.
2	Fiscal Incentive (amendment) Act of Bhutan 2022 & 2021	1. Tax exemption is provided for small and micro-businesses located in rural areas until 31 December, 2024. Based on BIT data, women own 47% of the Businesses. However, 79% of BIT revenue is contributed by businesses owned by men. Despite the marginal difference in ownership of business between men and women, the tax contribution is significantly high from men-owned businesses. This indicates that women owned businesses are mostly small scale with very low business turnover. Consequently, unless specific measures are taken to foster the growth of female-owned enterprises, any tax exemptions or concessions are inclined to disproportionately favour businesses owned by males. Majority (75.1%) of employed women being in the informal sector, the exemption benefit to women business owners may however be limited due to the absence of registration certificate (prerequisite for exemption). 2. Additional deduction for employment of additional Bhutanese nationals for approved business in the priority sector. A neutral provision which could be made gender sensitive and potential entry point to encourage female employment (by specifying a certain proportion of female) within the prescribed number of employment outlined in Rules 3. Additional tax deduction to businesses for using locally manufactured construction materials. ST and CD exemptions to businesses under high priority sectors (i.e Agriculture & Renewable Natural Resource, business infrastructure development, cooperatives, creative industry, education-applicable to educational institutions with international accreditation, energy excluding hydro electric projects, tourism - applicable to hotels only).For the priority sector such as Agriculture and RNR and tourism (hotels), majority of the employed people are women. However, since ST and CD exemptions are on businesses operating in these fields, the majority of business owners are male and therefore benefits are disproportionately on men. In the absence of sex-disaggregated data the beneficiaries of these exemptions cannot be ascertained. However, considering the nature of exemption is on

		equipment and machineries (for ST and CD) and for licenced business holders with certain capital expenditure as qualifying criteria, the majority of women may not qualify for the exemptions. Further, the construction sector is predominantly male. ST and CD exemptions could be extended for the import of critical child care equipment to businesses. Tax exemption scheme application form could be gender sensitive through: - Including sex of proprietor - Under part III Details of Business sl. No 4, Number of employees: specifying total number of male and female employees to derive the trickle-down benefits of the business - Under part IV Qualifying conditions sl. No.2 Employees: Specifying gender disaggregation of employees both in terms of existing and additional employed.
3	Customs Duty Act of Bhutan 2021	● Zero tax on Sanitary towels (pads) and tampons, napkins and napkin liners for babies and similar articles. While the findings from the KII suggest that such exemptions may not benefit gender equality, such exemptions if properly monitored and implemented could provide health and financial benefits to women. Alternatively, targeted subsidies to low income could be an option. ● 100% Customs Duty on alcohol products. As per the BLSS report 2022, alcohol accounts for 3% of household food expenditure. Further, excessive alcohol consumption is cited as one of the main causes of domestic violence. Therefore, levying a significant tax on alcohol would have a positive impact on gender equality through price induced behavioural changes away from alcohol consumption, which would potentially reduce domestic violence and financial expenditure on alcohol.
4	Property Tax Act of Bhutan 2022,	The property tax levied is 0.1% land tax on the taxable land value and 0.1% property tax on the taxable building value. ● General assumption is as matrilineal society women are often favoured by patterns of inheritance in Bhutan. While this needs validation, the burden of property tax then would fall on women as the property owners. Currently sex-disaggregated data on property ownership is not available and opportunities exist under the new property tax system for collecting and maintaining this data.
5	Goods and Service Tax (Amendment) Act of Bhutan 2022*	GST rate of 7% on all taxable supplies and taxable imports of goods and services ● The exemption on certain commodities more commonly used by women such as sanitary pads, napkins and napkin liners are also provided in the new GST Act. However, evidence shows that the exemptions availed are not necessarily passed down in the form of reduced costs of products to the intended beneficiaries who are women.

		• On average household consumption expenditure on foods is 43.4%[14]. Given the general disparity in income between women and men, a consumption-based tax like GST is likely to have a greater impact on women compared to men, proportionally affecting a higher percentage of their income. • GST could disproportionately affect women-owned businesses if certain business inputs or services are subject to GST. • Businesses may encounter increased administrative responsibilities for compliance with GST regulations. Women-owned enterprises, particularly cottage and small businesses, might find it challenging to navigate complex tax codes and meet reporting obligations. This can impose strains on both time and resources.

** While the GST 2022 is still not implemented. The implicit biases identified are based on the review of the provisions of the GST Act 2022.*

(i) Analysis of direct taxes (PIT, BIT, CIT, property tax)

Data on revenue collected from income taxes (PIT, BIT, and CIT) is within the possession of the DRC in its administrative records. Sex- disaggregated information is not publicly accessible but can be obtained from the backend systems within the DRC. Although gender information is not included in the income tax filing procedures, it is collected during the initial registration for the Taxpayer Number (TPN). Consequently, sex-disaggregated data for PIT and BIT can be extracted from the filed income taxes data and the registration particulars of PIT payers, using the TPN number as a unique identifier in both datasets. While gender data is captured during registration, it appears that this field may not be mandatory, as evidenced by instances where gender information for some registered taxpayers is missing, resulting in the omission of data entry records. The FGD with the business community confirmed this claim that disaggregated data is not mandatory at the moment.

For BIT and CIT gender data is not collected

Gender disaggregated data currently is neither required nor submitted. If there is such a requirement in the rule and an associated incentive for maintaining such data, this can be collected and maintained.

Government needs to build a strong gender disaggregated database so that there is evidence for future interventions.

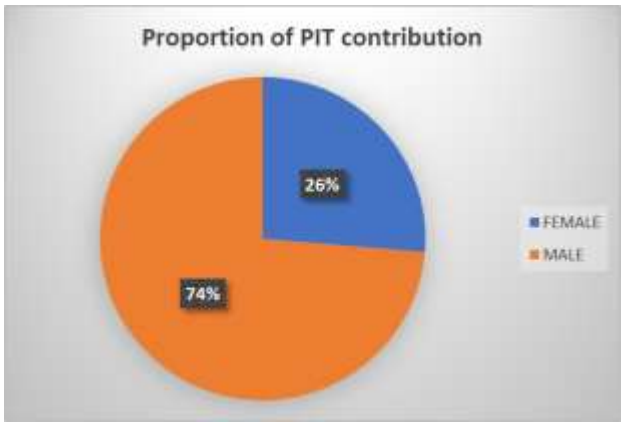
Conversely, in the case of CIT, the available data is restricted to company particulars, and essential proponent information is absent. This limitation poses a challenge when attempting to analyse sex-disaggregated data for CIT, despite its contribution to tax revenue being among the highest.

[14] Bhutan Living Standard Survey Report, 2022

Personal Income Tax (PIT)

Men contribute almost three times more in personal income tax, indicating the low income level of women. All individuals with a total annual income exceeding Nu.300,000 are subject to Personal Income Tax, which is calculated based on a progressive rate. This tax is applicable to income derived from four main sources: salary, rental, dividends, and other income sources. [15]In 2022, PIT contributed 7.6% to the total government tax revenue.

Based on the data shared by the DRC, a total of 63,921 individuals filed their PIT in 2022. 3,957 data entries did not have the gender information and therefore were discarded for the analysis as the study intends to analyse the burden of income tax on different gender. The findings presented are from the 59,964 taxpayers which represent 94% of the total PIT filers.



For the income year 2022, a sum of Nu. 1,736.83 million in taxes was paid by 59,964 taxpayers who submitted their Personal Income Tax (PIT) returns. Within the group of Personal Income Tax (PIT) filers, women constitute 35% of taxpayers contributing 26% of PIT revenue, while men make up the remaining 65% and contribute 74% of the PIT revenue.

Figure 6: Percent of PIT contribution

Employment categories of PIT filers

In all employment categories of PIT payers, the majority consists of men. More than one-third of those filing PIT are civil servants, 15% are employed in the corporate sector, and 12% work in the private sector. Across all employment categories, the majority are men. Figure 7 shows the proportion of male and female taxpayers in the different employment categories.

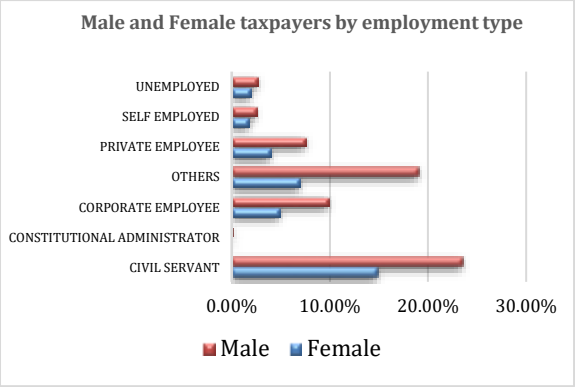


Figure 7: Tax payers by employment

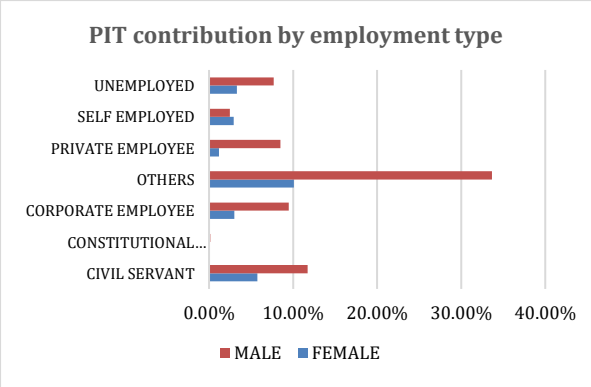


Figure 8: PIT contribution by employment type

[15] National Revenue Report Fiscal Year 2021-2022. (n.d.). In *www.drc.gov.bt*.

However, in terms of the PIT contributions, those within the 'Others' employment category contribute 43.74% of the PIT revenue followed by civil servants. Through the FGD with the DRC, it was noted that the employment data may be unreliable as any changes in an individual's employment from the time of registration to the present day may not be updated. Further, as part of the system migration from the previous tax system to RAMIS, individuals whose information was transferred to RAMIS may be categorised as Others besides those who may be employed in agencies which are neither public service, private nor corporate. While taxpayers are notified during the tax filing to update their personal information, it was not complied to and the system of cross validating information from DRC is not available.

Distribution of PIT burden among different income levels

Personal Income tax is progressive irrespective of gender. The Personal Income Tax (PIT) is calculated according to the income bracket in which an individual's taxable income resides, featuring a gradual rise in the tax owed for each increment in income beyond a specific threshold. Majority of taxpayers, over one-third, belong to the lowest income category of 'Below Nu.300,000,' followed by 27% falling in the income range of Nu.400,001 to 650,000. Additionally, 23% fall within the range of Nu.300,001 to 400,000. The smallest portion of the taxpayers can be found in the top income bracket of above Nu.1.5million. In all income categories, the proportion of male taxpayers is more than female.

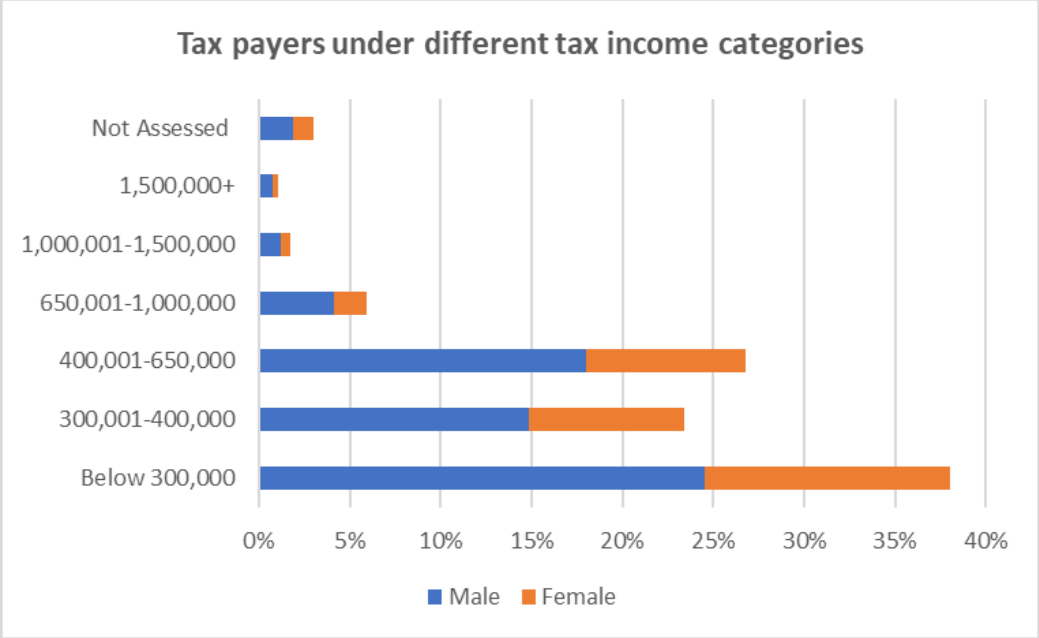
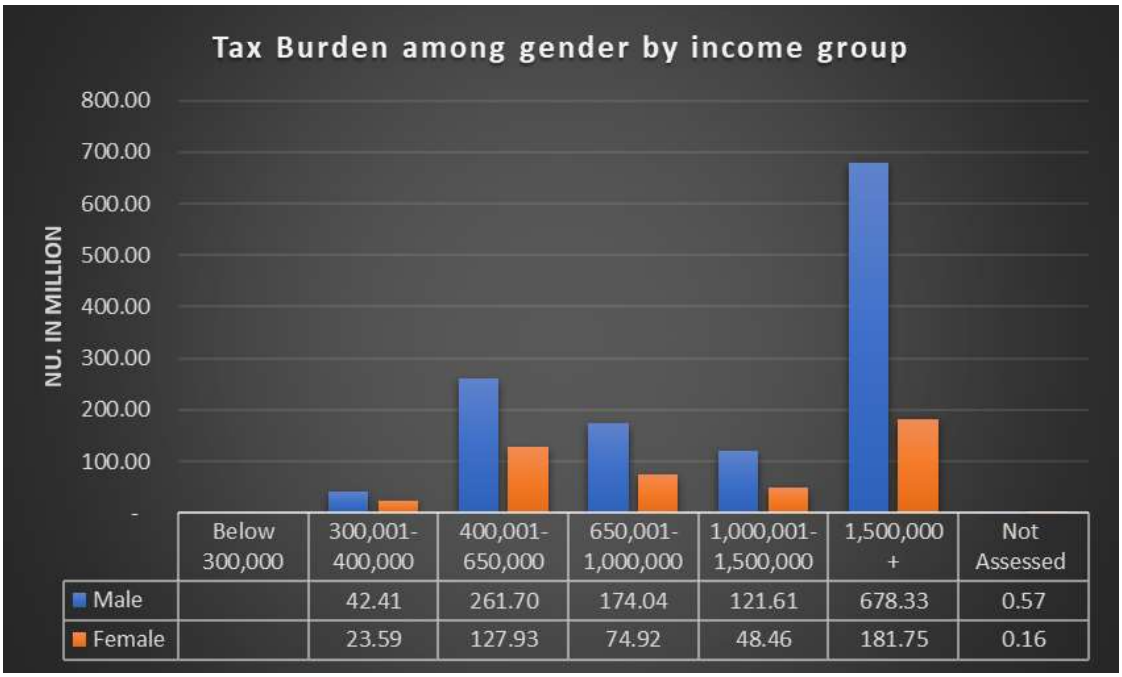


Figure 9: Proportion of taxpayers under different income categories

A simplified tax burden analysis computed as the total amount of taxes paid by the male and female taxpayers shows that across all income brackets, the burden of tax is higher for male due to their higher income as compared to females. While only constituting 1% of taxpayers, those in the highest income bracket bear the heaviest tax burden for both males and females.

This is attributed to the progressive nature of taxation, where the tax burden increases with ascending taxable income brackets.



	Below 300,000	300,001-400,000	400,001-650,000	650,001-1,000,000	1,000,001-1,500,000	1,500,000 +	Not Assessed
Male		42.41	261.70	174.04	121.61	678.33	0.57
Female		23.59	127.93	74.92	48.46	181.75	0.16

Figure 10: Gender tax burden in different income groups

Rental income declarants

Almost equal number of men and women pay rental property tax; however, this statistic may be misleading due to the high number of non-declarants. A total 4,501 PIT filers declared rental income as one of the income sources with gross rental income of Nu.2,306.804m and Nu.2,228.27m declared by male and female property owners. 2,126 declarants were female taxpayers, which implies there is potentially no gender difference in property ownership based on rental income declared. Rental income declarants constitute only 7.5% of total taxpayers. During the FGD discussion with DRC, it was noted that this will be underrepresented as there could be many non-declarants or many property owners not correctly declaring rental income. While attempts were made to avail the recent property tax data disaggregated data by gender of property tax filed was unavailable limiting further analysis.

Business Income Tax (BIT)

Although there is only a marginal difference in business ownership between men and women, men's contribution to Business Income Tax (BIT) is three times higher, indicating women's ownership of small businesses and low business turnover. Business entities which are not incorporated and operating under a trade license or permit issued by competent authorities are levied with the BIT. This encompasses a range of business sizes from micro to large, operating as proprietorships or partnerships. In accordance with the Income Tax Act, large and medium-sized businesses are obligated to maintain books of accounts and submit annual accounts during the filing process. In contrast, tax obligations for small and micro units

are determined through presumptive/estimated assessments without the need for submission of annual accounts. Notably, small and micro business units situated in rural areas are tax exempted under the Fiscal Incentives Act of Bhutan 2017.

From a total of 48,390 BIT filers data records 11,336 entries were discarded as gender information was missing. Analysis was therefore conducted on 37,054 BIT filers which represents 76% of the total BIT filers.

Among the 37,054 BIT filers, 47% of these businesses are owned by women, however their contribution to total BIT revenue is only 28%. The total BIT for the income year 2022 was Nu. 966.11million, of which business income tax contribution from male owned business was Nu. 691.64million. A further analysis on the total business turnover also shows that average annual turnover of male business is more than 3 times than that of female owned business.

Table 3: Gender differentiation in Business owners

	Tax Amount Paid(Nu.)	Average of Total Business turnover (Nu.)	Average of Net Taxable Income (Nu.)
Male	691,643,562.80	3,136,184.25	123,902.34
Female	274,461,715.56	960,002.30	90,200.12

The breakdown of income tax contributions based on business types show that more than half of the BIT contributions come from small businesses, with 79% of these taxes originating from small businesses owned by men. One-fourth of the BIT contributions are from large businesses, with a higher proportion from male-owned enterprises. The tax contribution from female-owned businesses is slightly higher for micro-businesses and nearly equal for cottage businesses when compared to their male counterparts. This suggests that although women own businesses, their scale is often smaller, resulting in a correspondingly lower contribution to taxes. Therefore, any tax exemptions or concessions are likely to predominantly benefit male-owned businesses unless targeted interventions are implemented to support the expansion of businesses owned by women.

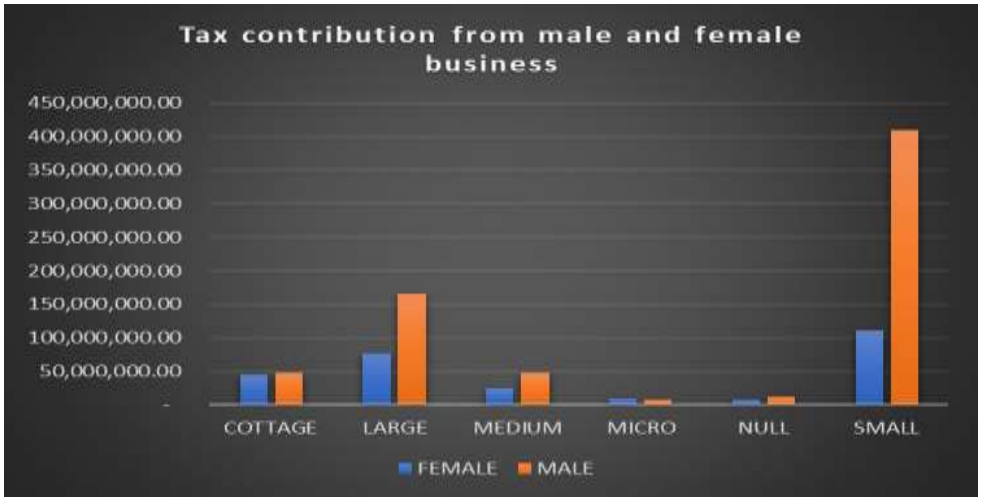


Figure 11: Tax contribution from male and female business owners by type of business

** entries marked as NULL did not specify the type of business enterprise

Micro-business exemption

Micro-business tax exemptions provide slight advantages to women in the trade and service sectors. However, women face disadvantages in the manufacturing sector. BIT exemption on small and micro-business operating in the rural areas[16] was provided in 2015 for an initial period of 5 years and thereafter was extended until December, 2024. The intention of this exemption was to encourage growth of small businesses, boost rural economy and generate employment. A comparative analysis of gender differentiation in the beneficiaries from the micro-business exemption show that 52% of businesses benefiting from this exemption are female owned. 43% of female owned businesses benefited from this tax exemption in 2022 as opposed to 32% of male owned businesses.

There is notable gender differentiation in the businesses pertaining to manufacturing services as opposed to the trading and service sector, which have a fairly good representation.

These findings correlate with the labour force participation where female representation is predominantly in the trading and service sector. The micro-exemptions are provided using the guideline for BIT exemption for small and micro-enterprises that underscores the scope, policy considerations, eligibility conditions and procedures for applying and approving the exemptions. One of the prerequisites for any businesses availing the exemptions is the requirement for trade licences and regularization of filing status. This indicates that the informal business sector where females are predominant will miss out on this due to their informal status.

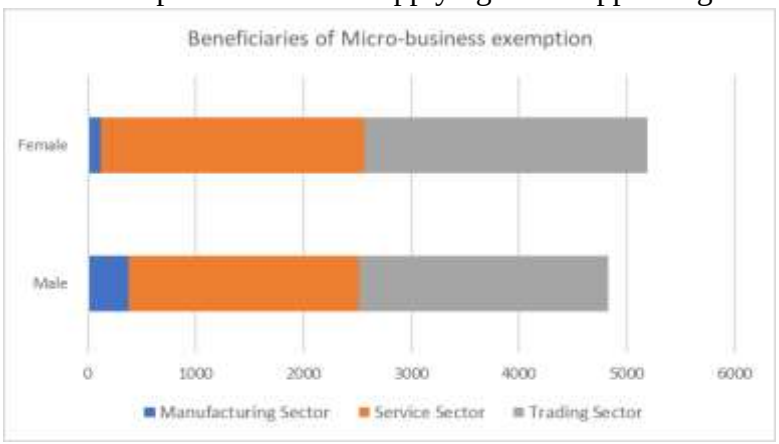


Figure 12: Micro-business exemption beneficiaries under different sectors

Tax Holiday

Tax holidays benefit men-owned businesses twice as much, despite the marginal difference in business ownership between men and women. 87 businesses[17] from a total of 37,054 are availing tax holiday benefits as per the BIT data. Although there were not much differences in ownership of businesses with 47% female-owned and 53% male-owned, 67%

[16] Small and micro businesses established and operating outside the boundaries of four main Thromdes (Municipality) and Dzongkhag Throm.
[17] The beneficiaries of Tax holiday as per the PI report, 2022 is 152. However, the figure presented here is different due to the exclusion of entries with no gender information

male-owned businesses benefit from tax holidays as opposed to only 33% of the female-owned businesses. Tax holiday benefits are more common for businesses in service sectors. Figure 13 shows the proportion of tax holiday beneficiaries by type of sector.

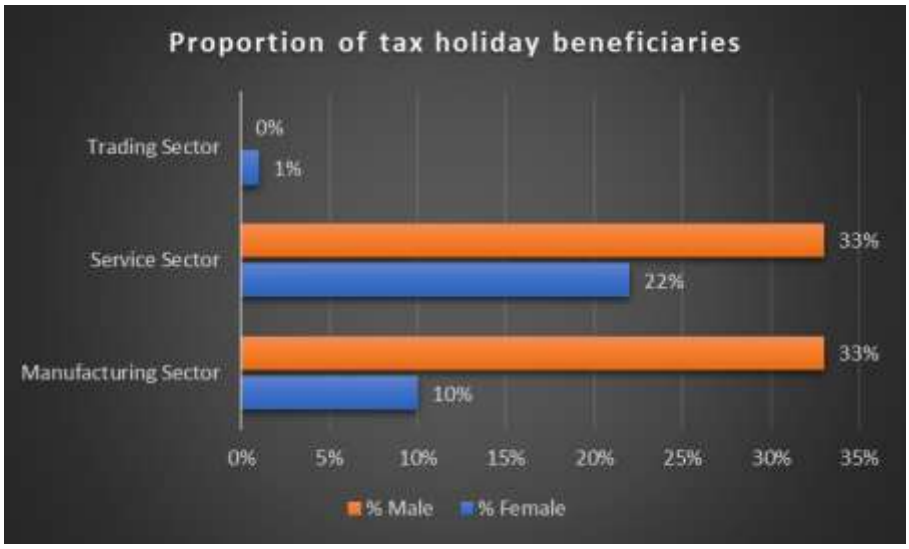


Figure 13: Beneficiaries of Tax holiday under different sectors

Key Informants highlighted that tax holidays to hotels are provided with the expectation that in the long run, these businesses will contribute back to the economy through private sector development and employment generation. It was suggested that the same principle should also apply for the provision of tax credits or for that matter 10 years tax holiday to women entrepreneurs to encourage women in labour force participation as there are intergenerational impacts from such initiatives. However, introducing such an incentive would require rigorous monitoring and thorough review as it could also be misused.

Corporate Income Tax (CIT)

85% of CIT is contributed by the top 10 companies. However, women occupy just 23% of decision-making roles within these top 10 companies. CIT is levied on companies registered under the Companies Act of the Kingdom of Bhutan. State-Owned Enterprises (SOEs) incur a CIT rate of 30% on their net profit, while non-state enterprise companies are levied a CIT rate of 25% on their net profit. Approximately 39% of the total government tax revenue is derived from CIT although in terms of taxpayer composition it accounts for only 0.46% with 514 CIT taxpayers, of which 44 CIT units filed tax returns as non-operational in 2022. Majority of the CIT revenue collection is from the Thimphu regional office and 85% of the revenue is collected from the top 10 CIT taxpayers. Among the top 10 CIT payers in 2021 and 2022, seven entities are Druk Holding and Investment Limited companies (DHI owned, controlled or linked).

Table 4: Top 10 CIT payers for income year 2022

Sl. N	Entity Name	% Tax paid	Female representation
1	Druk Holding and Investments Ltd.	30%	33%
2	Druk Green Power Corporation Ltd.	21%	17%
3	Bhutan Telecom Ltd.,	10%	20%
4	State Mining Corporation Ltd.	8.9%	8%
5	Bhutan Power Corporation ltd	3.2%	33%
6	Bhutan National Bank Ltd.	2.7%	18%
7	Tashi Infocomm Ltd	2.7%	(Data not available)
8	Bank of Bhutan	2.6%	29%
9	S.D Eastern Bhutan Ferro Silicon Pvt. Ltd	2.4%	(Data not available)
10	Bhutan Ferro Alloys Limited	2.2%	(Data not available)
		85%	**23%**

(source: PI report 2022 and company websites)

Corporate tax incentives have the potential to either foster gender equality or contribute to existing disparities, necessitating a comprehensive understanding and documentation. For instance, granting lower corporate tax rates to companies or industries with a higher female workforce may encourage employers to enhance working conditions and facilities, particularly for female employees, including mothers. Conversely, there is a possibility that certain corporate tax incentives, such as capital gains exemptions and investment-related tax breaks, may inadvertently reinforce gender inequalities if it predominantly benefits men.

In the absence of sex-disaggregated data on the company structure, the precise consequences of the tax composition could be uncertain; however, the dominance of male ownership in business and investment assets within the highest income category may result in men enjoying a tax advantage. Among the top 10 CIT paying companies, based on the company profile (available online), 23% of the decision making positions (Board of Directors or in management position) in 7 of these companies are occupied by women while for the other three companies, majority of the shareholders are men. KIIs and FGDs confirmed benefits from tax exemptions/concessions for CIT would mostly be in favour of men as in most companies men are generally at the higher rung of employment.

Concerns on female employment in the private and corporate sectors

Working conditions in the private sector are not conducive for women. I can see my female colleagues struggle. If you are in the executive position, you are expected to stay at work for extended hours. Even off hours, you are expected to be with your laptop and phone as every minute or opportunity missed in a profit-oriented organisation would be a loss of opportunity. General perception also exists that female employees may not be able to put in as much commitment as men. While companies are open to recruitment there are certain critical positions in a company which are not encouraged for women. A company for instance cannot afford to lose a marketing executive for an extended period of time (three months of maternity leave) as the whole market situation would change within that time.

Currently, the company provides three months of maternity leave to women employees but it is not enough and beyond that the company cannot afford. The requirement of providing 6 months maternity leave to working mothers may discourage companies from even recruiting female employees. Therefore, cost sharing with the government and other subsidies and tax benefits to working mothers in the private sector may help companies to recruit more women.

Further, there may be tax benefits to construction crèche, feeding rooms and others but those are not made explicit in the tax regulations, so we do not know. However, there are more operating costs involved to hire caregivers for children, which are not covered. Therefore, if those things could be included in the tax benefits it will nudge the private business to adopt policies that are more inclusive and conducive for women's participation in the labour market.

During the FGD with business representatives, it was noted that given that 7 out of top 10 CIT-contributing companies are state-owned, there is a responsibility for them to set a precedent on gender equality initiatives. Following was sated:

"Considering the majority of CIT contribution is from the SoEs, SOEs should lead by example. Efforts for gender responsive initiatives should start from them".
"Government can provide some support/rules to increase the share holding of women in companies".

(ii) Analysis of indirect taxes (GST, Excise duty, Customs duty)

Indirect taxes are generally considered regressive due to their disproportionate impact on individuals with lower incomes, as these taxes constitute a larger percentage of their earnings. Nevertheless, they are also recognized as a reliable source of revenue for governments and used to influence consumer behaviour, such as discouraging the consumption of specific goods through increased taxes.

Indirect taxes include sales tax, excise duty, customs duty and user fees and services charges. Under the FI Act, 2021, several incentives and exemptions are also provided for indirect taxes such as (but not limited to) reinvestment allowance, tax rebate for employing Bhutanese

nationals, Sales Tax (ST) and Customs Duty (CD) exemption on plant and machinery and on permissible raw materials and primary packaging materials. Further, financial institutions providing preferential lending to CSI and Co-operatives get a waiver of income tax on interest income. This is to incentivize financial institutions to provide financial support to the CSIs and co-operatives through lending at preferential rates below commercial borrowing rates for the purpose of commercial efficiency.

Indirect taxes in Bhutan exhibit a consistent progressiveness, attributable to at least two factors. Firstly, the current sales tax system operates with a limited tax base. Secondly, consumption patterns vary significantly across income levels, leading to a disproportionate tax burden on wealthier households. For instance, the green tax applies to vehicles primarily affordable by wealthier households. While most indirect taxes are generally considered to contribute to an increase in poverty, they also play a role in reducing inequality, except for excise taxes. The majority of taxes and contributions tend to be pro-poor, concentrating more on the better-off. However, this pattern does not hold true for rural insurance, as the applicable rural (urban) population is more likely to fall into the lower (upper) deciles.

Household consumption data from BLSS 2017 and 2022 were extracted and analysed to determine if there were any differentiated patterns on food and non-food consumption between male and female-headed households. In the absence of individual level expenditure data, household data had to be analysed. The intention was to explore and identify few 'female-centric' commodities and review price and demand elasticities of these commodities and the implications of GST on these commodities. Findings show that there were no distinct difference in male and female-headed households in terms of consumption patterns, with the exception of alcohol and non-alcoholic beverages, which is consumed more by men. considering most basic food commodities will continue to be tax exempt, not much analysis can be done from tax perspective. The only notable difference is female headed household on average spend more on food than non-food expenditure. Non-food expenditure on average is more for male headed households than female. There were some distinct differences for few commodities with male headed HHs reporting higher expenditure on assets (which probably implies ownership) and taxes (correlates with men bearing higher tax burden from income analysis), and on leisure including travels

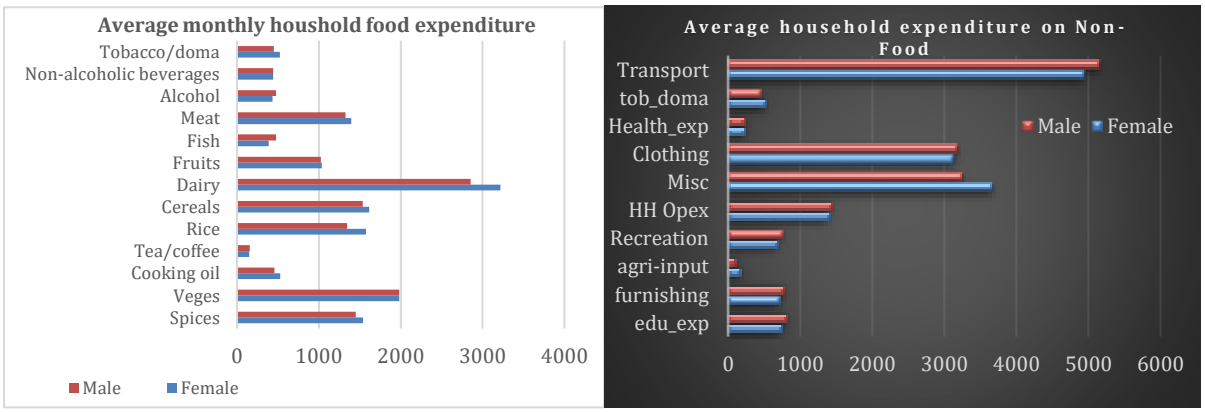


Figure 14: Average monthly household food and Non-food expenditures

In the absence of data availability on the fiscal incentives and indirect taxes, analysis has been limited. However, such incentives if properly targeted and monitored will have the potential to provide gender differentiated impacts considering access to credits is one of the challenges for businesses, particularly for women-owned businesses. Further, considering that application of the new GST with standard flat rate of 7% and fewer exemptions may potentially be regressive. Targeted interventions through exemption/concessions to lessen the burden on low-income households may be considered. Exemptions and tax concessions on female hygiene products (ensuring benefits reach the target groups and not misused), childcare services etc., are other possible areas.

c) Accounting for Unpaid Care work in Bhutan

The value of unpaid care work in Bhutan accounts for 16% of the GDP of which women contribute two-third. [18]According to global literature, a critical aspect overlooked in the analysis of gender gaps in labour outcomes, such as labour force participation, wages, and job equality, is the consideration of unpaid care work. Unpaid care work holds significant economic value and is a crucial contributor to the welfare of individuals, their families, and societies. Individuals dedicate time on a daily basis to activities such as cooking, cleaning, and caring for children, the sick, and the elderly. Despite its pivotal role in well-being, unpaid care work often remains overlooked in policy agendas. [19]This oversight stems from a misconception that, unlike conventional market work measures, it is challenging to quantify and considered less pertinent for policy considerations. However, dismissing the importance of unpaid care work leads to inaccuracies in assessing individuals' well-being and the valuation of time. This, in turn, hampers the effectiveness of policies across various socio-economic domains, particularly in addressing gender inequalities in employment and other empowerment areas.

"Bhutan is a matriarchal society which means the women inherit the family property and they also have care responsibilities. There are no incentives currently for them to take up business opportunities".

"Bhutan being a matriarchal society is not true for the South and Eastern regions. But matriarchy is also a burden on the women especially for those in the rural areas. They inherit properties and land that do not have much value and additionally they have to work with no help and acknowledgement".

In Bhutan, the National Commission for Women and Children (NCWC) spearheaded an initiative in 2019 to assess unpaid care work in Bhutan. This marks a significant stride in acknowledging and recognizing the importance of unpaid care work within the country. The Asian Development Bank (ADB) conducted a thorough technical paper outlining the methodology and approaches employed to calculate the value of unpaid care work, contributing to a more comprehensive understanding of this crucial aspect.

[18] Unpaid Care Work: The missing link in the analysis of gender gaps in labour outcomes. (n.d.). In *https://www.oecd.org/dev/development-gender/Unpaid_care_work.pdf*.
[19] ibid.

[20]The report strongly advocates for incorporating unpaid care work into the overall metrics of the country's progress, particularly within the national accounting system, acknowledging its significance in fostering inclusive and sustainable growth. It emphasises the need to address the unequal burden of unpaid care work, which disproportionately affects women and girls, and calls for efforts to redistribute and alleviate this responsibility. Furthermore, the reports highlight the significant intergenerational benefits of care work. For instance, beyond the immediate benefits for children, the entire society gains as these children mature into workers and taxpayers, making valuable contributions to both society and the economy. Therefore, it is crucial to consistently strive for more accurate estimations of the value of unpaid household and care work. These efforts play a key role in presenting a more precise depiction of societal well-being.

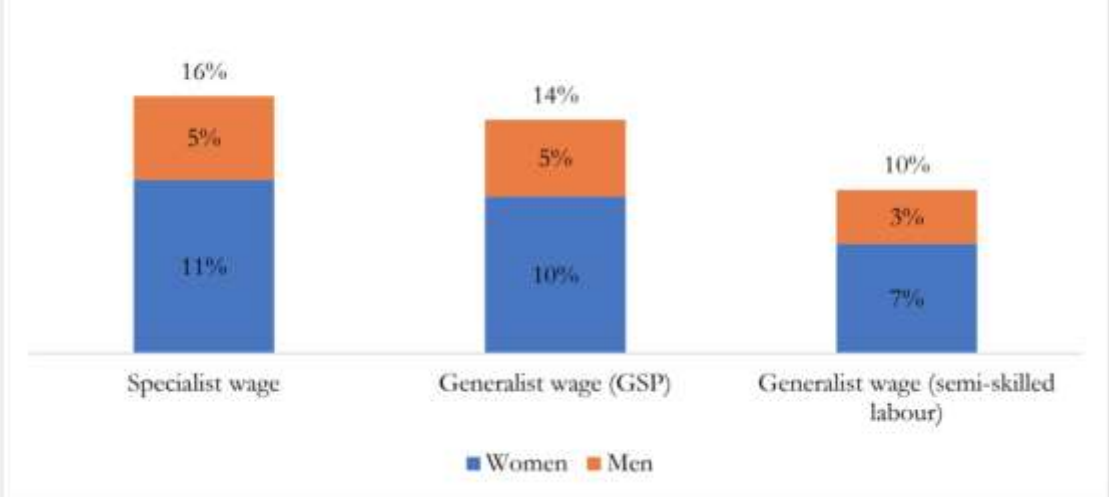


Figure 15: [21]Value of Unpaid Care work as a % of GDP 2017

[22]In Bhutan, women invest more time in caregiving responsibilities than men, irrespective of their social-economic status, educational qualifications, or employment. This pattern aligns with the global trend highlighting a similar disparity in the distribution of care work between men and women. The total value of unpaid care labour in Bhutan is Nu 23,509.11 million, making up 16 percent of the GDP when evaluated at a 'specialist' wage. If a 'generalist' wage is applied, this percentage decreases to 10. Women account for over two-thirds of the calculated monetary value of unpaid work, while men contribute the remaining portion. This hinders women, who bear a disproportionate burden of unpaid household and care work, from accessing training, educational opportunities and participating in formal employment.

Therefore, it is an opportunity for the government to take into account the value of unpaid care work to design new policies or amend the existing tax policies to redistribute revenue through tax incentives and deductions especially for women. Such interventions can have a transformational impact on women's participation and retention in the workforce.

[20] Accounting for Unpaid Care work in Bhutan 2019. (2019). In *https://www.ncwc.gov.bt/allpublications?key=reports*.
[21] ibid.
[22] ibid.

d) Informal sector in Bhutan

The informal sector employs 65.4% of the working age population encompassing 75.1% of all working women and 58% men. The informal sector in Bhutan holds significance in taxation policy for two main reasons: the majority of the working population is employed in this sector and women are predominantly represented within it. According to global studies, providing appropriate support can enable the informal sector to expand and transition into the formal sector, thereby boosting the country's tax revenue.

The informal sector encompasses individuals and enterprises that operate without state registration. Typically hidden from government oversight, informal businesses often offer poorly compensated and unstable work. In numerous developing nations, a significant portion of the population engages in informal sector activities. Small-scale farmers, residing slightly above subsistence levels, often participate as informal traders by selling surplus produce. Additionally, various informal workers manage small ventures like market stalls, hairdressing salons, or minibuses. Informal employment is prevalent in waged labour, including construction roles, and service-oriented jobs such as house-help.

In Bhutan, the predominant portion of employment is found in the informal sector. The Ministry of Industry, Commerce, and Employment (MoICE) defines the informal sector to encompass individuals employed as family workers, own-account workers, contract/piece-paid workers, casual paid workers, apprentices/interns, and employers. According to the Labour Market Information Bulletin released by the Department of Employment and Entrepreneurship under the MoICE, the share of employment in the informal sector has consistently been nearly three times higher than that in the formal sector since 2013. While it is on a declining trend, as of 2022 the informal sector employed 65.4% of the working age population.

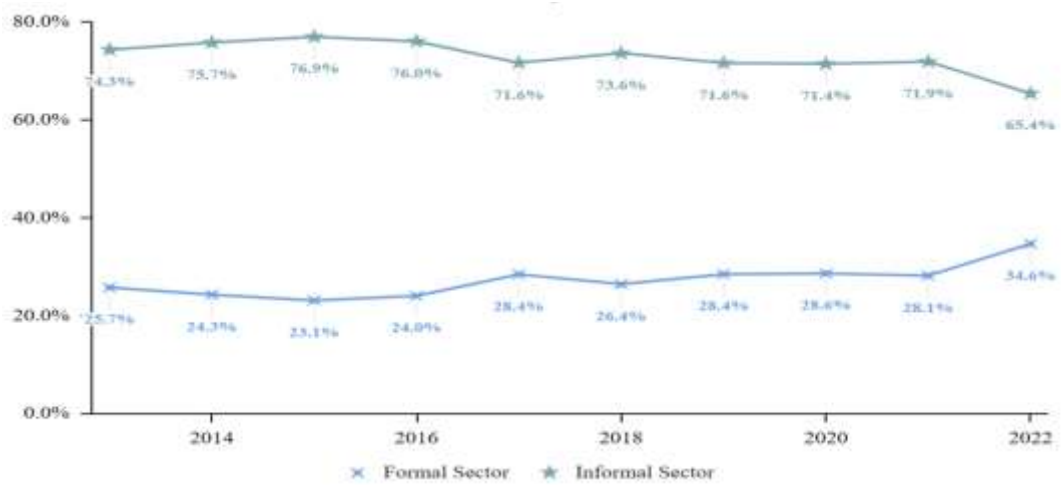


Figure 16: [23]Percentage distribution of employed persons in formal and informal sectors (2013-2022)

[23] Labour Market Information Bulletin 2023. (n.d.). In *https://www.moice.gov.bt/wp-content/uploads/2023/10/Labour-Market-Information-Bulletin_2023.pdf*.

With regard to gender division, 75.1% of all working women are employed in the informal sector as opposed to 58% men.

Other than a diagnostic study of the informal sector commissioned by the former Department of Cottage and Small Industries (DCSI) in 2014 and the annual reports on labour force participation published by MoICE, there is a dearth of additional studies or information about the informal sector. Moreover, there is a notable absence of studies delving into the sector with regard to gender dynamics or taxation. Consequently, it is challenging to make definitive conclusions about the sector regarding user charges or other potential levies they might face.

However, it is evident that over 60% of the workforce is involved in this sector, providing a compelling reason to advocate for actions to support it. A key recommendation from the 2014 diagnostic study was to bolster the sector and gradually transition its participants into the formal sector. Key findings from the informant interviews and FGD with the business community conducted for this study also underscore the necessity of supporting the sector, enhancing their enterprises with government assistance in the form of financial support and capacity building. [24]International organisations, such as the IMF, assert that for developing nations, it is crucial to broaden the national tax base by incorporating the informal sector, as this is fundamental for improving revenue mobilisation.

Informal Sector as an untapped source of revenue

"We have to think about ways to bring the informal sector into the formal sector because they also need to grow. The Informal sector needs to be looked at as the untapped source of tax as they have the potential to grow and contribute to the long term economic growth of the Country. We need proper incentives, plans and institutions to support them to grow and take pride in their contribution. At the moment there are no incentives or any institution that looks after the informal sector".

"People think that the informal sector does not have to pay tax but it is important to see that they also do not have opportunity for growth".

[25]Discussions within policy debates, especially those concerning informal workers, often revolve around debates regarding flat taxes (which disregard the percentage of income) and progressive taxation methods (where tax rates increase for higher income earners). These tax matters are especially pertinent to 'local' tax justice and consequently have the potential to significantly affect the livelihoods of women informal workers throughout the Global South.

[24] Accelerating the achievement of gender equality and the empowerment of all women and girls by addressing poverty and strengthening institutions and financing with a gender perspective. (n.d.). In *https://www.unwomen.org/sites/default/files/2023-11/rogan.pdf*.

[25] ibid

Global literature further suggests that the informal sector may fall below income thresholds established by their respective countries. [26]Informal businesses, being unregistered, also do not contribute VAT directly to the government. However, they incur VAT on purchased inputs without the possibility of a refund, a privilege reserved for VAT-registered companies. Despite these distinctions, informal workers and businesses often face taxation through various fees, charges, and licensing costs, imposed at local, national, or dual levels. [27]The issue lies in the frequent lack of coordination among these taxes and fees, resulting in overlapping and multiple taxation instances. Typically, these taxes are broadly estimated and flat-rated, leading to regressive outcomes. Market taxes and fees imposed on market stallholders constitute a prevalent form of local taxation targeting the informal sector, particularly affecting individuals with lower economic means. Numerous instances of taxing the informal sector involve 'presumptive' taxes, which are calculated estimations of payable taxes. These estimations rely on straightforward indicators of business performance, such as turnover, or observable characteristics like the number of seats in a bus and are frequently paid as lump sums. Given that a higher proportion of women than men engage in the informal sector, the burden of taxes on this sector disproportionately falls on women compared to men.

Although an in-depth and up-to-date analysis of the informal sector in Bhutan is necessary, global insights offer guidance and prior knowledge to encourage the informal sector's transition into the formal sector. Such a shift would not only expand the country's tax base but also establish the groundwork for sustainable economic growth.

e) Impact of Tax expenditures on gender equality

The analysis of revenue forgone is lacking, and its effect on gender remains unknown. Tracking tax expenditures offers both government and public insights into the amount of revenue lost due to tax reliefs, such as exemptions, rebates, deductions, accelerated depreciations, and other preferential tax arrangements. Effectively monitoring tax expenditures allows for a more comprehensive assessment of the costs and benefits associated with specific tax relief provisions. In addition to disclosing the fiscal impact (revenue forgone) of tax expenditures, best practices for optimising the use of tax breaks involve evaluating these provisions. It is crucial for the government to periodically assess the effectiveness of specific tax expenditures in achieving their intended goals and ensure alignment with current government priorities.

The Annual National Revenue Report prepared by the DRC includes a section on tax expenditure. This section briefly outlines the policy's purpose, estimates the revenue forgone due to tax expenditure, and identifies the intended beneficiaries. However, the SDG for taxation

[26] Taxation of the informal sector. (n.d.). In *https://actionaid.org/sites/default/files/publications/informal_sector_taxes.pdf*.

[27] Ibid

framework self-evaluation report highlights that it lacks cost-benefit analysis for new or existing proposals.

Presently, the absence of both ex ante and ex post analyses as standard procedures for evaluating tax policies, rules, and regulations means that the DRC lacks a foundational reference point to comprehensively assess the complete effects of tax exemptions. A report on the total tax foregone under fiscal incentive for the period 2008-2018 show that tax revenue foregone amounted to as high as Nu. 10,097.39 million (Refer table 5). Additionally, existing tax policies do not consider gender or mandate the collection of sex-disaggregated data. Consequently, assessments of tax exemptions lack the means to measure the distinct impact on different genders.

Table 5: Summary of total taxes forgone under Fiscal Incentives by "major sectors and tax type" for the period Jan 2008 to Feb 2018 (Amount in Nu. million)

Sl No	Major Sectors	No of beneficiaries	Income Tax (IT)	Sales Tax (ST)	Customs Duty (CD)	Total
1	Service	87	7.86	1316.28	3720.79	5044.93
2	Manufacturing	203	145.75	1121.01	3009.65	4276.41
3	Tourism (Hotel)	171	123.81	81.08	242.80	447.69
4	Health	17	0.00	25.36	184.27	209.63
5	Education	40	48.04	5.13	3.83	57.00
6	Tourism (Travel Agent)	79	0.00	6.33	22.55	28.88
7	ICT	7	9.27	7.99	0.95	18.21
8	Transport	46	0.00	9.25		9.25
9	Film and Media	20	3.05	0.82	1.52	5.39
	Grand Total	**670**	**337.78**	**2573.26**	**7186.36**	**10097.39**

Source:https://www.mof.gov.bt/news/fiscal-incentive-and-tax-forgone-from-2008-to-2018, 2018

Deductions on education expenses is a noteworthy aspect of PIT. However, there is a lack of analysis or studies examining the impact of this exemption. Almost all KIIs mentioned that making assumptions is the only way to determine the actual beneficiaries. Some respondents opined that, men in general earn higher income and are more likely to claim the education deduction as generally, the one with the higher taxable income claimed the education benefits to reduce the household tax burden. Furthermore, in the survey of tax administrators, 71.3% stated that they are unaware of who benefits from education deductions, while 18.8% believe

it primarily benefits men. Only 10% of respondents expressed that education deductions may be benefiting women.

Similarly, an exemption under sales tax is the zero tax applied to female sanitary products and baby diapers. Nonetheless, nearly all KIIs indicated that the actual benefits may not be reaching women due to price gouging, underscoring insufficient monitoring of shops and sellers.

The Fiscal Incentive Act of 2021 granted tax exemptions to all small and micro businesses situated in rural areas on all incomes until December 31, 2024. The primary aim was to enhance economic growth, promote private sector development, and increase employment. While it is presumed that this incentive may have benefited women, given their underrepresentation in the private sector and lower employment rates, it is important to note that gender considerations were not a deliberate policy decision during the formulation of this act. Following was mentioned during the FGD with DRC Officials

"The DRC is aware that the fiscal incentives could have benefited the small businesses owned by women. However, we know that small business owners may not have been aware of the benefits and did not come forward to claim the benefits. DRC does not have data on who actually benefited from the Fiscal Incentives".

5.3 Tax administration and compliance - gender dimensions of tax administrations and workplace

Tax administration process

Tax administration process, encompassing filing, compliance, and enforcement, does not consider gender dimension. In general tax administration is primarily guided by the Acts, Rules & Regulations and guidelines pertaining to the respective tax legislations, all of which are available in public domain through the DRC website. In addition, for matters not covered through the existing regulations, the DRC and MoF issues public notifications which are also made available online through their website and social media page.

DRC has developed customer service delivery standards to provide services that are easy to use, ensure accessibility and comprehension for everyone to enhance taxpayers' voluntary compliance. This standard outlines the procedures, pre-requisites and TAT for all their services and is available online. However, gender dimensions are not considered, which could be because tax was never looked at from a gender perspective in the absence of data and capacity gaps.

Sex disaggregated data is neither systematically collected nor generated. As such, gender dimension is not taken into account in the tax administration process, which includes filing, compliance, and enforcement. The lack of disaggregated data suggests that the assessment of the influence of tax policies and administration on the situation of men and women, as well as the recognition of gender-specific challenges in tax administration and compliance, has never been considered.

The online survey and FGDs with the tax administrators confirmed that gender was never considered in tax policies or administration. 60% of the survey respondents mentioned that the design of tax filing systems did not consider gender dimensions, while the remaining 32% mentioned they did not know.

Findings from the key informant interviews revealed that there was neither consultation in the formulation of tax policies nor in the design of tax filing systems. It was suggested that processes and procedures for taxation could be responsive, friendly and sensitive. A case in point cited was the import of wholesale goods in containers where the majority are perceived to be women. Some preferential treatments through gender-streamlined procedures would be important because in a stereotypical procedure, such processes will induce behaviours, which will induce corrupt practices.

There is good representation of women in decision-making positions within the tax administration. Of the five divisions under the DRC, women head three divisions. Currently, senior-decision making positions in the Ministry of Finance are occupied by 12 females including a female secretary and seven males in the top executive positions[28].

Perception of tax administrator on gender and taxation

88% of tax administrators expressed the opinion that existing taxes do not have varying impacts on different genders (including the 12.5% who responded with 'do not know'). 51% of the respondents stated that gender is not a crucial factor for tax policies, while 34% were uncertain. The lack of awareness and capacity in this emerging area of linking tax and gender could be a likely reason for the majority of tax administrators perceiving gender as not being important for tax. From the perspective of tax administrators, the tax filing systems are perceived as equally friendly for both men and women, with no gender-based difference in seeking assistance for filing taxes. In contrast to these views, insights from key informant interviews and focus group discussions suggest that gender considerations are indeed vital for tax policies, and improvements can be made to tax filing systems to enhance friendliness and efficiency for better compliance.

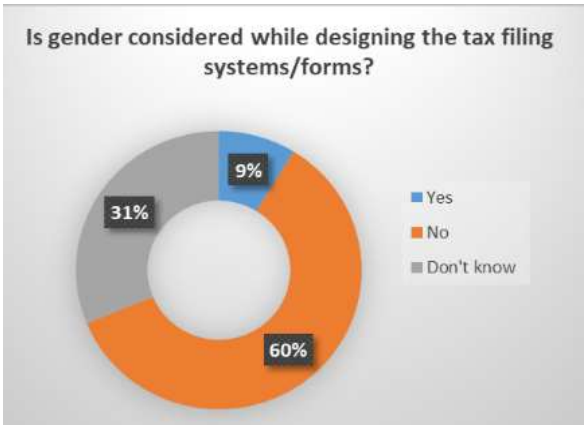


Figure 17: Consideration of gender in design of tax filing systems

[28] www.mof.gov.bt/departments

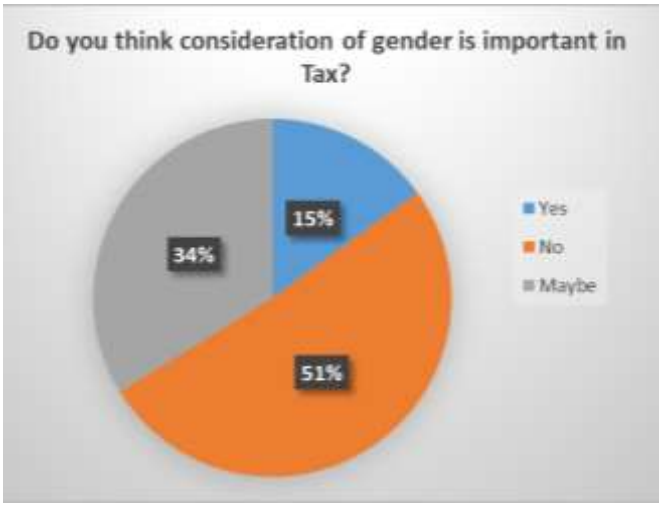


Figure 18: Perception of gender in tax

Tax compliance involves adhering to all legal tax obligations willingly and thoroughly by taxpayers. This includes registering as a taxpayer, keeping accurate records, submitting timely filings, accurately reporting income and deductions, and fulfilling the payment of imposed taxes. Generally, literature suggests that female taxpayers are more inclined to adhere to tax laws than their male counterparts do. Findings from a study on the determinants of BIT compliance among medium enterprises in Thimphu show that a higher percentage of female taxpayers are more compliant than males with 78% of the male respondents reporting on paying fines and penalty. The same study also revealed that education and level of tax knowledge have a positive association with compliance, indicating that individuals with higher education and more knowledge on tax are likely to be more compliant. Analysis of PIT and BIT data reveals a higher overall compliance among women taxpayers compared to men. Specifically, within the 10% of late filers[29] for PIT, 70% were men, and among the 36% of late filers for BIT, 56% were men.

Table 6: Compliance to tax filing by gender

Late filers	***PIT***	***BIT***
Male	*4,100*	*7,463*
Female	*1,747*	*5,964*

6. Recommendations

Based on the study findings and literature review, the recommendations for a gender responsive taxation system have been proposed in two categories- short term (which can be done in the immediate within a year or two) and longer term recommendation (within 2-5 years).

Short term/Immediate

[29] Late filers for PIT and BIT are considered those who file taxes after the due date of February and March, 2023.

- **Enhance the capacity of tax policy makers and administrators in understanding the intersection of gender and taxation.** Currently, awareness regarding gender and tax is limited, as this field is relatively new in Bhutan. Tax administration primarily focuses on revenue generation without specific consideration of its sources. Moreover, the understanding of inequality, fairness and equity is restricted to income disparities alone;

- **Adopt 'inclusivity' and collection of 'sex disaggregated data' as a guiding principle in the tax policies.** This needs to be further defined and elaborated in the Rules and Regulations and Strategies to ensure implementation.

- **Collect sex disaggregated statistics in the existing direct and indirect tax provisions.** This could be done by making gender a mandatory field in the registration and tax filing systems. As the DRC is in the process of developing an integrated tax system (Bhutan Integrated Tax System), a required field on gender should be included.

- As the new property tax system is recently launched, opportunity exists to capture gender information in the system to support future studies and ex-post analysis on the impact of property tax on different genders.

- **Incorporate ex ante and ex post analysis of all tax policies as a mandatory process with focus on gender equality.** Such analysis could provide a mechanism for continuous evaluation and adjustment of tax policies based on the findings. For instance: One of the immediate ex-post analysis could be on the impact of the Fiscal Incentives including an emphasis on gender differentiated impacts.

- **Enhance the National Revenue Report through incorporation of gender reporting.** For example: Reporting on source of revenue (male & female taxpayers, private companies and corporates), gender differences in tax compliance; contribution to Tax and GDP from accounting of unpaid care work.

- **Accounting for unpaid care work can provide a good basis for better administration of national revenue to redistribute the care burden** and calculations to provide tax benefits towards child care, care of the elderly and other forms of care work.

- **Strengthen collaboration and better coordination between the DRC and the consumer protection agencies to ensure tax exemptions provided by DRC (such as zero tax on women's hygiene products) actually benefit the target beneficiaries and meet the intended objectives.** Alternatively, targeted subsidies to low income women and female students in remote schools instead of providing tax exemptions to women's hygiene products may be more impactful.

- **DRC may need to revisit their public communication strategies based on the target population and tailor made programs for women to improve public awareness and education on tax policies and incentives.** Some considerations on beneficiaries' capacity, ease of availing such incentives would be critical.

- **Consultation on Tax formulation or amendment process need to be strengthened at key stages with a diverse group of stakeholders.** Focused group consultations with various interest groups such as women entrepreneurs, persons with disabilities and other disadvantaged groups should also be considered.

Long Term

- **Develop a guidance or framework on mainstreaming gender into account in tax policy design and administration** for Government to address the impact of implicit bias in the tax system;

- **Revive GRPB to mainstream gender throughout public finance management.** A key focus area could involve strengthening accountability in public expenditure, ensuring transparent reporting of expenses related to gender equality projects and activities.

- **Conduct further studies to understand the challenges, issues and opportunities of the informal sector from a tax perspective.** As suggested by global literature, formalising the informal sector can increase the tax base and make a positive contribution to the economy in the long run. Considering the predominance of women in the informal sector, such an initiative may bring about transformational changes in the gender and taxation system.

- Although tax incentives for caregiving and the incorporation of the informal sector could boost women's participation in the workforce, it might be essential to conduct additional research and engage in collaborative initiatives with the Department of Employment and Entrepreneurship, Ministry of Industry, Commerce and Employment to develop specific interventions.

- **Considering the untapped women labour force in the Country, develop strategies and provide tax incentives such as tax holiday for initial few years to encourage formalisation of the informal sector.** Consider tax incentives/benefits for encouraging female employment in the private sector.

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Annexure 1: Transcript of FGD with Department of Revenue and Customs

- **2nd February, 2024**

- Confirmation on the direct and indirect tax categorization as presented is correct. PIT is definitely progressive as it is based on different income slabs. BIT, CIT, property tax and likewise customs duty and sales tax are based on value although flat rate is applied and therefore are progressive. For instance, Property tax rate applicable is 0.1% but this tax rate is applied on the value of the property (determined by the PAVA rata).

- Availability of disaggregated data has not been deemed important as of date and therefore most of the data available is not disaggregated by gender. Further, considering the mandate of the organisation is primarily in collecting revenue, most data are on the revenue.

- Data reliability even on the income tax data provided by DRC could be a concern as the RAMIS system currently is not integrated with any of the external systems and therefore there is no opportunities for data validation. It was mentioned that while employment and gender data has been pulled from the taxpayer registration data, the same may not be reliable if the analyses are being done to provide recommendations. These data concerns may be resolved with the new Bhutan Integrated Tax System (BITS) which would integrate information with the *Zhiyog* system for civil servants, Census Civil registration system and *Zhichar* system of the property.

    i. For example, it was mentioned that the 'Others' category in the employment data correlated with the tax burden and with the gender of the taxpayer could be unreliable. This is because the registration system is not updated based on the employment changes of the individual from the time of registration to current day. Further, during the system migration from the earlier tax system to RAMIS, all the individuals whose information were pulled into RAMIS could be the ones categorised as Others.

    ii. Even the gender of taxpayers in the registration data could be unreliable as taxpayers do not fill in information correctly at the time of registration.

    iii. Data on taxpayers who availed tax holiday and micro-exemption in the BIT field data is correct.

    iv. Tax amount collected against income threshold 'below 300,000' may not be there as the data provided was on tax filed. This will be validated by the DRC based on confirmation of the data columns used by the consultant in the analysis.

- Rationale for tax collection is primarily to generate revenue for the government, inculcate behaviour changes (such as on tobacco and alcohol) and to bring down income inequality, therefore, gender has not been considered in the tax policies.

- Tax administration process is primarily based on the Acts, Rule & Regulations and guidelines, which are all available on the DRC website. In addition, for things not covered through the existing regulations, public notifications are issued.

- Relevant international and national legislations on tax and gender - Tax for SDGs initiative, Bilateral tax treaty with India and Bangladesh on double tax avoidance.

- For customs duty the DRC is a member of the World Customs Organization (WCO).While there are no obligations to report to WCO, all the custom rules and regulations are based on the WCO rules and submit data to the Customs Enforcement Network. There are no gender specific requirements, therefore, it is not considered in the internal rules and regulations also.

- With regard to communication and public awareness, the DRC did a lot on the Fiscal Incentive through different channels. Both the DRC and the regional officers were involved in massive public awareness. However, there was no interest from the public. The DRC also used social media (facebook live) and posters to communicate but there was minimal participation from the public. In addition, the DRC made an effort to educate and raise awareness to those who visited the offices in person. However, it was noted that only big companies and business owners were aware and claimed benefits - some went to the extent of claiming benefits even on small items such as nails used. The DRC also has a public communication unit with an annual budget to do public communication and awareness programmes. The DRC is aware that the fiscal incentives could have benefited the small businesses owned by women. However, they are also aware that many other small business owners may not have been aware of the benefits and did not come forward to claim the benefits. DRC does not have data on who actually benefited from the Fiscal Incentives.

- Until now there was no studies or analysis carried out to see the differentiated impact of tax on gender. As of now it's not mandatory for pre and post analysis of tax. For instance in the case of the recently introduced property tax there were no studies conducted to understand the different impact of tax on different gender. However, the rationale for the new property tax was to shift from the unit based taxation (where the same tax rate was applied everywhere irrespective of value of properties owned) to value based tax (for equality) besides the fact that property tax was not revised for the last 30 years.

- With regard to the informal sector, DRC cannot do much since they are not registered and licenced business owners. It will need the cooperation of the Department of Industry and Department of Employment and Enterpreneurship, MoICE. We have discussed with them but from their side the fact that not having to process for licence is seen as an

incentive for startups and small businesses and they are allowed to operate without licence. DRC understands that documentation and other processes involved in securing licence may be cumbersome for small business and startups. The DRC receives complaints from taxpayers stating that there are many business owners like them but do not pay tax. Due to these complaints, these issues may be taken up in the new reform. DRC is also aware of the fact that startups and small businesses, since they are not registered licensed businesses, miss out on the tax incentives and other opportunities.

- The information/data on container business operators could be obtained from trade import licences from the Department of Trade.

- With regards to the expenditure of the revenue DRC do not have the mandate to make decisions on areas of expenditure. DRC just collects the revenue and it will be deposited in the government account. The allocation of the government review is based on the budget proposal of the budgetary agencies. However, DRC is aware that domestic revenue is generally spent as recurrent expenditure.

Annexure 2: Transcript of FGD with Business and private sector representatives

1. Tax Formulation and Administration Process

- For the fiscal incentive 2017 consultation was carried out and the BCCI had submitted a written recommendation (on behalf of the private sector) but our feedback was neither acknowledged nor taken onboard. Further justification/reasoning on why views were not considered was not provided.

- Generally, money bills are discussed only in Parliament once it is submitted to the Government. Once the tax policies are passed by the Parliament there is no room for discussion and this is what happened with the recent property tax. However, DRC needs to make sure that the consultation takes place before the policies are submitted to the Parliament. The Property tax will have a severe impact on people in the rural areas as they need to pay much more.

- Gender mainstreaming is there as one of the cross cutting themes at the National/policy level. But it is not implemented. In most projects and activities we see gender mentioned but to what extent it is implemented and who actually benefits is not assessed.

- Gender consideration is not there even in the Fiscal Incentives;

- Bhutan is a matriarchal society, which means the women inherit the family property and they also have care responsibilities. There are no incentives currently for them to take up business opportunities;

- Bhutan being a matriarchal society is not true for the South and Eastern regions. But matriarchy is also a burden on the women especially for those in the rural areas. They inherit properties and land that do not have much value and additionally they have to work with no help and acknowledgement;

- There are no explicit gender biases as such but most are implicit biases from indirect taxes, which is regressive;

- Micro enterprises are provided tax holidays (for five years) but they are also not allowed to upgrade from micro to the next higher level even if they are doing well within that period. So there is a ‘micro-trap’ which in essence is a disincentive;

- There is also an issue with tax assessments done by DRC as there is often no uniformity in implementation. The way the phrase “arm's length basis' is interpreted is subjective. It is open to interpretation by the different tax officials in the DRC;

- The penalty for late tax filing is 24% but there is no such penalty if the DRC fails to give the rebates on time. It takes 7 to 8 months and sometimes a year to get the rebates. Businesses have to keep following up with DRC;

- For small and micro businesses, the imposition of lump sum tax is also an issue. Lump sum tax is dependent on the interpretation of the tax officials and one exemption/deductions allowed in one income year is not allowed in another subsequent year depending on who is the assessor.

2. Informal Sector

- We should also talk about the inclusion of rural women. They are in the informal sector and currently there is no acknowledgement of their contribution. They are not organized and there is no information and institution to support them. Therefore, organizations like BAOWE and SABAH Bhutan (who work with and for the informal sector) should be considered as a representative of the informal sector by the BCCI;

- We have to think about ways to bring the informal sector into the formal sector because they also need to grow. The Informal sector needs to be looked at as the untapped source of tax as they have the potential to grow and contribute to the long-term economic growth of the Country. We need proper incentives, plans and institutions to support them to grow and take pride in their contribution. At the moment there are no incentives or any institution that looks after the informal sector.

- People think that the informal sector do not have to pay tax but it is important to see that they also do not have opportunity for growth;

- BAOWE with its microfinance (BAOWE Pelshing) for the informal sector-provides free livelihood centers and connects the rural farmers to markets. We need support from Government and development partners such as the UN;

- There is a need to provide capacity development for informal sector to take them to the next level; vocational training opportunities for dropouts girls can be initiated;

- We can see that it is mostly women running the Pan shops and selling momo/ thukpa. We tend to talk about big policy matters but this is the ground reality. Why would you want these small businesses to pay tax because the tax amount will be small and it will not make much difference?. Rather, we need to encourage as much

as possible because financial transactions are happening and they are engaged which is good for the economy;

- Certification of products to meet international standards can be supported by the government to benefit the rural informal economy;

3. Gender Disaggregated Data

- Gender disaggregated data currently is neither required nor submitted. If there is such a requirement in the rule and an associated incentive for maintaining such data, this can be collected and maintained.

- Government needs to build a strong gender disaggregated database so that there is evidence for future interventions

4. Corporate Income Tax

- Majority of the CIT contribution is from the state owned companies and this will not provide a clear picture. SoEs should be in a separate bracket to actually analyze the beneficiaries and compare the private companies vis-a-vis the SOE.

- Considering the majority of CIT contribution is from the SoEs, SOEs should lead by example. Efforts for gender responsive initiatives should start from them.

- Government can provide some support/rules to increase the share holding of women in companies.

5. Fiscal incentives

- Fiscal Incentives are generally not made known to the public. The process/procedures to avail exemptions is not very easy nor friendly. Sometimes, the government officials themselves are not aware of such incentives. Tax administrators also can be more friendly and facilitative.

- The language and mindset around providing incentives needs to be changed. It should not be considered nor termed as revenue foregone but it should be viewed as one step towards enabling the environment for more contribution from indirect tax resulting in growth of economy and achieving government's objectives.

- The incentives need to be rationalized and practical as well. For instance: incentives for tour operators on the import of vehicles is limited to one hiace bus in 7 years irrespective of the volume of tourists the business brings in and revenue it contributes. Similarly, hotel businesses are allowed to bring in only one set of sofa, one set of linen which is not sufficient nor practical.

- Tax holidays: in the initial years of business, not profitable and therefore there is no question of tax. Since this grace period is labeled under the banner of tax holidays it is made to look like businesses are given some concession.

- For fiscal incentives to be effective, it should be specific to the nature of business.

- Those businesses providing family care including child care services should be provided tax incentives.

- Access to market and access to finance can be two incentives to encourage women. We have incentives like the 20% preference of domestic products. An additional 5% incentive can be provided for a women owned business. So such incentives can be made available through reform of the public procurement systems;

- On access to finance, with the imposition of 6% lending rate by RMA, affordability may become an issue.

- Access to capital, market and compliance burden needs to be addressed. In India a business is considered a start-up for 7 years and need not pay tax. The same is doable in our situation;

- For instance there were 7 businesses in waste management but only two are given tax holidays. Now most of the businesses are closed and people have left for Australia. Therefore, incentives need to be there including for diversity and inclusion;

- On differentiated impacts from fiscal incentives, we are unable to comment on who actually benefited. But there is definitely no incentive for women to be employed in private sector or to be represented on the Company's board and therefore representation will be low.

6. Employment and Tax

- In terms of incentives for encouraging women in employment, tax rebates on maternity leave or certain contributions from the Government can be provided. Businesses that promote child care services need to be given more tax exemptions as our working age population is mostly young and struggles with child care. Enhanced education allowances or tax rebate on education for girls can be instituted. Mobile creche would also help women to join and stay in the labor force. This can also be a business opportunity for people;

- Retention of employees in the private sector is challenging as the pay difference with the government employees is high. Pay revision in the Government is

impacting the private sector in retaining employees as the expectation of wages is high and as businesses, we are unable to afford.

- Maternity subsidy for women. As a business I will not hire women because it's a long gap and loss for us and particularly for critical positions. It is very challenging when women take long leaves. Besides, the burden of work falls disproportionately on the other employees due to their absence.

- The Aviation Sector for example has a policy that restricts female cabin crews from getting married for a certain period of time upon employment. Such rules and restrictions should not be there. Such practices influence other businesses to do the same.
- Incentives for women taxi drivers may also be considered for more women to take up this profession.

- Recognition and award system in all sectors that take initiatives on gender equality should be instituted;

Annexure 2: Transcript of Key Informant Interviews

1. Key Informant Interview with a Private sector representative

- Working conditions in the private sector are not conducive for women. If you are in the executive position you are expected to stay at work for very long hours. I can see my female colleagues struggle. Even off hours you are expected to be with your laptop and phone. In a profit oriented organization every minute or opportunity missed would be a loss of opportunity. There is also a general perception that female employees may not be able to put in as much commitment as men. While companies are open to recruitment there are certain critical positions in a company which are not encouraged for women. For instance: A company cannot afford to lose a marketing executive for an extended period of time (3 months of maternity leave) as the whole market situation would change within that time. Companies also cannot keep back-up as this would costs more.

- Currently three months maternity leave is given to women employees by the company but it is not enough and beyond that the company cannot afford. Requirement of providing 6 months maternity leave to working mothers may discourage companies from even recruiting female employees. Therefore, cost sharing with the government and other subsidies and tax benefits to working mothers in the private sector may help us to recruit more women.

- With regards to construction creche, feeding rooms and others there may be tax benefits but those are not made explicit in the tax regulations so we do not know. However, there are more operating costs involved to hire caregivers for children which are not covered.So if those things could be included in the tax benefits it will nudge the private business to adopt such policies that are more inclusive and conducive for women's participation in the labor market.

- Currently our tax policies are myopic and short sighted. The tax policies do not have enabling conditions which will allow the private organizations to thrive and do well in the long term. We find that the primary objective is to just collect tax. Oftentimes we seek clarifications and their only response is that it is what the rule says or it has been decided and that is where the conversation stops. We see a lot of opportunities where the government can be a little bit more proactive and direct the private organizations to adopt more inclusive policies.

- We have never been consulted while developing any tax policies and regulations; most of the time it comes in the form of directives and enforcement of rules. Even when consultative meetings are conducted, it is mostly to convey what has already been decided and there is no room to take our suggestions and comments.

- There are also opportunities to promote women's participation through the Company's Act for instance they can include clauses which encourage business to include more women as

board members. But we also have to ensure that it just doesn't become a token where the women are just occupying some position for namesake and do not have have real decision making power;

- There are also many rules and regulations in customs and sales taxes which are ambiguous and oftentimes open to interpretation. When we import goods we often face harassment because the rules are not clear and in such a situation we can see that the tax administrators interpret rules that are more suitable to them. We can see that such a situation leads to corruption where businesses and individuals would rather pay-off than waste time with litigation which takes a long time and see no hope for justice. Overall such a situation leads to a loss of revenue for the government;

- On the gender differentiated benefits from tax exemptions/concessions, I would say the indirect beneficiaries would mostly be men as in most companies men are generally at the higher rung of employment.

- For the informal sector, the government should find ways to formalize them so that they also get the benefits of the protection measures and opportunities for growth.

2. Key Informant Interview with a civil servant taxpayer

- To encourage women startups, negative taxation benefits for vulnerable groups could be an incentive

- For the economy to develop in a resource scarce country like Bhutan, we need all available resources (i.e people transitioning out from higher education) to be in the job market and contributing to the economy. But if you look at the labour force participation, it is 70% male as opposed to about 50% female although gender parity in education is there. Further, there is a general apprehension that earning more means paying more taxes and this apprehension is even bigger for women due to the gender dynamics. so, to encourage women to contribute to the economy, tax incentives are important.

- It is worth making investment both economically and socially if you consider the long term benefits from such tax credits/exemptions. By recognizing and responding to the needs of both women and men, you are correcting the system so that both women and men can contribute to the economy over a period of time.

- Another important area to consider is the process and procedures for taxation should be responsive, friendly and sensitive. If you consider the import of wholesale goods in containers, majority are women. In these areas also, some preferential treatments through gender streamlined procedures would be important because in a stereotypical procedure, such processes will induce behaviors which will induce corrupt practices.

- Why do we give tax incentives to high-end hotels? The same principle of providing tax

holidays to high end hotels should also apply for the provision of tax credits or for that matter 10 years tax holiday to women entrepreneurs to encourage women in labour force participation as there are intergenerational impacts from this.

- Indirect tweaking of taxation policies could be there through tax credits such as for financial institutions providing preferential lending to certain beneficiaries, eligibility of tax deductions for women being paid during the maternity leave by companies, refund of TDS amounts deductible for the duration of maternity leave from female civil servants who take maternity leave.

- The promotion of visibility of companies through initiatives such as recognition through Gender Equality Seal may nudge the companies but may not make such a difference. Rather, financial incentives could be better.

- Unpaid care work is unformalized but if you look at the working environment, it is formalized. If this is formalized through incentives, there will be economic benefits and employment creation will be there. Here again, tax adjustments can be made to benefit women. Similarly, informal sectors are not formalized and the apprehension is the burden of tax once they get formalized. In doing so, they miss out on the opportunities such as accessing formal financial services to expand or scale up businesses. For these groups, policies such as tax exemptions for 10 years for informal sectors who get formalized will encourage them into mainstream employment.

- Sanitary pads are zero taxed and the same exemptions should also apply for the baby diapers. The sanitary pads despite zero tax, the prices have not changed nor people aware and intended benefits are not there.

- No studies on tax burden analysis from a gender perspective.

- If you look at the construction licenses holders, the majority are men and this is where the money is. In such work areas, how do you break stereotypes for women to enter this work environment?

- There is no consultation in the design of tax policies nor in the design of tax filing systems.

- All tax systems should be digitized/made online to the extent possible to minimize the people to people contact as there are every possibilities of exploitations and harassment. Such practices if they do occur puts women in a far more vulnerable situation than men. Additionally this leaves room for corruption. There are many instances where custom officials take a very long time to clear the taxes at the border areas, especially those importing goods (container system trade) where every item needs to be physically checked by custom officials. In such a case, the business people would rather give some money to tax officials and cut short the time in paying custom duties. While such practices need to be further investigated and studied, such unhealthy practices will lead to revenue loss to

the government and by that amount the government will have less money to put into development activities.

- One of the areas we need to focus on is the implication of Bhutan's graduation to a developing country status. The government should be farsighted and think about economic resilience for sustained growth. Such a scenario is possible only if we have equality in the society where both men and women are given equal opportunity and enabling conditions are created for equitable participation in the development of the country.

- With regards to tax/revenue administration/putting back the revenue collected into projects and activities to achieve gender equality we do not have a clear picture. Currently we are not sure in which areas the revenue colleges are put back. Elsewhere there are systems such as PET- Public Expenditure Tracking system. It was deliberated at one time, however, this is not there in practice. If we have such a system we will be able to track where the revenue is expended and thereby leading to better decisions of investment and expenditure. Data from such a system will be able to show whether the revenue collected is put back into gender equality projects and activities.