

Taxation and Gender in Egypt



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In most countries women are overrepresented among those on low incomes, and the lower income groups have consequently been placed at a significant disadvantage particularly in states where government spending is shrinking. While questions of taxation were never on the forefront of women's movements, there is a dire need to mainstream the gender aspect into financing issues. By looking closely into the intersection of fiscal justice and gender, we come to find that taxation affects women differently because of their employment patterns which include wages, their majority share of unpaid work, consumption patterns as well as property and asset ownership. Globally, women spend two to ten times more time on unpaid care work than men¹. While this means that women would not be subject to direct taxation, it means that women have less resources available to cover their tax obligations, in addition to being excluded from benefits afforded through the tax system such as contribution-based pension systems. Across low-income countries, around two-thirds of tax revenue is raised through indirect taxation, especially through taxing consumption². Where women tend to be the ones buying food and basic goods for the household, regressive tax regimes, and in particular those depending on indirect taxation- such as the VAT- severely affect the incomes of women and thus their capacity to buy. This paper aims to assess the equity of Egypt's tax system through focusing on its gender dimension. It does so through providing a general outlook on women's economic and social status, an overview of the Egyptian tax system pinpointing and analyzing the gender dimensions throughout the system, and finally attempting to provide policy recommendations towards a fairer, more equitable and gender inclusive tax system.

Looking at the global gender report for 2015, Egypt landed in the bottom 10 countries in the report ranking 136 out of 145. The lowest scores were for economic participation/ labor force participation and political participation with the same rank of 136 out of 145. Estimated earned income also came in 133/143 with a female to male ratio of 0.30³. Women's labor participation rates are lower than men's in all countries, even though women contribute more time in total, to paid and unpaid work⁴. In Egypt, female labor participation increased from 4.2 million in 2001 to 6.5 million women in 2013, making 23.4% of the total labor force as opposed to 76.6% for males⁵. At the same time, female unemployment remains significantly higher than that of males reaching 24.3% amongst females as opposed to 9.7% amongst males, scoring the highest unemployment figure to date⁶. As for business ownership, females constitute an even smaller percentage as

1 OECD, Unpaid Care Work, 2014

2 Grown, Care, "Taxation and Gender Equity", p.3, 2010

3 Global Gender Report, 2015, p. 54

4 Grown, Caren, "Taxation and Gender Equity", p.4, 2010

5 CAPMAS, The Man and Woman in Egypt, 2014, p. 48, http://www.t-series.capmas.gov.eg/pdf/women_men/women_men_2014.pdf

6 Ibid, p. 51

opposed to males with 1.6% and 13.7% respectively⁷. Labor participation in Egypt is highest in the private sector, followed by the government sector, then lastly the public sector. The percentage of male participation is higher than that of women in the private sector at 74.7% vs 59.9%. The situation is reversed in the government sector where the percentage of female participation reaches 37.2% as opposed to 18.3% for males. The increase in female employment in the government sector can be linked to the privileges offered by the government sector namely the short/flexible working hours and open contract, but these privileges come at the price of generally lower wages than their counterparts in the private sector, limiting these women's financial resources and their propensity for socio-economic upward mobility. Labor participation is lowest in the public sector in light of the privatization of factories which left many workers out of jobs, where we see the percentage of male employment at 4.8% as opposed to 1.7% for females.

It is suggested that the gender gap for the weekly wage for public and private sector employees amounts to 20.3% in favor of men⁸. In a survey conducted to measure the wages and number of working hours for workers and employees for the public and the private sector, it was found that the average weekly wage for men is 769 EGP vs 714 EGP for women for almost the same number of working hours⁹. The difference in wages varies according to the employment sector. For men, the average is higher than that of women in most sectors, so for example in the agriculture sector men receive an average weekly wage of 448 EGP as opposed to 356 for women. In a few sectors the women's average wage is higher than that of men; however, the concentration of males was markedly higher than that of females in all professions. The same survey also found that the average weekly wage in the private sector is higher for men at 456 as opposed to 364 EGP for females. The situation was reversed for the public sector, where the average weekly wage for females was higher than that of males with 1065 vs 951 EGP¹⁰.

Globally, the power dynamics between class, gender and race are strongly embedded in the marketplace. Gender dynamics appear in the inequalities women face in the economic arena as they are disbarred by social forces such as stigma and stereotypes from pursuing what they want such as lucrative careers in what is considered to be typically masculine realms. This patriarchal dominion usually appears in their assertion of power through expressing their favorability for having women dedicate their time towards household labor and child care. Such restrictions are what lead to the inability of women to translate the labor they perform into one that is paid, and hence into income. Women's household labor without monetary compensation constitutes the main ration of the informal sector, where it increased from 29% in 1998 to 47.7% in 2013¹¹,

7 Ibid

8 Ezzat, Mona, "Women's Rights and Economic and Social Justice in the Arab World", ANND, 2012, p.53

9 CAPMAS, The Annual Bulletin for Employment and Wages Statistics, 2013, p. 11, <http://www.t-series.capmas.gov.eg/pdf/Employ %20wages/Employ %20wages2013.pdf>

10 Ibid, p. 13

11 CAPMAS, The Man and Woman in Egypt, 2014, p. 59, http://www.t-series.capmas.gov.eg/pdf/women_men/women_men_2014.pdf

whereas for men their performance of this kind of labor decreased from 13.2 to 7.4% in 2012¹². In 1995, the percentage of females employed in the informal sector in Urban Egypt was 6.9%- this figure increased to 17.7% in 2013. For the same years, the percentage of female employment in the formal sector decreased from 93.1% to 82.3%. Conversely, in rural areas, female employment in the informal sector decreased from 75.4% in 1995 to 44.6% in 2013, while for the same years, employment in the formal sector increased from 24.6% to 32.5%, these opposing trends however can be understood as an expression of the rapid urbanization processes which drive men to urban centers where they are favored by patriarchal social norms and stereotypes that enable them to increase their share of the labor market at the expense of urban women pushing them further in the direction of the informal sector, while leaving more space for women in rural localities to ascend through the formal market sector. Looking at figures for male employment, we find a small increase in informal sector employment from 44.6% in 1995 to 47.6% in 2013, and for the same years, we see a decrease in employment in the formal sector from 55.4% to 52.4%. With employment figures high for both men and women in the informal sector, only 27.8% of women receive financial compensation for their work as opposed to 43.5% for males. Only 19.6% of the female employed in the informal sector in Egypt's urban areas receive compensation as opposed to 3.3% in the rural areas¹³. It is suggested that in almost every country of the world, women do most of the unpaid care work¹⁴. While this is expressive of the ever-deteriorating economic situation it also illustrates how economic crises affect women very disproportionately; and even though we have no exact figures for poverty among women, it is evident from the available facts that poverty is bound to affect more women than men, making poverty a deeply gendered issue, and regressive taxation policies that unfairly targets the poor into policies that unfairly targets and burdens women. Regressive taxation policies, which affect the poor the most, put women at the worst disadvantage.

Other indicators are statistics such as the annual inflation which comes at almost 20%, in addition to the most recent decree to increase the custom taxes by rates averaging from 40-60% on over 300 goods, some of which are gender specific such as all beauty products including shampoos, while others are gender neutral such as deodorants, kitchen utensils, and imported fruits.¹⁵

While the Egyptian Government generally refrains from putting the effort to assess gender-specific implications of their policies; that refrain also goes almost unnoticed due to the almost-deliberate refrain from factoring in gender in most of the data collected. This means that we can never know for certain exactly how much women contribute to the workforce both formal and informal, or their productive capacity, or the taxes levied on them. So in light of this lack of any actionable information, all one can do to try to understand the situation is to lay a proxy upon

12 Antari, Salwa; Dessouki, Nafissa, "Women's Work in the Informal Sector", New Woman Foundation, p. 20

13 Ibid

14 Grown, Caren, "Taxation and Gender Equity", p. 5, 2010

15 In Egyptian marriage customs, the bride is responsible for buying any and all kitchen appliances.

another until a clearer image of reality emerges. For this to be done properly, we will first go through an overview of the Egyptian tax system and then move to gender-specific issues and insights.

The current personal income tax law does not differentiate between men and women. Both women and men are granted the same personal allowances of 5000 EGP regardless of their status (married, single, dependent, breadwinner, ...) This law, which stipulated the equal treatment approach only came into effect in 2005 through what is known as law 91 for personal income tax for 2005. Before this, men and women were treated differently with regards to personal allowances granted, which was based on an interpretation of Islamic Shari'a, and its stipulation that men are the protectors of women. Under the old law, a woman was given an allowance of 2000 EGP regardless of her status. Men on the other hand had variable allowances granted determined based on their status. For example, a single man was granted an allowance of 2000 EGP (which was the minimum allowance figure in the previous law), a married man who does not support a family was given 2000 EGP, an unmarried man supporting a family (for example his mother) was granted 2500 EGP, and finally a married man supporting a family was given 3000 EGP as allowance¹⁶. Communal discussions stirred this issue up on the basis that both men and women take on the house financial burdens, and that both also have burdens regardless of their marital status. As for tax filing, men and women file their taxes separately also based on the Islamic Shari'a that there should be separation of property for men and women.

Due to the skewed nature of the Egyptian tax landscape, the absolute absence of available information about taxpayers and their stratification, and the vast differentials to be found, tax issues in Egypt are better understood through the actualities of collection than legal narratives. For instance while the government has officially championed a progressive bracketed income tax system, in reality the highest bracket rate is a mere 22.5% for yearly income over 200,000 EGP, while exemptions apply for those with a yearly income of 13,500 EGP. To put that in perspective a person earning 13,500 EGP yearly and supporting only themselves are still under the national poverty line, yet are expected to contribute 10% of their income to taxes, while the richest Egyptians earning tenfold that are expected to contribute a maximum of 22.5%. It is important to note that the 22.5% figure had reached 30% in 2015, where the maximum contribution was at 25% in addition to a 5% three-year "wealth tax", which was until the current government decided to place the cap at 22.5% in effort to attract investors right before Egypt's Economic conference in 2015. It is also important to note that the law stipulating the maximum wage across different sectors was cancelled almost a month after its issuance, which effectively means that legally we do not have a maximum wage to work under, and thus the maximum tax cap was set in separation from the current context. Another revenue for direct taxation is corporate taxes which are unified at 25%¹⁷ with the exception of Egypt's Central Bank, the Suez Canal, and the National Petroleum Institute which are subject to 40% tax. Capital gains tax, which is another direct taxation form, were

¹⁶ From an interview with an accountant in Egypt's local tax Authority

¹⁷ Fell from 40% in 2005

formerly exempt from taxes. In 2014 a 10% tax on capital gains was introduced, however the tax was cancelled as a result of wide-span fury from investors. In addition to the aforementioned types of regressive taxation, tax Justice Network has estimated that the cost of different tax evasion practices amount to 68 billion EGP annually in Egypt. That same figure was also affirmed by the Egyptian government as it announced its strategy to combat corruption¹⁸. This essentially translates into money lost for social spending, namely on education, healthcare, infrastructure and transportation as well as safety nets - that which affects the most vulnerable strata of the population (assuming that the expenditure programs do reach the poor and targeted groups), and in the end the same strata endures the burdens of the country's public debt. Empirical studies have revealed that compared to men, women tend to spend a larger proportion of their income on goods such as food, healthcare and education which enhances the capabilities and well-being of children¹⁹.

This tax system not only punishes the poorest and most vulnerable strata of society but it also makes the narrative about progressive taxation in Egypt nothing more than rhetoric dispelled with slightest engagement with the topic. As to why this came to be one only needs to look at the Tax to GDP rate in Egypt, which has steadily declined in the past decade²⁰ from a height of 15.8% to a mere 13.1% in Financial Year (FY) 2015-2016 and an expected rate for FY16-17 of 13.3%. It is also worth noting that the last time the government collection matched or exceeded expectations was in FY08-09, meaning that the collection for the current financial year will probably drop below the 13% threshold²¹. To put that in perspective the lower middle income countries average - the group to which Egypt belongs- is 26.4%²².

This chronic shortfall and its accelerating nature reveals the deep flaws of the Egyptian state and its tax system. As the government lacks the power and authority to bring more taxpayers into the fold -especially considering that over 50% of the Egyptian economy is now considered informal- the government has to rely on its existing tax base alone²³. Since it is difficult to raise income taxes anymore on the lower brackets -who as we mentioned before are either under the poverty line or live in abject poverty- without risking social upheaval, **and since the Egyptian government has been especially susceptible to pressures from business interests so it refrains from raising taxes on top-earners or enforcing taxes that might harm their interests such as the capital gains tax or the stock exchange tax no matter how miniscule the rates are, the government has to rely on indirect taxation.** This heavy reliance on the subtler indirect taxation is very

18 Diab, Ossama, EIPR, 2015, http://www.eipr.org/sites/default/files/reports/pdf/tax_haven.pdf

19 Grown, Caren, "Taxation and Gender Equity", p. 5, 2010

20 The only exception is FY 2008-2009 in which the rate increased from 15.3% to 15.7%, only to drop again in the following year, this time to 14.1%

21 Ghannam, Omar H., Ahmed Metwally, Ghosoun Tawfek., 2016-2017 Financial Statement: Too Little Subsidies, Too Much Austerity., The Egyptian Center for Economic and Social Rights. P20.

22 El-Gibaly, Abdel Fattah., Tax Policy and Social Justice in Egypt, The Egyptian Center for Economic and Social Rights, Pp14-15.

23 El-Gibaly, Pp 15-18.

problematic, not only due to its negative effects on the economy in terms of inflation and consumption growth but also because this inescapable tax is very regressive as its negative effects increase disproportionately with increased rates of poverty.

Because of this, the government revenue from indirect taxes such as sales and services taxes have doubled over the past three years and that is so even before the introduction of the regressive **Value-Added Tax (VAT), which increased the tax rates to 13% promising 1% to be spent on “social justice” programs.** The 13% tax rate was promised to increase to 14% in 2017. This heavy reliance on indirect taxes as a concerted and a direct effort by the government is evident in the Budget Proposal for FY16-17 a glance at which would reveal gigantic structural problems in the tax apparatus as not only are income tax revenues expected to decrease from 158 billion EGP in FY15-16 to little over 150 billion EGP, but it also reveals that over a third of said revenue comes just from Central Bank of Egypt, Suez Canal, and the Petroleum authority and its partners. Meaning that the actual income taxes levied are barely a 100 billion EGP, roughly 3% of GDP. Meanwhile the sales and services tax yield increased from 184 billion EGP, to a 199.5 billion in the same period putting indirect taxes at roughly double the amount compared to actually collected direct taxes²⁴.

And while the Egyptian authorities do not release sufficient data on poverty rates and especially on poverty among women, we can get a general view for women's higher propensity for poverty by checking women's status in the labor force, which we have provided an overview for earlier in the paper. First, not only is the unemployment rate for women is four times that of men, but also the increased illiteracy rates among women due to obstacles that prevent them from either completing their education or receiving any at all²⁵ means that those of them that manage to find their way into employment are relegated to lower-paying jobs. **Worse yet is the fact that women are twice as likely to end up working in the informal sector than their male counterparts, where they are denied basic labor rights, not to mention gender-specific labor rights such as maternity leave.** Not only are women denied protection in the informal sector, but they are also denied social and legal protection in some formal sectors such as the agricultural sector for example, in which female labor participation is markedly high. The Egyptian government however has not acknowledged such participation, and women have been denied the services offered by the agricultural associations in the villages, where men are its traditional recipients. Such a phenomenon has been suggested to come under the label of the feminization of poverty²⁶. Finally, it is noteworthy that the last available official figures in 2008 have suggested that 17.3% of families are headed by women, 70% of which are illiterate²⁷. However, a recent statement by the National Council for Women has suggested that women are estimated to be the main

24 The Egyptian Ministry of Finance, 2016-2017 Analytical Statement, Pp44-45.

25 Women and Education, Her and the President: The Future of Egyptian Women in Post-Revolution Egypt. May 19th 2012.

26 Ezzat, Mona, "Women's Rights and Economic and Social Justice in the Arab World", ANND, 2012, p.44

27 National Council for Women, Female Headed Households,

<http://www.conference.ncwegypt.com/index.php/docsara/152-familtara>

breadwinners for 30% of the families²⁸, while field studies conducted by CSOs working on women's rights suggest that this could reach up to 70% in squatter settlements²⁹. In Upper Egypt, the situation is greyer where 95% of women are prohibited from receiving their inheritance, and are rewarded instead with a monetary compensation which more often is of a much lower value than the supposed inheritance value³⁰.

Equity and justice of tax policies do not result solely from equitable and progressive tax policies, but equally result from efficient and fair tax administrations, essentially needing strong state capacities that would ensure that the tax system is used for redistributive purposes as it is intended to be. This paper did not focus however on the administration aspect, but provided a run over the gendered aspects of the Egyptian economic landscape we can see that women's issues are relegated to the backdrop intentionally as they contradict and nullify any governmental narrative about progressive reform or economic prosperity, which feeds into the cycle of impoverishment and neglect. This makes the issue more than a mere economic factoid that can automatically resolve itself in the event of the alleviation of the crisis or with increased economic growth, but rather as an expression of long-held patriarchal and patrifocal traditions that have to be actively combated through concerted efforts manifesting into clearly addressed policies that aim to level the economic playing field by compensating for the discriminatory attitudes exhibited in the market by implementing policies tailored specifically to allow women to empower themselves and end this almost-primordial oppressive cycle.

• Policy recommendations:

We call on the Government of Egypt

- To commit to include figures disaggregated by sex in all of its publications so that it may be able to inform the discussion about women's issues and how best to face them.
- To revise the Egyptian tax code in favor of a more egalitarian system that depends on direct taxation in lieu of the current model and employ gender-specific tax incentives and breaks
- To create gender-sensitive budgets as well as include a section on gender in all budget proposals, publication, and analyses.
- To reform current labour laws with two objectives in mind, the first being addressing women-specific issues (e.g: maternity leave), and the second being attempting to integrate the informal sector into the formal economy as well as finding a way to value women's unpaid work, so as increase government revenue while offering labourers better benefits and securing their rights.

28 Amer, Aya; "The National Council for Women: 30% of Families are headed by Women", 2016, <http://www.shorouknews.com/news/view.aspx?cdate=07092016&id=5b435977-eff3-46f1-8eb2-104c4e76fcd5>

29 Ezzat, Mona, "Women's Rights and Economic and Social Justice in the Arab World", ANND, 2012, p.49

30 Talal, Omneya, Aswat Masriya, 2016, <http://www.aswatmasriya.com/news/details/71554>