ASSESSMENT

GENDER PROCUREMENT AND TAXATION PROJECT

Taxation Gender Assessment

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I. METHODOLOGICAL SUMMARY

This assessment of taxation and gender was completed in three phases, which included primary and secondary data collection.

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Phase 1: Desk Review: The first phase of the assignment covers research and mapping and included the following steps:

Step 1: Review of the literature from existing studies on gender equity and taxation. This review focused on collecting evidence and data from global, regional, and local research and status reports documenting evidence and best practices on taxing for gender equity.

Step 2: Review of applicable taxation policies in Lebanon.

Step 3: Mapping the findings from both steps mentioned above.

Phase 2: Primary Data Collection

Step 1: Conducting three interviews with tax administration senior team members in the ministry of finance in Lebanon.

Step 2: A focus group discussion with a group of women-led businesses, legal experts, and civil society experts.

Phase 3: Analysis and Recommendations

Step 1: Formulating recommendations that consider the results of phases 1 and 2.

II. INTRODUCTION

The united Nations sustainable goal 5 relating to gender equality, more specifically targets 5.5, 5A and 5C, establish the urgent need to promote legislation, policies and practices, as a necessary foundation for a peaceful, prosperous and sustainable world. Our main concern in this report is to analyyze the Lebanese tax system and ensure recommendations are presented to ensure a more gender equitable tax system.

Fiscal policies that shape tax systems result from a variety of intertwined and complex economic, political, and social structures. These policies can be formulated to promote shifts in gender norms to create a more equitable society and address the needs and rights of women and girls. Governments can undertake various measures, including tax policies, to ensure that such a rights-based approach to fiscal policy is in place to promote gender equity.

This approach is called **gender integration**, which we define as a spectrum of policy interventions that create fiscal systems that range from **gender-sensitive** (not having explicit or implicit negative bias), gender-responsive (meeting gendered needs and priorities), to **gender transformative** (contributing to shifts in and transformation of gender roles and power dynamics)[1]. Tax systems fund investments in public

1 Oxfam, Gender and Taxes: The gendered nature of fiscal system and the fair tax monitor (2019).

services, so ensuring that enough revenue is raised, by enforcing the application of tax laws and creating a large enough tax base, is a key objective. However, governments also need to be mindful of the distributive effects and the progressivity of the taxes imposed when deciding on the tax base.

Structure of tax systems

Tax systems use a variety of tax tools, commonly including direct taxes, indirect taxes, and international trade taxes. These taxes may be applied in proportional, progressive, or regressive schedules. Proportional tax schedules apply the same tax rate to a resource base, regardless of the size of that base. Progressive tax schedules apply higher tax rates as the bracket of taxable income increases, , such as when those with greater income pay higher income tax rates. Under regressive tax schedules, those with smaller resource bases would actually pay higher rates.

Direct taxes include personal income taxes and corporate profit taxes, such as taxes on company profits, payroll, wealth, and others. Indirect taxes include a variety of taxes: goods and services tax, excises, fees, and international trade taxes (import and export duties). Personal income taxes are structured as either scheduler or global. A scheduler tax system taxes different income sources (income from labour versus income from capital investments, for example) at different rates. Whereas a global tax system taxes all types of income at the same rate. In practice, the distinction between the scheduler and global systems can be blurred, as some global taxes have a scheduler element in them and vice versa. Usually, scheduler systems abound in developing countries, and indirect taxes are generally scheduler.

Gender biases in tax systems

In 2014, the UN Report of the Special Rapporteur on extreme poverty and human rights identified several factors in personal and corporate income taxation, value-added tax, and other taxes that, if present, increase women's economic disadvantages and contribute to gender inequality and poverty.[2] According to this study, the most discriminatory features of a tax system are:

- **Lack or limited progressivity** – Consider the income tax system as an example: women tend to earn less income, so an income tax system which taxes those with less income at the same or higher rates than those with more income will place a proportionally greater tax burden on women (relative to men, who earn more). Similarly, the VAT and sales tax are common tax tools, but they are inherently regressive on disposable income. When such taxes use a single rate, those with very high disposable incomes pay proportionally little of that income in consumption taxes. However, paying these taxes takes up proportionally much more income among those with lower incomes.

- **Lack of appropriate exemptions** – Relatedly, well-designed exemptions, such as those that exempt the amount of income necessary to achieve a minimum standard of living, help create a progressive tax system. Such exemptions are especially beneficial to women because they tend to have lower incomes and be over-represented among the poor.

- **Joint or mixed filing for couples** – Fully individualized filing is the ideal alternative to joint or mixed filing. Joint filing is when couples report all their income and assets together. Mixed filing occurs when some tax provisions (exemptions, deductions, etc.) apply to couples' pooled income and assets. When spouses file together and the tax system is progressive, a woman's income might be taxed at a higher rate than when she files alone. This is because the couple's pooled income places them in a tax bracket with a higher rate. Since women are often seen as secondary earners, rather than breadwinners, this can create pressure for women to work less or not at

2 United Nations, Human Rights Council, Report of the Special Rapporteur on extreme poverty and human rights, Magdalena Sepúlveda Carmon, A/HRC/26/28 (22 May 2014).

3 Amadeo Fuenmayor, Rafael Granell, and Mauro Mediavilla, "The Effects of Separate Taxation on Labor Participation of Married Couples. An Empirical Analysis Using Propensity Score", Review of Economics of the Household, vol. 16, No. 2 (2018); Nina Smith, Shirley Dex, Jan Dirk Vlasblom, and Tim Callan, "The Effects of Taxation on Married Women's Labour Supply across Four Countries," Oxford Economic Papers, vol.55, No. 3 (2003).

all to avoid higher tax rates on couples' income. This is especially true when couples factor in the cost of childcare services to replace women's home-based care for children. This is commonly known as the secondary earner bias.[3] Additionally, some provisions allow one spouse to claim all of a households' deductions or exemptions. When men do this, it further reduces their tax burden, while leaving female partners with a higher rate than if women had claimed those deductions or exemptions themselves. Individual filing eliminates all these issues because then a woman's income has no effect on the tax rate paid by her partner and vice versa.

- **Low corporate tax rates and special allowances and incentives for corporations** – When corporate tax rates are lower than personal income tax rates or when corporations receive special allowances and tax incentives, the overall tax burden of corporations becomes less than that of individuals. Women tend to hold fewer high-income positions within corporations and also tend to have fewer investments that yield dividends or capital gains from corporate success. Thus, the benefits accrued to corporations from more favourable tax treatment are less available to women than to men.

Tax systems include two types of bias–explicit and implicit bias. Explicit bias occurs when laws and regulations treat men and women differently and is relatively easy to identify. A clear example of this type of bias would be a tax deduction granted exclusively to a male taxpayer. Implicit biases, on the other hand, arise when tax systems treat men and women the same, but have an unequal effect. The way that joint filing discourages women's work is such an example. The law is not technically treating men and women's income differently, but women still pay higher rates and feel pressure to work less to avoid higher taxes.

The management of these two types of biases differs widely. Explicit biases can be addressed through the adoption of a formal equity framework (to ensure men and women are treated exactly equally under the law). However, implicit biases need more nuanced policies. A complex set of underlying social norms and structures create the differences in men and women's behaviour and resource bases that lead to gender-neutral tax policies having gendered impacts. Policies must adapt to these complex factors.

Several attempts have been made by governments, policymakers, and various stakeholders to design and implement gender-neutral policies. These strategies led to a significant decrease in explicit gender bias in many countries[4]. However, in the case of implicit bias, much more work is still needed, as addressing this type of bias is more complex. This complexity arises because **implicit bias** results from differences in men and women's behaviours and resources bases, and these differences exist outside of the tax code. Any conditions that put women in an economically marginalized position means that women will encounter hardships from the discriminatory features of tax systems listed above (low progressivity, lack of living standard exemptions, joint filing, tax benefits to corporations). Such conditions include women's tendency to:

- Have more discontinuous participation in the labour force compared to men (resulting in lower income),
- Work more in the informal economy (resulting in less access to corporate tax benefits and tax benefits tied to certain formal occupations), in fact 92% of women in low-income countries are employed informally compared to 87.5% of men[5],
- Perform most of the unpaid household chores and to bear and care for children (resulting in lower income and vulnerability to secondary earner bias),
- Be more vulnerable to a compound effect from racial biases and other inequalities that limit access to better paying jobs (resulting in lower income).

A more detailed analysis, below, of types of biases will allow us to identify structures in the tax system that may create or amplify these biases.

4 https://g20.org/wp-content/uploads/2022/02/Tax-Policy-and-Gender-Equality_OECD-report.pdf14 Public Procurement Law no. 244/2021, dated July 19, 2021 (Arabic), URL: http://www.institutdesfinances.gov.lb/wp-content/uploads/2021/07/Public-Procurement-Law-Official-Gazette-web-1.pdf

5 https://www.unwomen.org/en/news/in-focus/csw61/women-in-informal-economy

Explicit biases

Explicit biases in tax systems can result from:

• A scheduler tax system, because it imposes the tax based on the source of the income and not the specific taxpayer, can limit explicit bias since income sources are technically gender neutral. However, many scheduler systems contain deductions, credits, other provisions that relate to the personal characteristics of the taxpayer. This constitutes explicit gender bias if those characteristics include gender. In Lebanon, for example, a tax exemption was available for a son until age 18 and until age 25 if he was a university student. For a daughter, the exemption applied until she was married, widowed, or divorced.[6] This is a form of explicit gender bias as sons and daughters are explicitly treated differently by the law. This policy was recently adjusted but still applies in social security law.

• A system of joint or mixed filing is explicitly gender biased if it allocates all non-labour or business income to the husband, even if the source of that income (property or business) is owned by the wife.

Implicit biases

Implicit biases on the other hand can be detected in:

• Property and business ownership structures - Women worldwide own less property, earn less family business income, and have fewer business investments than men. Property and business income sources are subject to lower tax brackets and rates in Lebanon. Since women own less property, women benefit less from these tax provisions than men.

• Patrilineal inheritance systems – When inheritances are tax-exempt, inheritance practices that favour men mean these tax benefits go mainly to men.[7]

• Occupational segregation – When men are overrepresented in certain jobs that enjoy favourable tax treatment (special exemptions, tax-free retirement savings, etc.), such as the armed forces, men benefit more from these tax provisions.

• Joint or mixed filing of spouses – Such filing penalizes the partner with the lower income by subjecting them to a higher marginal tax rate than they would pay as an individual filer (because the couple's combined income is higher than a woman's individual income, so her tax bracket and rate also becomes higher). This disincentivizes the lower-earning partner (usually a woman) from working for pay, so the couple can avoid entering a higher tax bracket. Joint filing systems also often include tax deductions and credits for married couples that can reduce their overall tax burden relative to single families. If single families are more often led by women, this creates an additional burden on those female household heads.

• Broad-based consumption taxes (e.g., the VAT) – In addition to being a regressive tax, which taxes lower-income women at a higher rate, VAT taxes that don't exempt basic needs goods hit women especially hard. This is because women tend to spend a higher percentage of their disposable income on essential goods such as food and education.

• User fees – These taxes apply higher rates on the use of certain products, like municipal electricity, water, and sanitation. This generates gender bias when those products are used more by one gender than another. Additionally, user fees apply the same rate to all, regardless of income, so are another type of a regressive tax that has a greater impact on women.

• Corporate income taxes – Tax exemptions and incentives given to corporations in many countries mostly benefit men, as they disproportionately occupy high-paying roles in these companies or are shareholders. Reduction in corporate tax rates therefore benefits men and tax evasion by corporations reduces government resources available to provide education, health, and other services for those, often women, who rely more on government (versus private) provision of these services.

6 Lebanon, Income Tax Law, Legislative Decree 144 of 12 June 1959, Article 31.

7 https://www.weforum.org/agenda/2017/01/women-own-less-than-20-of-the-wolrds-land-its-time-to-give-them-equla-property-rights/

III. GENDER EQUITY IN THE ARAB COUNTRIES

Overview

During the post-colonial and national liberation period, developing Arab countries implemented social policies and services that remarkably improved economic indicators and living conditions. However, the economic crisis of the 1980s resulted in an increased reliance on debt financing through the IMF and World Bank. Such high levels of public debt, which remain a prominent aspect of many Arab countries, subjected them to loan conditionality that forced governments to agree to adjust their economic policies in order to finance debt repayments through imposing and increasing tax revenues and reducing public expenditures.[8]

The adoption of neoliberal economic approaches in these countries, which consider the private sector to be the best avenue for creating economic growth, resulted in a widespread privatization of social insurance and other basic services[9]. This has not helped most citizens. It also led to the removal of subsidies that people living in poverty often relied on. As such, disparities in wealth and gender increased in the Arab region, becoming some of the worst in the world. This robbed those most in need of access to basic health and education, while favouring instead the powerful elite. As a result, the Middle East may be characterized as the most unequal region in the world in terms of human rights.[10] In 2016, for example, the pre-tax income share of the wealthiest 10% in Lebanon was 57%, while the pre-tax income share of the bottom 50% was merely 11%, with similar figures across other countries of the Arab region.[11] In the Arab world, wealthy individuals commonly evade taxes, both legitimately and illegally.[12] Additionally, these countries' high level of dependence on oil revenues leads to a reduced reliance on direct taxation revenues relative to indirect taxes. In contrast, non-oil exporting countries, such as Lebanon, depend heavily on both direct and indirect tax revenues.[13] These constitute 70% of government revenue. This tax mix can lead policymakers to prioritize the needs of oil industries, a major source of revenue, over ordinary taxpayers.[14]

Economic restructuring and its impact on gender equity

The restructuring of economies in the Arab region to favour commercial and private sectors over other more sustainable and equitable economic sectors has resulted in a high prevalence of regressive indirect taxation across the region, high levels of unemployment

8 Dani Rodrik, "The fatal flaw of neoliberalism: it's bad economics", The Guardian, 14 November 2017, available at: https://www.theguardian.com/news/2017/nov/14/the-fatal-flaw-of-neoliberalism-its-bad-economics; Eva A. Paus, "Economic Growth through Neoliberal Restructuring? Insights from the Chilean Experience", The Journal of Developing Areas, vol. 29, No. 1 (October 1994).

9 United Nations, "World Altered by 'Neoliberal' Outsourcing of Public Services to Private Sector, Third Committee Experts Stress, amid Calls for Better Rights Protection", third committee, seventy third session, 25TH & 26TH MEETINGS, https://www.un.org/press/en/2018/gashc4239.doc.htm

10 Facundo Alvaredo, Lydia Assouad, and Thomas Piketty, "Measuring Inequality in the Middle East 1990-2016: The World's Most Unequal Region?", WID.world Working Paper Series, No. 2017/15 (World Inequality Lab, 2018).

11 World Inequality Lab, World Inequality Database, available at: https://wid.world.

12 Nasser Abdel Karim, "Tax Justice and Sustainable Development in the Arab Region: Lessons from tax systems in four countries" (Arab NGO Network for Development, December 2018), available at: https://www.fordfoundation.org/media/4549/tax-justice-and-sustainable-development-in-the-arab-region-final-1.pdf.

13 Institut des Finances Basil Fuleihan and the budget directorate at the Directorate General of Finance, Lebanon Citizen Budget Dashboard, available at: https://app.powerbi.com/view?r=eyJrIjoiYjZhYmIwODYtN2NhNy00Njc5LWIxZGItZjg2Y2YwYWU4ODlhIiwidCI6IjYwMDc3ZDE0LTliYzAtNGE0My1hNWE5LTQ1N2E5ZTcxMGQ2YSIsImMiOjl9.

14 Wilson Prichard, Paola Salardi, and Paul Segal, "Taxation, Non-Tax Revenue and Democracy: New Evidence Using New Cross-Country Data", ICTD Working Paper, No. 23 (ICTD, September 2014), available at: https://www.ictd.ac/publication/taxation-non-tax-revenue-and-democracy-new-evidence-using-new-cross-country-data/

among women, and high levels of informal labour, with many women working in this informal sector.[15] Women's labour market participation across the Arab world remains the lowest in the world, with only 20% of paid jobs outside of the agricultural sector allocated to women, fewer in the private sector, and a tendency to pay women less than their male counterparts for the same work.[16] Women are also underrepresented in political decision-making at all levels and subject to prevalent patriarchal norms.

Tax policies reflect prevailing social power dynamics. In the Arab world, women are largely seen as secondary to men, as shown by global gender equality indexes.[17] The potential for tax systems to create economic and social justice is poorly realized, particularly on the gender dimension. Moreover, there has been very little public interest in analysing different tax policies from the perspective of their role in achieving gender equality. Such an analysis is key to determine how to differentiate between and adapt taxes for the different economic behaviours of men and women at both production and consumption levels.

Other common concerning tax system aspects are:

• Low tax accountability to civil society, and given that corporate contributions to non-profits are tax exempt, this practice has led to the under-taxation of corporate profits and wealth and over-taxation of workers who do not benefit from non-profit contribution tax benefit (such policies benefits men more than women, given that women are more likely to be workers than beneficiaries of corporate profits).

• Inappropriate tax incentives and limited economic effectiveness. For example, incentives to offshore and holding companies are not effective.[18] These companies already attract capital to the country prior to additional tax incentives and investing further in these companies has not been shown to offer economic benefits, like job creation. Women also benefit less from these incentives due to their under-representation in the kinds of industries that benefit from them.

• Misallocation of generous tax exemptions to richer households, such as VAT exemptions on luxury items (e.g., yachts and air transport). Instead, VAT exemptions could be made for basic needs items, which women are often responsible for purchasing for their families.

Several other policies also exhibit explicit gender discrimination, such as:[19]

• Under joint filing, requiring women to provide legal proof that her husband and children are dependents in order for women to file a tax return as the head of household.

• Automatically granting Lebanese men tax deductions for dependents, including their wives, who can be classified as dependents, while women with dependents can only claim these deductions if the husband is proven to be deceased or incapacitated.

Important forms of implicit bias include:

• Joint filing provisions which can result in a single mother being taxed at a higher rate than a married couple earning the same income and with the same number of dependents.

• Provisions, such as Egypt's exemption for capital gains income, that effectively lower men's tax rates more than women's, as women tend to have fewer of the riskier and more lucrative kinds of investments.[20]

15 Oxfam, The IMF and Lebanon: The Long Road Ahead (Oxford, 2020), available at: https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621062/bp-imf-lebanon-economy-crisis-121020-en.pdf.

16 United Nations, Economic and Social Commission for Western Asia (ESCWA), Women's Rights and Gender Equality for Sustainable Development: Discussing the Proposed Sustainable Development Goals within the Context of the Development in the Arab Region, E/ESCWA/ECW/2015/Technical Paper.3 (26 February 2015).

17 European Institute for Gender Equality, Gender Equality Index, available at: https://eige.europa.eu.

18 Fact Sheet: Offshore corporate loopholes, https://americansfortaxfairness.org/tax-fairness-briefing-booklet/fact-sheet-offshore-corporate-tax-loopholes

19 Nasser Abdel Karim, "Gender Inequality in the Tax Systems of Arab Countries: A Comparative Study of Lebanon, Tunisia and Egypt" (Arab NGO Network for Development, 2019).

20 Julie A. Nelson, "Are Women Really More Risk-Averse than Men?", Global Development and Environment Institute Working Paper, No. 12-05 (Medford, Tufts University, September 2012), available at: https://sites.tufts.edu/gdae/files/2019/10/12-05Nelson_RiskAverse.pdf.

- Avoiding taxes by shifting income from family businesses to the lower-income spouse, typically the woman. This allows men with lower earning spouses to pay lower rates than they would otherwise, reducing the revenue available for the kinds of public services on which lower-income women often rely.

Fiscal systems incorporating these elements must be restructured to use resources efficiently; offer adequate social protection that meets the needs of the vulnerable, particularly women; and finance investments, like infrastructure, that foster economic growth. Policies should also be restructured based on an individual's proportional ability to pay, rather than the prevalent regressive indirect taxation system that relies on VAT revenues, which place a heavier tax burden on women than men. Foregone revenue from tax exemptions for male-dominated corporations/ large businesses should instead be reallocated to support small enterprises or be redirected to combat social inequalities, by investing in female-dominated informal sectors for example.

IV. NARROWING THE GENDER EQUALITY GAP

Taxing for gender equality should start by identifying the gender effects of a tax system while also assessing the current use of public capital and impacts of debt, illicit financial flows, and tax administrative capabilities. In assessing the impact these policies have on businesses, households, and individuals, decision-makers must examine individual characteristics such as gender, but also living conditions, age, geographic location, and health. Understanding the composition of a country's tax revenues is essential. Tax composition affects the ability of tax systems to raise revenues to fund government programs. Assuming those programs target economically marginalized individuals, such programs help equalize the after-tax income distribution. However, regressive tax policies raise revenues from those who are already economically marginalized and may therefore make after-tax income inequality worse. Governments should formulate strategies to ensure the gender equality of tax systems and apply a long-term view in assessing the interaction between various elements of the tax system (tax rates, types of taxes used, degree of redistribution, etc.). They should also aim to ensure that income tax is progressive (i.e., levied based on a wide range of graduated rates built around the ability to pay tax) and that broad-based consumption taxes are minimally used.

Various attempts at reforming tax systems have been undertaken across the globe. These reform measures aimed to broaden the revenue tax base in order to allow governments to achieve socio-economic goals. However, any policy aimed at widening the tax base should ensure that the largest tax contributions are made progressively by those most capable of such payments in order to reduce inequality, redistribute wealth, and enhance social cohesion. Research has shown that improving income redistribution is critical to reducing poverty. A key tool to achieve income redistribution is a progressive income tax system, which can be more efficient at inequality reduction than social transfers.[21] Moreover, efficiently broadening the tax base supports higher government revenues that can be used to fund public services and creates conditions that foster growth and employment opportunities in better-regulated, formal sectors of the economy.

Personal income tax is often the most progressive tax that can be used to increase the tax base as it reduces the gap between tax rates raised on wage income and other sources of income such as capital gains[22]. Such a tax can be equitable if careful attention is given to the rate structure, as well as the application of exemptions and deductions. However, in many countries, corporate tax rates are lower and flatter than personal tax rates. This discrepancy produces a two-tier income tax system that provides business owners and high-wealth individuals an incentive to channel their income through corporations and benefit from these lower rates. Furthermore, this two-tier policy is usually coupled with tax reductions and exemptions that reduce tax progressivity by removing some components of either the personal or corporate base. For example, many countries offer corporations lower rates and government tax incentives in order to attract foreign investment. These incentives generate revenue losses that could reach 139 billion USD a year in developing countries.[23] In some African countries, these incentives amount to 2-8% of GDP.[24] This is true despite the fact that there is only weak evidence that such incentives do attract investment.[25] Provisions

21 IMF, "Fiscal Policy and Income Inequality", IMF Policy Paper (Washington, International Monetary Fund, 2014), p. 16.

22 https://www.epi.org/publication/ib361-broadening-the-tx-base-and-raising-top-rates/

23 ActionAid, Give us a break: How big companies are getting tax-free deals (June 2013).15 European Institute for Gender Equality, Gender Equality Index, available at: https://eige.europa.eu.

24 Tax Justice Network Africa and Christian Aid, Africa Rising? (February 2014), p. 43.

25 IMF, OECD, UN, and World Bank, Supporting the Development of More Effective Tax Systems (2011), p. 19-20; McKinsey Global Institute, New Horizons: Multinational Company Investment in Developing Economies (San Francisco, McKinsey & Company, Inc., October 2003), p. 2; ActionAid, Give us a break: How big companies are getting tax-free deals (June 2013), p.10

like these often reduce the total tax collected on corporate sources of income. Women less often benefit from this tax treatment of corporate income because they are less present in the business community and even when women do own businesses, they tend to be smaller and hence the tax advantages are lower. Further, the revenue lost to these kinds of corporate tax benefits reduces the funds available for social safety nets and services.

The regressive impact of consumption taxes on low-earning individuals is widely recognized, but VAT taxes have still increased in many countries.[26] As women's average income is lower and because the VAT is regressive, any increase in rates or decrease in necessary goods exempted from the VAT will have a larger impact those with lower income, including women.[27] Some countries attempt to compensate for VAT tax regressivity with greater welfare transfers. However, these payments are usually given to the household and assume shared consumption expenditure within a household. If consumption for basic needs goods comes more from the resources available to women within a household, then transfers that go to the entire household may not appropriately compensate for the loss of women's resources to consumption taxes. It is worthwhile to note that managing income distribution through taxation helps advance democracy and reduce societal polarization and unrest.[28] In addition, relying on internally generated revenues for government funding makes governments more directly accountable to civil society as the source of government resources. This can make governments more responsive to the needs of the people and reduce external interference. In the next section, we therefore detail strategies that can be implemented to ensure a more gender equitable tax system.

Tax policy

The most equitable tax systems are progressive tax systems and, in particular, those with a higher reliance on direct taxes.[29] Ideally, this includes a personal income tax that adjusts regularly for wage inflation and eliminates any discrepancy between personal and corporate taxes. The reliance on indirect taxes, such as the VAT, should be decreased, given the regressive nature of these taxes which generate most of their revenue from the low-income populations.[30] In general, the tax system should collect more revenue from direct taxes than indirect taxes, even if a social welfare system is in place, as research suggests the negative effect of indirect taxes on people living in poverty is greater than the positive impact accruing from cash transfers.[31]

Other tax policies that policymakers should consider are:

- The tax threshold (the income level below which an individual is exempt from paying taxes) should exempt enough income to ensure individuals attain a survivable standard of living prior to paying taxes.
- Individual (rather than joint) filing.[32]
- Reduce taxes on low-income earners, secondary earners, and self-employed individuals.
- Use revenue from personal and corporate taxes to offer income security, pensions, and training support for low-income, middle-income, and low-skill workers and single parents.
- Review the benefits and exemptions related to certain occupations and remove those tax provisions that benefit men disproportionately.
- Increase wealth (including property) and inheritance taxes.
- Decrease the use of tax expenditures, corporate exemptions, corporate incentives, and other tax benefits that have income and gender regressive effects.

26 Kathleen Lahey, "Gender Taxation and Equality in Developing Countries: Issues and Policy Recommendations", Discussion Paper (UN Women, 2018); Lahey, Kathleen, "Australian tax-transfer policies and taxing for gender equality: Comparative perspectives and reform options", in Tax, Social Policy and Gender: Rethinking equality and efficiency, Miranda Stewart, ed. (ANU Press, 2017).

27 Patricia Apps and Ray Rees, "Raise Top Tax Rates, Not the GST," Australian Tax Forum, vol. 28, No. 3; Kathleen Lahey, The Alberta Disadvantage: Gender, Taxation, and Income Inequality (Edmonton, Parkland Institute, 2015), p. 76, Table 18

28 United Nations, Department of Economic and Social Affairs, Inequality Matters: Report on the World Social Situation 2013, ST/ESA/345 (2013), p. 22; IMF, "Fiscal Policy and Income Inequality", IMF Policy Paper (Washington, International Monetary Fund, 2014), p. 4.

29 IMF, "Fiscal Policy and Income Inequality", IMF Policy Paper (Washington, International Monetary Fund, 2014), p. 39, footnote 43; Tax Justice Network Africa and Christian Aid, Africa Rising? (February 2014).

30 Isabel Ortiz and Matthew Cummins, "A Recovery for All" (UNICEF, 2012), p. 210.

31 Nora Lustig, "Taxes, Transfers and Income Redistribution in Latin America", Inequality in Focus, vol. 1, No. 2 (July 2012), available at: https://documents1.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/08/07/000356161_20120807014843/Rendered/PDF/714000BRI010B00InFocusJuly2012FINAL.pdf.

32 UNDP, "Gender Equality and Poverty Reduction: Taxation", IssuesBrief, Issue 01 (April 2010).

- Review taxation of the financial sector. This industry has grown tremendously over the last few decades, has generated large profits with low tax rates, and is not well regulated. Hence, tax abuse can be an issue.

Tax management

Efficient and effective tax collection is key to tax justice as it ensures that everyone pays their share of taxes, and the cost of tax collection does not unduly cut into generated revenue. This requires strong tax administration capacities; effective operations; and financial, technical, and human resources. An effectively resourced and managed tax administration collects higher revenues by reducing abuse from tax evasion, fraud, bribery, corruption, and money laundering.[33] Tax abuse undermines equality and favours people with power and wealth, usually men. Tax abuse erodes the tax base and can lead governments to raise taxes elsewhere, including through regressive, but easier to collect, taxes. For example, the regressive VAT tax is easy to administer in comparison to taxing highly mobile capital from foreign investment.

Related economic reform

In addition to proposed fiscal reforms, related economic policies would foster inclusion and lower gender bias. Some examples of these policies include:

- Policies that support fairer compensation between genders and reduce the gender pay gap (i.e., equal pay), including those which create consequences for direct pay discrimination and those that support women's labour force participation (e.g., maternity and paternity leaves with high wage replacement);
- Collection and publication of more gender-disaggregated data (including statistics on income, land ownership, consumption, and taxation) to better measure the socio-economic impacts of taxation on gender inequality;
- Greater gender representation in various decision-making positions;
- Support of women-led businesses, through increasing access to financial and tax benefits.

33 Human Rights Institute Task Force on Illicit Financial Flows, Poverty and Human Rights, International Bar Association, Tax Abuses, Poverty and Human Rights (October 2013).

Related social reform

Other measures that would increase the effectiveness of tax reforms and social protection for the most vulnerable (often women) include:

- Investment in public education systems coupled with reforms to ensure equal access to education for girls;
- Investment in a robust social protection system that offers a strong universal safety net;
- Tax-financed public pensions that do not rely on past participation in the labour force so that elderly women, regardless of their work history, have a meaningful standard of living;
- Careful design of public services and infrastructure that can decrease the cost of living and increase the disposable income of lower-earning individuals.

Civil society organizations can play a vital role in promoting equitable policies by:

- Assessing tax incentives to ensure incentives support equitable economic strategies, the policies promoted by civil society groups in Latin America and Asia, such as Action for Economic Reforms and Bantay Kita and Instituto Centroamericano de Estudios Fiscales, are good examples;
- Participating in tax and budget planning on all levels, which includes consulting with groups disproportionately affected by tax reforms, as well as demanding public disclosure of policies;
- Assessing tax amounts based on equity principles so that individuals of equal conditions pay similar taxes and that, conversely, taxpayers of unequal conditions are subjected to taxes proportionate to their ability to pay;
- Leading various types of awareness campaigns on equity in taxation systems and suggested reforms;
- Advocating that governments mainstream gender analysis during public policy formulation, including tax policy formation.

V. OVERVIEW OF THE LEBANESE TAX SYSTEM

An analysis of the Lebanese tax system reveals both explicit and implicit gender bias. The Lebanese tax system, enacted in 1959 and later regulated by the Tax Procedure Code of 2011, recognizes different sources of income and taxes each separately. It applies the principle of territoriality, levying taxes on revenue derived within the country's territory. This includes taxes levied on corporates and incorporates, natural persons and artificial entities, resident within or outside Lebanon. The tax law defines revenue as any effort or activity exerted in Lebanon that is expected to generate cash flow. The definition of residency, however, is ambiguous and does not necessitate physical residency of the individual or the entity, rather, it entails satisfying any of the two following conditions:[34]

- Having a fixed physical business location in their name, even if business is not usual or repetitive,
- Conversely, exercising usual and repetitive business in Lebanon with no registered place of business.

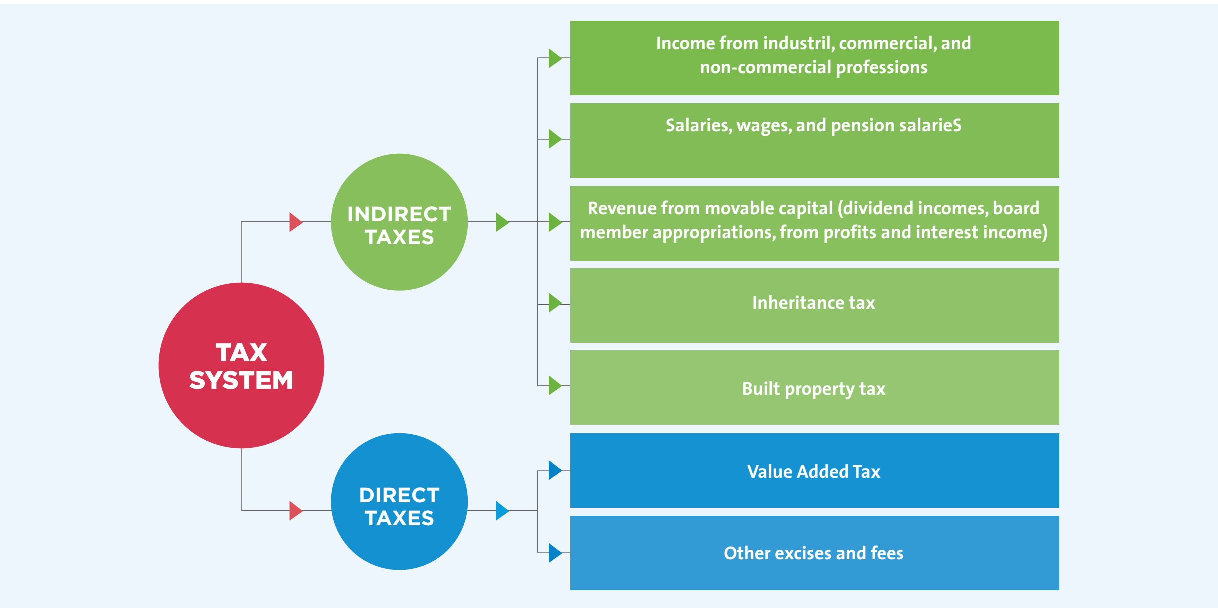
If neither of these conditions apply, yet the individual or entity is still deriving revenue in Lebanon, then it is deemed a non-resident entity. Non-residents can reside within or outside Lebanon and are subject to the non-resident withholding tax as long as they exercise activity and generate any revenue or proceeds as a result of exploiting rights in Lebanon.

Structure of the Lebanese tax system

Overview

The Lebanese income tax system includes both direct taxes and indirect taxes.
Figure 1 summarizes both types of taxes.

FIGURE1
Income Tax System Components



34 PricewaterhouseCoopers, Worldwide Tax Summaries Online, available at: https://taxsummaries.pwc.com/lebanon/individual/residence.

Income or profit tax

The Lebanese income tax law recognizes three categories of income:

- Chapter I – Profit from industrial, commercial, and non-commercial professions
- Chapter II – Salaries, wages, and pension salaries
- Chapter III – Revenues from movable capital, such as dividend income, board member appropriations from profits, and interest income (which also includes interest on bonds and treasury bill)

Each type of income is taxed differently. In addition, the size and structure of a business affects the method of taxation due to the real profits and deemed profits method.

Entities can willingly subject themselves to the real profit method, however this method is mandatory for entities such as corporations (SAL), limited liability companies (SARL), companies of individuals, branches of foreign companies, and entities employing more than four employees or importing goods. The different types of incomes and the applicable rates are as follows:

TABLE 1

Types of Incomes and Tax Rates

TYPE OF INCOME	RATES
Corporate income tax (CIT)	**17%**
Capital gains on disposal of fixed assets	**15%**
Dividend distribution withholding tax (WHT)	**10%**
Non-resident WHT	**7.5% (15% applied on 50% of the profit) for services** **2.25% for non-services** **2% - 25% payroll tax**
Payroll income, or Personal Income Tax (PIT). Employers pay WHT on behalf of their employees. PIT is also levied on business income (e.g., sole proprietorships, general partnerships) at the same rates.	**4 - 25%** **(progressive rate schedule)**
WHT on interest income	**7%***

** Increased to 10% effective until 31 July 2022 (as per Decision No. 193/1), after which the 7% rate will apply again.*

Another method of tax assessment is the deemed profit method, which is applied to insurance and savings institutions, taxable transport companies, oil refineries, and public work contractors. An entity that is subject to the deemed method of tax imposition will be subject to different tax rates (Table 2).

TABLE 2

Types of Deemed Profit Incomes and Tax Rates

TYPE OF INCOME	RATES
Profit (flat rate)	**17%**
Public works contractors (Amounts collected per year)	**10 - 15%**
Insurance companies (depending on insurance activity)	**5 - 10%**

Inheritance or transfer tax

The inheritance tax law is applied to the transfer of property upon the owner's death, a donation, or termination of endowment. The tax base includes the value of an entire inheritance, which includes monetary, estates, cars, and any other property. This fee applies to all individuals irrespective of gender but is closely tied to the religious laws that govern various sects. Inheritance and transfer tax rates vary from 3-45% depending on amount gifted and degree of kinship. Some deductions apply to estate beneficiaries.

Built property tax

The Built Property income tax is an annual progressive tax applied to income from property rental and is subject to tax rates ranging between 4% and 14%.

Special treatment, exemptions, and deductions

SPECIAL TREATMENT	EXEMPT FROM CIT	DEDUCTIONS
Holding companies are exempt from CIT; WHT on dividends; and tax on management fees, royalties, or interest received in Lebanon. They are, however, liable for a flat 5-10% tax on income from interest loans, management fees, royalties, and other fees received from local companies. In the same way, offshore companies are exempt from any income tax in Lebanon.	• Educational institutions • Hospitals, orphanages, asylums, and other shelters that admit patients free of charge • Shipping, sea, and air transport associations • Farmers • Syndicates and other types of professional associations • Miscellaneous non-profit organizations and co-operatives • Public sector bodies that do not compete with private institutions • Pensions given to military martyrs' heirs or wounded personnel • Payroll benefits granted to midwives working for hospitals	According to the law, some expenses can be deducted from income before assessing the tax, these are: • Expenses and allowances amounting to less than 10% of the basic salaries of management level employees • Contributions to retirement and pension funds • Scholarships, schooling, and/or other compensations related to family considerations • End-of-service indemnities •Transportation allowances

Analysis of the tax system

Tax distribution and impact

The contribution of direct and indirect taxes to government revenue is detailed in Table 3.[35]

TABLE 3

Taxes as a Percentage of Total Budget Tax Revenue

YEAR	2017	2018	2019	2020*	2021*	2022*
Direct Taxes	33.94%	35.25%	43.45%	41.29%	53.00%	17.46%
Income tax on profits	16.97%	10.63%	10.99%	9.53%	8.20%	5.07%
Tax on interest income	7.30%	14.11%	22.39%	23.04%	30.19%	6.80%
Income tax on wages and salaries	6.19%	7%	6.94%	6.75%	12.12%	5.09%
Income tax on capital gains	2.88%	3.27%	2.88%	1.60%	2.49%	0.50%
Other	0.60%	0.43%	0.26%	0.37%		
Indirect Taxes	66%	65%	57%	59%	47%	83%
VAT	28.08%	30.09%	25.99%	29.13%	23.23%	37.52%
Taxes on Property	11.41%	8.92%	6.84%	5.91%	8.81%	8.72%
Other	26.57%	25.74%	23.71%	23.67%	14.96%	36.30%

**Budgeted amounts.*

The data in the table shows that,

• The proportion of direct taxes to total taxes collected increased over time, then decreased significantly after the Lebanon economic/political crisis of 2019;

• The largest direct tax contributor to tax revenue, on average, is a scheduler tax on interest income;

• The largest indirect tax contributor to tax revenue is the VAT, a wide-based scheduler consumption tax — the VAT rate in Lebanon has increased from 10% in 2002 to 11% in 2020;

• Indirect taxes consistently and significantly exceeded the amount of direct taxes collected;

• The built property tax, which is non-cumulative and scheduler, contributes significantly to the total tax base;

• The proposed budget of 2022 will significantly increase the proportion of indirect taxes to total taxes collected.

35 Institut des Finances Basil Fuleihan and the budget directorate at the Directorate General of Finance, Lebanon Citizen Budget Dashboard, available at: https://app.powerbi.com/view?r=eyJrIjoiYjZhYmIwODYtN2NhNy00Njc5LWIxZGItZjg2Y2YwYWU4ODlhIiwidCI6IjYwMDc3ZDE0LTliYzAtNGE0My1hNWE5LTQ1N2E5ZTcxMGQ2YSIsImMiOjl9.

Various opportunistic amendments have been introduced to the tax system over time. The most significant amendment was the ratification of the Tax Procedure Code of 2011. The amendment improved tax assessment operations but flattened rates for the largest taxes that contribute to direct tax revenues. This both decreases direct tax progressivity and increases reliance on regressive indirect taxes, such as the VAT. These changes considerably decreased the progressivity of the Lebanese tax system, placing greater tax burdens on the most economically vulnerable individuals. The largest contributors to direct taxes, income tax on company profits and on capital income (interest income), both pay flat rates. Furthermore, indirect taxes (mainly the VAT)—which constitute the largest tax revenue source, higher than all direct taxes combined—also apply a flat tax rate, with some exemptions. Tax on built property, a non-cumulative tax, also contributes a sizeable portion to total tax revenue. The tax on wages and salaries contributes only modestly to total tax collections. The proceeding analysis of the structure of the Lebanese economy will show that these taxes and the structure of the Lebanese tax system in general places a comparatively high tax burden on women and other economically disadvantaged populations.

Economic context of tax reforms

The introduction of a low flat rate on corporate profits came during post-civil war reconstruction efforts in the 1990s, which aimed to fund Lebanon's recovery by creating a lucrative environment for foreign investment. This move encouraged a liberal economy as per the country's constitution, however it also promoted inequality and eventually was one of the factors which created significant economic instabilities in the country. The Lebanese economy used to and still does rely heavily on external revenues paid by foreign individuals, entities, or states. It was also considered to favour the wealthy and those in positions of power because wealth taxes were not imposed so as to make the environment more attractive for investments, which widened income and wealth inequality, including gender inequality. This was particularly true because women were and still are underrepresented in the business sector. In Lebanon, women had an average entrepreneurial activity of only 17% compared to 30% for men. This means women less frequently access the tax benefits of the rentier economy.

In addition, the traditional patriarchal character of Lebanese society favours men for decision-making positions and contributes to the overrepresentation of men in business (NCLW, 2012), as well as political and social life. Women lack fair representation in parliament (3 women to 97 men) and in ministerial positions (4 women to 96 men) (WEF, 2016: 228). Male dominance in Lebanese society further appears in gender relations, women's civic rights, and family affairs, which are often influenced by religious authorities instead of the state (USAID, 2012). Article 9 of the Lebanese Constitution gives registered religious sects the right to exercise their religions' own laws, laws which downgrade women to second-class citizens and hinder their decision-making abilities (Salameh, 2013). As such, in the context of traditional socialization that advocates for a submissive and domestic role for women, rather than a driven or educated one (Hamieh & Usta, 2011: 14), there inevitably emerges a wealth and power imbalance that favours men.

Biases in the Lebanese tax system

Explicit bias

Lebanese income tax law and amendments largely treat men and women similarly, with some exceptions. Previously, explicit bias was present because only married working men could benefit from family deductions for their children, unlike their female counterparts. With the introduction of the 2011 Tax Procedure Code, this bias was corrected, giving working men and women equal rights to claim family deductions for spouses and children. The income tax law does, however, currently treat male and female dependents differently. Specifically, parents can claim a deduction for a woman who is single or divorced and below age 25. Whereas parents can only claim a deduction for unemployed sons until the age of 18. Further, the National Social Security Fund deduction rules subsidize men for an unemployed spouse, but not working women.[36]

36 Lebanese NSSF law, article 46.

Implicit bias

The income tax law

The income tax law exhibits some instances of implicit bias:

• Sectoral deductions and exemptions: Men and women are concentrated in different sectors of employment. Therefore, special tax treatment for these sectors creates gendered tax treatment. These sectors include:

o Armed forces members, mostly men, are exempt from taxes on their pensions.

o Those in the nursing sector, dominated by women, are exempt from paying tax on their income.

In fact, the widespread and opportunistic application of deductions and exemptions has rendered the fair application of the tax law problematic, as one interviewee explained:

"The proliferation of deductions and exemptions, which have been accumulating through more than 8 decades, have rendered the application of such exceptions practically impossible, where we find ourselves unable to recall or recollect or even access the laws/regulations/circulars that regulate them."

Differential tax rates apply across income tax chapters I, II, and III. Income from chapter I (business profit) and III (financial assets, such as interest and dividends) is taxed at a flat rate of 17% and 10%, respectively. However, taxes on income of professional activity is also combined and a progressive rate applied. Also, income from chapter II (employment income) is taxed at a progressive rate of up to 25%. These differences in tax rates lead to implicit bias given that:

o Men own the majority of registered companies in Lebanon. In 2019 only 9.9% of firms are co-owned by women.[37] These means men benefit more from the lower tax rates (and numerous deductions) applied to business income. Furthermore, company shareholders, mostly men, receive additional tax deductions to their income share and then pay a low flat rate of 10% on their distributions, rendering the overall tax burden on this income lower than employment income.

o Women have less access to income from financial assets, which are also taxed at a lower, flatter rate (10%) than labour income. For example, only 33% of women (versus 57% of men) had bank accounts in 2017 in Lebanon.[38]

o Women, who mostly earn employment income, pay taxes in accordance with chapter II rates that range from 2% to 25%, depending on total taxable income.

o Key informants explained these different rates and their consequences in this way,

"An individual pays more taxes than a financial institution. Taxes owed by banks, for example, amount to 10% of their large profit base, significantly lower than what an employed individual would pay for the same amount of income"

says a Ministry of Finance senior tax administrator

Further,

"If an individual lends money to another, interest income is taxed at 10%. If the individual establishes a holding company which owns another company's shares and lends it money for three or more years, it is exempt from the tax entirely, thus disadvantaging individuals over companies, mostly owned by men."

• Some MSMEs are allocated temporary exemptions according to chapter I of the Income Tax Law. If men are overrepresented in the activities or sectors which access these benefits, such as the industrial sector, they will benefit from these exemptions more than women.

• Income from property ownership is taxed on each property separately. In contrast, income from independent professional activity, such as medical or legal services, is combined and a progressive rate

37 World Bank, Enterprise Surveys 2019, available at: https://data.worldbank.org/indicator/IC.FRM.FEMO.ZS?locations=LB.

38 World Bank, Global Findex Database 2017, available at: https://globalfindex.worldbank.org/.

applied. The same progressivity applies to employment income, as mentioned earlier. This gives rise to a gendered tax burden because only 20% of the adult Lebanese female population have secure land tenure rights,[39] and only property owners benefit from the non-cumulative nature of property taxes:

"A person with multiple jobs or income sources would have a cumulative income that places them in higher tax brackets, unlike a person who has multiple houses, who would remain in the lower brackets given that the income in this case is not cumulative"

maintains another senior tax administrator at the ministry of fiannce,

• The inheritance of a deceased person is governed by Personal Status Laws, which differ between religious groups and sects. For some sects, inheritance is allocated unequally in favour of men (sometimes as much as double), and results in an ownership structure heavily skewed towards men. Transfer fees (taxes) are lower than those applied to an employed individual's income. Inheritance tax rates range from 3% to 12% for siblings, though they can be higher for inheritances received by more distant relatives. Since major fortunes are inherited by men, men tend to benefit more from these low rates.

The Value-Added Tax (VAT)

In Lebanon, the VAT rate is flat at 11% and levied on all commercial activity undertaken by entities registered in the VAT system (including expenses charged from Lebanon to another entity abroad), unless exempted by law. Under the law, some operations are zero-rated, such as export of goods and services. Additionally, some institutions are completely exempt from administering the VAT, such as banks, financial services, and insurance. The law mandates that entities with a turnover exceeding 100 million LBP for four consecutive quarters register in the VAT system.

Given the single flat rate structure and the high dependence of the government on revenue generated from this indirect, wide-based consumption tax, the VAT creates significant regressivity within the tax system. This has a significant impact on economically marginalized participants, including women. Further, the current set of VAT exemptions increases the cost of administering the tax, which reduces revenue available for welfare transfers and social services.

"For the VAT law to be fair, exemptions should be reduced to a minimum. Currently there is an abundance of exemptions, mainly the articles 16, 17, 18, that cover exemptions on products, activities, hospitals, education, technology, exports, and countless others. Additionally, article 59 of the law, which allows for VAT recovery for exempted transactions, is severely problematic. These exemptions are creating significant burden on the administration and the taxpayers and should be revoked or simplified."

Current status

Lebanon experienced a multifaceted economic and political crisis in recent years, compounded by the COVID-19 pandemic and the Beirut port explosion in August 2020. The economic crisis, ranked in the top three most severe worldwide since the nineteenth century,[40] significantly impacted the country and its wellbeing. Lebanon's GDP declined sharply from US$ 55 billion in 2018 to US$ 21.8 billion in 2021, with a decline in real GDP per capita by 58% since 2019.[41] Political and economic turmoil has exacerbated, to an unprecedented degree, the Lebanese tax system's shortcomings.

With hundreds of thousands of Lebanese and migrant workers newly unemployed and an alarming number of households well under the poverty line, women experience a disproportionate disadvantage. Tens of

39 Public Works, Assessment on Housing, Land, and Property Rights (unpublished), referenced at: https://publicworksstudio.com/en/articles/housing-feminist-cause.

40 World Bank, Lebanon Economic Monitor: Lebanon Sinking (To the Top 3) (Spring 2021), available at: https://www.worldbank.org/en/country/lebanon/publication/lebanon-economic-monitor-spring-2021-lebanon-sinking-to-the-top-3.

41 Yousef Saba and Nadine Awadalla, "World Bank berates Lebanon's elite for 'zombie' economy", Reuters, 25 January 2022, available at: https://www.reuters.com/world/middle-east/lebanese-govt-revenues-fell-by-nearly-half-2021-world-bank-says-2022-01-25/.

thousands of currently unemployed women exited the labour market altogether, no longer searching for employment. Pre-crisis, 29.3% of women were in the labour force; in 2020 this number dropped to 27.6%. Of those in the labour force, 85.7% were employed pre-crisis while only 73.7% were in 2020.[42] Women more often work part-time, due to greater caregiving and unpaid labour responsibilities. One fifth of all employed women in Lebanon are part-time employees. Unfortunately, such positions are often the first to be terminated in times of crisis, meaning women are more vulnerable to job loss.[43] In the fields where female employment is concentrated, namely education, banking, healthcare, first aid institutions, and food and beverage, women lose more than just employment income when terminated. These services sectors also provide benefits and health insurance, these additional losses compound the consequences of sudden unemployment for women. Positions in first aid institutions, which not only include hospitals but also orphanages and asylums, also come with an exemption from the payroll tax. Loss of employment in these occupational sectors further compounds the impact of job loss on women. Undertaking informal and often exploitative labour in an attempt to make ends meet has become a frequent occurrence for Lebanese women, migrant workers, and refugees. Moreover, the rollback of the limited social services that once existed and the increasing unaffordability of domestic help have increased women's care work burden.

The refugee crisis also resulted in gender-specific challenges for Syrian women attempting to access the Lebanese labour market.[44] Across all age groups, female refugees tend to outnumber their male counterparts and yet the majority of them, around 68%, are unable to find employment. Furthermore, there exists a substantial pay gap of around 40% between Syrian men and women,[45] which originates in part from women's engagement in part-time work to manage childcare responsibilities.

Destructive coping mechanisms that have emerged during the crisis will have long-term effects of girls' education and earning potential. These include favouring the education of boys over girls, marrying girls off at a very young age, and sending children to work.[46] Early marriages mean women often outlive their spouses, but with minimal social supports to cope with the economic consequences of widowhood. No more than 20% of people above the age of 65 have formal pension coverage,[47] and women access pensions even less frequently due to their less consistent labour force participation.[48]

Because of the vulnerabilities described above, women rely more on public services and safety nets than men. However, the budget assigned for women's affairs and gender equality was discontinued entirely in 2020, in light of Lebanon's monumental crisis. This followed a partial cut in 2019. This poses a significant challenge to gender equality reforms and service provision. Cutting budgets for gender equality in times of crisis is counterproductive, as gender equality and women's involvement in the economy in significant numbers will increase economic growth, widen Lebanon's tax base, and improve the fiscal sustainability of social security programs. The ILO projects that if the gap between men and women's participation in

42 Nisreen Salti and Nadine Mezher, "Women on the Verge of an Economic Breakdown: Assessing the differential impacts of the economic crisis on women in Lebanon", Issue Paper (UN Women, September 2020), available at: https://www2.unwomen.org/-/media/field%20office%20arab%20states/attachments/publications/2020/10/lebanons%20economic%20report%20updated%201110%20fh.pdf?la=en&vs=2852.

43 International Labour Organization, ILO Monitor: COVID-19 and the world of work. Seventh edition: Updated estimates and analysis (25 January 2021), available at: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_767028.pdf.

44 Lorenza Errighi and Jörn Griesse, "The Syrian Refugee Crisis: Labour Market Implications in Jordan and Lebanon", European Economy Discussion Paper, No. 029 (European Commission, May 2016).

45 International Labour Organization, Assessment of the impact of Syrian refugees in Lebanon and their employment profile, (Beirut, International Labour Organization Regional Office for the Arab States, April 2014).

46 UNICEF Lebanon, "I got married at the age of 13", UNICEF, 17 December 2021, available at: https://www.unicef.org/lebanon/stories/i-got-married-age-13.

47 United Nations Children's Fund. Social Protection in Lebanon: Bridging the Immediate Response with Long-Term Priorities. 2020, available at: https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms_766640.pdf

48 Rached, Mounir. "Social Security and Pensions in Lebanon: A Non-Contributory Proposal." 2012, Lebanese LFGLCS. Economic Association Research Study, available at https://openknowledge.worldbank.org/bitstream/handle/10986/36512/The-Status-of-Women-in-Lebanon-Assessing-Womens-Access-to-Economic-Opportunities-Human-Capital-Accumulation-and-Agency.pdf?sequence=1&isAllowed=y

the Lebanese labour market was to decrease by 25%, GDP would increase by 9%.[49] In addition, the Lebanese tax system has been plagued by poor tax collection and significant tax evasion. This reduces government revenue and thus funding for social transfers and services that could be extended to protect the most disadvantaged and vulnerable in times of crisis.[50]

Recommendations

"The Lebanese tax system should be reviewed in its entirety. Currently, there is an overabundance of laws and exemptions, and there is no longer a clear listing and prioritization for any of them, which is creating confusion and chaos. For example, the wide disparity of exemptions and their applications, where a tax exemption was introduced to apply to environmental projects, another law was introduced giving industrials who export their products an exemption from export taxes, and so on. The exemptions are endless, and they are neither organized, nor structured, nor harmonized. Hence, undoubtedly, the entire tax system must be reformed to re-examine all these laws and regulations,"

As the quote above from one of our interviewees suggests, Lebanon's tax system should be reviewed and reformed. These reforms should aim to reduce reliance on indirect taxes and increase the use of progressive direct income taxes that eliminate the discrepancy between personal and corporate rates and reduce problematic deductions and exemptions. In the words of an informant:

"The Lebanese tax system has many unjustified exemptions and deductions that discriminate, not on a gender basis only, but on several levels, between tax laws and fees, types of companies, and even between various income tax chapters."

Accordingly, and given that the recommendation to update the tax system entails major reforms, we propose a list of staged measures to implement gradually over the medium and long term.

Interim measures

Income tax

Individual income taxes

• Adjust Article 53 of the Income Tax Law to include income from built property. Adding rental income to each individual's tax base and applying progressive tax rates would address gender bias from the way in which men's overrepresentation as property owners means they benefit more from current low, flat taxes on property income. Specifically, property owners would combine their income from those properties with any additional income and pay a higher average income tax rate (based on their income level and the associated bracket in Article 32).

• Adjust the minimum wage and tax threshold below which income is exempt from taxes. Prior to the crisis, minimum wage was 675,000 LBP. However, following the crisis and the collapse of the currency peg, the minimum wage and tax threshold have become inconsistent with taxpayers' needs.

• Review family deductions to adjust for changes in wages and property values.

o Deductions for dependents used to be 33,000 LBP for a minimum wage of 300,000 LBP. The minimum wage has increased to 675,000 LBP, yet these deductions have remained the same. This decreases the value of the deduction from

49 International Labour Organization, How much would the economy grow by closing the gender gap?, available at: https://www.ilo.org/global/about-the-ilo/multimedia/maps-andcharts/enhanced/WCMS_556526/lang--en/index.htm.

50 Nasser Abdel Karim, "Tax Justice and Sustainable Development in the Arab Region: Lessons from tax systems in four countries" (Arab NGO Network for Development, December 2018), available at: https://www.fordfoundation.org/media/4549/tax-justice-and-sustainable-development-in-the-arab-region-final-1.pdf.

11% to 5.3%, increasing the overall tax burden of taxpayers.

o Property tax deductions for individuals were 20 million LBP and have been adjusted to 40 million LBP, whereas income deductions for the computation of property income tax are still at 60 million per year.

• Ensure women with unemployed spouses can access family deductions. Women are subjected to an increased level of scrutiny when applying for spousal deductions, unlike working men.

• Increase inheritance taxes and pass a wealth tax that will help increase the tax base and secure additional revenues for the government from those with greater ability to pay.

• Review the definition of tax residence and territoriality to include income generated outside these boundaries. A significant number of Lebanese residents generate income elsewhere in the Arab region and are not taxed on their income locally, while their low-income spouses, employed in Lebanon, are subject to a progressive tax. This issue has been exacerbated recently with the dramatic increase in emigration of Lebanese men in search of employment or business opportunities, while their spouses stay behind with family.

Corporate income tax

• Enhance the access of women to banking activities which support small business development so women can benefit from the special tax treatments given to businesses.

• Review and streamline corporate tax incentives to decrease them to a minimum. Simultaneously increase corporate tax rates and their degree of progressivity.

• Adjust Article 72 of the Income Tax Law so that the currently flat tax applied to income from movable property and financial assets matches the tax rates and progressivity of other income sources.

Other reforms

• Earmark a portion of tax revenues for the subsidization and incentivization of women's employment in key sectors, which would boost economic activity and help create job opportunities long-term.

• Review social security laws to eliminate explicit biases against women in the allocation of family deductions.

• Ensure gender-equal participation in the development of taxation policies.

• Ensure a higher level of transparency in administrative and policy setting processes, as well as a democratic participation of civil society in decision-making.

• Strengthen tax administration to ensure increased enforcement, improved collection, and reduced evasion, so all taxpayers contribute their share.

• Collect and publish gender disaggregated data, so policy and decision-making can be more fully informed by accurate information.

• Guarantee maternal and paternal leave to increase women's labour force attachment and increase men's participation in care work. Providing free kindergarten care would additionally support women's workforce engagement.

• Invest in social protection systems and reform pension scheme. Carefully design public services to decrease the cost of living and increase the lifetime earnings of individuals.

VAT

Given the amount of revenue generated by the VAT and its regressive impact on residents of Lebanon, recommendations to improvement management of the tax and limit the tax burden are key. With regard to businesses, these include:

• Register all entities in the VAT system and simplify the tax procedures applied. The current crisis partly resolved the issue and rendered the minimum threshold (100,000,000 LBP) extremely low. A complete removal of this threshold will facilitate tax management and administration.

• Review the application of a single tax rate on all product categories and introduce graduated rates that depend on the demand elasticity of various product/services categories. This recommendation would involve reviewing, reducing, or eliminating the number of tax exemptions, assigning different VAT rates to different product categories, and zero-rating certain activities or sectors. A careful analysis and study of household consumption patterns, including the gendered nature of these patterns, would be needed to identify which goods should be subject to different rates. As an interviewee observed:

"Indirect taxes have a common issue of being blind taxes that take nothing into consideration. As such, the percentage must be justified, at the least. In more advanced tax systems, VAT exhibits a broad range of percentages, whereas in Lebanon it is a flat rate at 11%. So, for example it would make more economic sense for a luxury car to be taxed more than a functional car and so on."

Other reforms

• Recognize the significant role MSMEs play in economic development and women's livelihoods by offering them tax supports. Currently, almost all SMEs are registered in the VAT system to enable them to deduct any VAT paid as, otherwise, the tax paid would increase their operational costs and reduce profits. A proposal could be made to simplify the system of VAT registration, collections, and payment for these entities and zero-rate them to support their cash flow cycles. Additional incentives that amount to a cash subsidy could be given if businesses meet certain criteria (metrics such as turnover, number of employees, etc.). One informant suggested:

"We could administer such a scheme by giving the companies that apply under this category a sort of a permit, and they would be subsequently billed without VAT, or at a 0% rate, and the process of managing the tax for them would be simplified to further alleviate their tax burden."

Long-term reform

Income tax law

A reformulation of the Income Tax Law is needed. The new financial and economic reality of the country must be considered in order to develop a tax system that secures both stable revenue for the government and an equitable tax imposition on various constituents. The main objectives for such a system would be a broader tax base resourced through an overall progressive system. Careful attention should be given to rate structures, as well as the application of deductions and exemptions on various entities.

To achieve these objectives, policymakers should introduce a progressive unified tax on all income sources, including income from business profit, employment, built property, inheritance, movable property, and any other. This law would be applied to various entities: combining income from all sources and applying a progressive tax rate on that income, after allowing for eligible family deductions. Spouses should file separately, with each having the choice to claim family deductions. An interviewee summarized this recommendation with the observation that:

"In countries with well-developed tax systems, an individual and family's income is taxed as a whole."

CONCLUSION

Policymakers can address systematic gender inequality through a meticulous redesign of tax policies to make them more equitable. Significant work on and several attempts to introduce gender-equitable tax policy reform has taken place globally, regionally and locally. These efforts resulted in significant decreases in explicit gender bias in tax laws and procedures. However, significant effort is still needed to address inequities resulting from implicit tax biases. Key sources of gender bias, among others, include the proliferation of tax deductions and exemptions that disproportionately benefit men, the dominance men in economic sectors that receive favourable tax treatment, exceptional treatment of corporations, and differential consumption patterns. Further, the proliferation of tax abuse practiced by corporations and wealthy individuals puts pressure on governments to resort to regressive taxes to secure revenues. Regressive taxes are then disproportionately applied to women due to their more marginalized economic position.

It is argued here and by interviewed tax experts that in Lebanon, a country facing multifaceted crises, reform of the existing tax system is needed. Only a careful redesign can produce a progressive income tax system with redistributive capacity that benefits all economic participants, including women. This system would enable the government to rely more heavily on progressive direct taxes, and less on regressive indirect taxes, such as the VAT. These reforms, alongside well-structured tax subsidies or exemptions that would protect those individuals and groups of individuals who are historically and persistently subject to discrimination (based on race, gender, and religion), would reduce inequality. This holistic reform is a long-term objective. In the near term, a series of short-term measures, including amendments to current articles of the law and administrative practices, can be implemented to ensure greater progressivity in the tax system. These measures include reduction of certain deductions and exemptions, introduction of graduated rates to the VAT, strengthening social protection schemes, improving tax collection, and introducing specific incentives to encourage women's participation in economic activity.

Tax bases that are too narrow and tax administration that does not ensure compliance reduces revenues available for social services. This limits access to social protection or public services. Women are often already more economically vulnerable and rely on these protections and services to a greater extent. Limitations on these services reduce the realization of women's human rights and perpetuate gender inequality. In Lebanon, with its extensive levels of corruption and low tax collection, the disadvantaged are the most negatively affected by inadequate tax policies. The current economic crisis affected women deeply due to women's overrepresentation in the services sector, skyrocketing layoffs, and deteriorating public services. Thus, women are even more in need of the social protections currently funded by ever-decreasing tax revenues. Without proper funding for public services, women and girls will take on the burden of service provision, increasing their care work hours. This reduces their ability to access their rights to proper education, dignified work, sufficient leisure time, and social security.

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