

Gender Perspectives of Nepalese Tax System

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Abstract

Gender equality is a key component of human development. But by overall sector, Nepal still has a gender gap. A fair and effective tax system obtains dividends for the poorest and most vulnerable – and its absence harms them. Most developing countries have to realize this stark reality and need to raise more revenue through better tax systems largely based on equity and social justice. There are two types of gender discriminations prevalent in the society: explicit discrimination and implicit discrimination. Explicit discrimination seldom appears in an open democratic society. Rather there is positive tax discrimination of towards women due to long struggle in every political movement shouldering equally with man of women movement right from restoration of democracy in 1990. Therefore, there is some tax reduction and exemption of tax to women. But implicitly, many a discriminatory practices.

Keywords

Tax, gender, VAT,

1. Overview of Nepalese Tax System

The challenges of tax strengthening reforms in developing economies comprises of legacies nurtured so passionately during the last two decades favoring globalization and free trade regime externally dumped over them, on the one hand and domestically narrowed down resource mobilization prospects coupled with delimiting resource transformations due to financial recession in developed countries of recently, on the other. Human rights perspectives poses another dimension considering universality of social and economic rights in the context of Sustainable Development Goals upholding poverty reduction and other issues underlying somewhat sovereign national economy precepts. Yet another bold deliberation underlies to keep it up less prone to dependency associated initiatives for seeking domestic resources to finance development instead of increased aid volume *per se* emphasising greater importance in planned debt relief schemes along the line of Doha Financing for Development process. However, tax reforms, in terms of both efficiency and equity, over the running system in developing economies has become now a thematic consensus equally among both the academia and practitioners and Nepal aspiring for rapid development in changed context, both internal and external, can't be exception to this general trend.

A fair and effective tax system obtains dividends for the poorest and most vulnerable – and its absence harms them. Most developing countries have to realize this stark reality and need to raise more revenue through better tax systems largely based on equity and social justice. On average low income countries raise only around 15 per cent of gross domestic product (GDP) in tax revenue with extremely high proportion of indirect taxes, compared with around 35 per cent in high income countries largely contributed by direct taxes. This is not simple or easy. If the people of a country do not trust the government to spend taxes wisely and fairly, there will be little support for taxation. Actually, Nepal faces these constraints as present day reality.

However, unity in diversity with multiple culture, religion, language, and geography is the belongingness of the composite identity of Nepal. This identity is an inherent value and dignity of Nepalese citizens, which is a rich asset of the country. With the change in the population dynamics, social demography and the economic structure of the Nepalese population, the macroeconomic scenario of the country has also been shifting. The contribution of the agriculture sector to the GDP

has declined from 61% in 1981 to 31% in 2011, while the contribution of the service sector has increased from 27% to 48% during this period. This structural transformation of the GDP from agriculture to service sector has little reflection in tax structure of the country as almost same 20/80 percentage ratio still holds true. Currently Nepalese economy is in the stage of structural transformation as the share of service sector is increasing while that of agriculture sector is decreasing. The share of agriculture and non-agriculture sectors to GDP are estimated to remain at 29.37 percent and 70.63 percent respectively in fiscal year 2016/17 (MOF, 2017).

Gender equality is a key component of human development. Nepal still has a gender gap. The sex ratio of Nepal is 94 (94 male per 100 females) in 2011, the lowest in the South Asian Association for Regional Cooperation (SAARC) region. The ratio was higher 104 in urban areas against 92 in rural areas. Female literacy has remarkably increased in the past decades as indicated above. Similarly, life expectancy of women has increased to 69.6 years, higher than men. There has been a rise in female-headed households in 2011 due to the increase in male migration. Nepal has experienced a decline in maternal mortality in past decades. But, economic empowerment is still a challenge. Only 20.5% of women have assets in 2011, although the proportion has increased from 17.1% in 2001. In addition, women's economic activity is still low in non-agriculture sectors possibly due to a lack of education and a tradition of work in agriculture. Naturally, women engaged in self-employed activities and/or unpaid family labour is very high (64% of females in total). Nevertheless, there has been an increasing female foreign migration (12.4% in 2011) in recent years. Although the gender gap between males and females in many areas has improved compared to previous censuses, the change is not significant, to overcome the existing gap, allocation and implementation of the gender responsive budget (GRB) has been recommended (CBS, 2016).

2. Various Economic Issues Experienced by Women in Nepal

The major issues related to women in the economic field include their limited access to productive assets- the land and property, credit and modern avenues of knowledge and information; concentration of women in low productivity agriculture and high and increasing work burden without concomitant increase in access to resources, child labor, lack of access to training, technology and education; concentration at lower levels jobs, poor working conditions and lack of child care facilities at work places; trade union's neglect of women's problems; risk to personal security and sexual harassment in the formal sector and low level of technology, limited market access, low income and progressive loss of proprietorship in informal sector. A problem to be noted is also the declining economic activity rates of urban women, probably signaling the "domestication of women"(Acharya, 1997).The followings are the major issues experienced by women in Nepal.

3. Socio-economic Status of women in Nepal

Nepal has been categorized by the World Bank as one of the poorest countries in the world. It was ranked 145 in the Human Development Index of 2015 out of 187 countries. As in many other cultures, Nepal remains a patriarchal society. Women's access to education, economic, and political resources is severely limited. The Global Gender Gap report 2015, compiled by the World Economic Forum, ranks Nepal 110 amongst 145 countries (WEF, 2016). The issues faced by Nepalese women, and their social and economic situations, vary greatly depending on geographical region, caste, class, religion, ethnicity and where they live.

There are a huge number of economically active women in Nepal who have no access to economic resources. About 75 percent of the unpaid family labour force is comprised of women. A larger proportion of women (76 per cent of total unpaid family labour force) than men (50 per cent of total unpaid family labour force) are engaged in agricultural work, household based extended economic activities and household maintenance work. A lack of formal employment or alternative livelihood opportunities restrains women's participation in the country's economic growth, as well as discounting their contributions to it. Gender norms mean that women continue to undertake a

disproportionate level of unpaid care tasks that in turn constrains their choice, including type and location, of paid work.

Patriarchal attitudes are also reflected at the level of the state and the legal system. Women lack access to and control over productive resources such as land, forest, credit, technology, and enterprises. The right to property is fragile and temporary, despite the guarantee of the fundamental 'right to equality' in the country's constitution, regardless of race, caste, and sex. Legally, a daughter is not entitled to familiar property and a woman is entitled to her husband's property not as an independent co-partner, but because she is his wife. The denial of property rights by the state represents a stark double standard.

There has however been significant work to reduce gender inequality. The Ministry of Women, Children and Social Welfare has a strong women development programme focused on encouraging the agency of hundreds of thousands of women in rural Nepal. It represents a focused, nationwide anti-poverty intervention. It has also been noted for its unique approach to social mobilization, institutional building and, of late, rural business promotion.

The country programme strategy 2013 -2017 identifies gender inequity as a major social problem for Nepal. The overall goal of the strategy is to directly address the three main sets of inequity factors (political, system, societal) so that all children, adolescents and women have access to education, health care, nutrition, sanitation, clean water, protection, information, and other services necessary to fulfill their rights to survival, development, protection and participation.

A large part of women's work is not considered as economic activity. As a result only 45.2 per cent of women as compared to 68.2 per cent of men are classified as economically active. Women's average work burden has increased slightly over the past 12 years from 10.8 hours per day in 1981 to 10.9 hours per day in 1995. Men's average work burden presently is 7.8 hours a day, 3.1 hours less than that of women. Women's participation in the informal sector has increased significantly in both urban and rural areas— for example vending, petty trade liquor making and vegetable selling are some of the more common employment ventures of women. In rural areas, the employment outside the household generally was limited to planting, weeding, and harvesting. In urban areas, they were employed in domestic and traditional jobs, as well as in the government sector and mostly in low-level positions.

Although the former chief justice of Nepal was a woman, in the judiciary, in all the courts of the country women judges' account for only 2.29 per cent of the total number of judges, this year including chief justice there is 3 women in Supreme Court among 20 which is 15%. According to recent data, women composed 18 per cent of the civil service. There were one woman among 12 members in the National Planning Commission and one in the Election Commission out of 2 members.

Similarly, there is 3-5% representation of women in the security forces, such as the Nepal Police and Army of Nepal. This situation reflects slowly the number of women participation is increasing in state mechanisms or bodies. After tired less struggle of Nepalese women the scenario is changing in comparison to past. Although there is still prevailed patriarchal norms and values, women leaders have served and are serving the nation being at the decision level successfully on their visions and that has already established the capabilities of women leaders. Similarly, women's political, social, cultural, and economic awareness level have been gradually developing which is truly a good sign for overall development of women as well as nation. Some prominent women leaders became successful to hold the power and their tenure seems relatively successful. In the parliament there is 191 from proportionate and 6 from direct election 32.77% women representation. However, there is still room to work for ensuring women's equal participation rights at all state mechanisms.

4. Tax System of Nepal

Historically, taxation has been one of the rudders for driving the treasure ship of revenue mobilization, establishing social contracts, and consolidating independence of nation states. It is also an instrument used to redistribute wealth (progressive income taxes) and encourage socially acceptable behavior by

re-pricing certain goods and services (e.g. excises on cigarettes and alcohol). Tax systems are important fiscal tools for directing the processes of economic growth. People's decisions about whether or not they should work (and how hard), save, and invest, as well as what and how much they consume is sometimes influenced by the tax system. There are following different types of tax system prevailing in Nepal.

4.1 Direct Tax/Income Tax (For resident person)

Direct tax impacts women differently from men because women largely earn less, tend to enter and exit the labour market at different stage in their life and provide unpaid labour and care at home in family business and community. The current rate of income tax in Nepal is as table 1.

Table 1: Direct tax/Income tax (FY2015/16) in Rs (1 US\$ = 102 Nepalese Rupees)

Particulars	Assessed as Individual	
	Rs.	Tax Rate (%)
First tax Slab	350,000	1%
Next	100,000	15%
Balance Exceeding	450,000	25%
Taxable Salary of an Individual	More than Rs. 2500000	40%
	Assessed as Couple	
First tax Slab	400,000	1%
Next	100,000	15%
Balance Exceeding	500,000	25%
Taxable Salary of an Individual,	2500,000	40%

Source: MOF, 2017

The table shows that there is social service tax of 1% for every income holder. The first tax slab is Rs. 3, 50,000 for individual and Rs. 400,000 for couple. 15% tax is levied from taxable income. Similarly the 25% tax is levied from the income exceeding from 450,000 for individual and 500,000 for couple. Natural person working at remote areas is entitled to get deduction from taxable income to a maximum of Rs. 50,000.

4.2 Direct Tax/Income Tax (for non-resident person)

Table 2 shows that the rate of income tax for non-resident Nepalese.

Table 2: Direct Tax/Income Tax

S.No.	Nature of Transaction	Tax rate (%)
1.	Income earned from normal transactions.	25% flat rate
2.	Income earned from providing shipping, air transport or telecommunication services, postage, satellite, and optical fiber project.	5%
3.	Income earned providing shipping, air transport of telecommunication services through the territory of Nepal	5%
4.	Repatriation by Foreign Permanent Establishment.	5%

Source: MOF, 2017

For the normal transaction, about 25% of the total income of the family should be compulsory deposited in the bank.

4.3 Corporate Tax

The table 3 shows the corporate tax system in Nepal.

Table 3: Corporate Tax in Nepal (FY 2015/16)

Nature of Entity	Tax rate (in %)
Company /Firm/ Industry	
1.1. Domestic Income (Normal Rate)	25
1.2. Other : Special industries (mainly manufacturing other than alcoholic & tobacco producing industry)	20
1.3. Bank and Financial Institution	30
1.4. Insurance business	30
1.5. Petroleum Industries	30
1.6. Other Business Entities - Entity involves in construction of roads, bridges, tunnels, Rope-ways, Suspension bridges etc. - Income earned by the natural person wholly involved in special industry - Income earned by the resident person relating to export activities	20
1.7 Saving and Credit Co-Operatives established in rural areas under Co-Operatives Act, 2048.	Nil
1.8. Saving and Credit Co-Operatives established in Metropolitan City, Sub-Metropolitan City and areas attached with above metropolitan city and sub-metropolitan city under Co-Operative Act, 2048.	20

Source: MOF, 2017

4.4 Income from Investment

For Individual, tax withholding on capital gain for natural person on transaction exceeding Rs 3 million (to be made by land revenue office at the time of registration). 2.5% tax for disposal of land or land and building owned for more than years up to 10 years and 5% disposal of land or land and building owned for less than 5 years in the income from disposal of non-business chargeable assets. However, 10% TDS is deducted by Land Revenue Office.

4.5 Value Added Tax

Tax rate of Value Added Tax (VAT) is 13%. In 2016/17 budget speech threshold limit of Rs 2 million has been increased to Rs 5 million for the registration. As per the Budget Speech threshold limit of Rs. 1 million has been increased to Rs 2 million for the registration purpose for business involving services however, the same is to be incorporated while updating VAT Regulation.

5. Tax Policies that are Discriminatory to Women

There are two types of gender discriminations prevalent in the society: explicit discrimination and implicit discrimination. Explicit discrimination seldom appears in an open democratic society. But implicitly, many a discriminatory practices still prevails in our society which is characterized by male preference and male dominant. This gender inequality paradigm allows such discrimination to sneak its safe way undercurrent. Here are a few cases:

Rural/informal wage gap

VAT on consumers goods and HHs expenses burdens women

Family income calculations and annual accounts

Horizontal equality: HHs unpaid workers and low paid jobs

Child rearing housewife and women at service

Single women cases

Tax are not gender friendly

By rule, there is positive tax discrimination of towards women due to long struggle in every political movement shouldering equally with man of women movement right from restoration of democracy in 1990. Therefore, there is some tax reduction and exemption of tax to women. Nepal relies heavily on indirect taxation especially the VAT. VAT affects the prices at which final consumers procure certain goods and services. Once again, women who by societal norms in Nepal, see to the upkeep of their homes spend a reasonable amount of their disposable incomes on such items whose prices are influenced by VAT. In spite of the exemptions on agricultural produce in their raw state and pharmaceutical supplies, some household items are still subject to VAT. The tax system has once again ignored the differential circumstances of women and men on matters of disposable income.

6. Conclusion

Gender equality is a key component of human development. But by overall sector, Nepal still has a gender gap. A fair and effective tax system obtains dividends for the poorest and most vulnerable – and its absence harms them. Most developing countries have to realize this stark reality and need to raise more revenue through better tax systems largely based on equity and social justice. There are two types of gender discriminations prevalent in the society: explicit discrimination and implicit discrimination. Explicit discrimination seldom appears in an open democratic society. Rather there is positive tax discrimination of towards women due to long struggle in every political movement shouldering equally with man of women movement right from restoration of democracy in 1990. Therefore, there is some tax reduction and exemption of tax to women. But implicitly, many a discriminatory practices still prevails in our society which is characterized by male preference and male dominant.

7. Recommendations

Most women workers in Nepal are typically employed in agriculture or in small, informal enterprises. As they are seldom paid a regular, fixed wage, their earnings fluctuate, and many are paid in cash, "off the books." Therefore it is very difficult to provide more incentives or discount to women.

7.1 Initiatives to address gender bias

In recent years discussions have begun concerning the gender impact of taxation. Several countries have reformed their tax systems to reflect changing attitudes of women and men's roles in society. Gender analysis of tax policy seeks to identify the diverse impacts of tax systems on women and men in order to ensure gender equity. The analysis of gender equity is especially important in developing countries, where a greater proportion of the poor are women. Tax policies should be equitable and fair. Some of the initiations to address of gender bias are:

There is discount of tax up to 25 % when the land registration in the name of women. In case of the female employee whose taxable income is only from employment, then 10% rebate is allowed on tax liability.

7.2 Achieving gender and tax justice

Tax education should be provided.

Women should be involved in capacity building of women on business management, tax literacy, record keeping and tax filing.

Fair treatment of women and men, where fairness is evaluated on the basis of substantive outcomes and not on the basis of a notion of formal equality that uses an implied 'sameness' standard.

There should be positive discrimination in favor of women.

There is scope for policy makers and analysts to shape tax policies so as to both raise revenue and to address and overcome gender inequalities. Raising revenue is critically important for gender equality since it enables governments to spend more on social programmes that increase women's economic opportunities and help reduce their burden of unpaid care work. These could include, for example,

school feeding programmes, health and child care services, improved public transportation or water and energy access programmes.

Policy analysts can scrutinize their tax codes and instruments for explicit and implicit gender biases. Indirect taxes can often be made gender-equitable by including exemptions and zero rating of basic consumption goods.

VAT reforms that lower the price of basic goods or services disproportionately consumed by women could also improve the gender responsiveness of tax policies and potentially transform existing gender inequalities.

The first tax slab for women is higher than it is for men; this assists single women households and also encourages women to join the workforce.

Governments and policy makers need to reconsider ways to attract several women of informal sector who do not currently have any incentives to join the tax net. It is important to introduce into the tax laws some reforms and reliefs that benefit women as they are in most cases the disadvantaged.

It is difficult to create an efficient tax administration without a well-educated and well-trained staff, when money is lacking to pay good wages to tax officials and to computerize the operation (or even to provide efficient telephone and mail services), and when taxpayers have limited ability to keep accounts.

Because of the informal structure of the economy and financial limitations, statistical and tax offices have difficulty in generating reliable statistics. This lack of data prevents policymakers from assessing the potential impact of major changes to the tax system.

In Nepal, interest income is taxed equally for all for both wage income as well as business income. There should be some exemption on interest income tax to the wage earners especially for women.

Systems to file tax payer's data disaggregated by sex and age should be set up.

Investment should be done in capacity building and awareness raising issues and improve customer-service relations.

Fiscal policy should be assessed through gender prospective.

Advocacy to the gender dynamics of unpaid work should be carried out.

Gender analysis should be included in all types of research.

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