Appendix 2: Gender analysis of the HM Treasury and tax revenue (See Article 2)

Gender analysis in HM Treasury

There is no equality impact statement in the HM Treasury and Department for Business, Innovation and Skills joint document *The Plan for Growth*,[1] published alongside the Budget. Under the moratorium exempting micro and start-up businesses from new domestic regulation for three years from 1st April 2011, there is a statement that "*impacts on equality will be taken in to account when making decisions on whether to exempt micro businesses". But this is just in "exceptional instances, and only where there is a compelling argument*".[2] Thus there is a recognition that gender, and other equality impacts might need to be assessed but only 'in exceptional cases'. This is to misunderstand the point of equality impact assessments, namely to help uncover such impacts, including where they are inadvertent, and now these assessments may be removed altogether.[3] By definition, checking for the inadvertent will be inadequate if it is only to be done in those exceptional circumstances where an equality impact is suspected.

We are disappointed that the Government sees flexible working as a cost to businesses. (See Article 11) Recent research has shown a positive relationship between flexible working and individual performance. Currently many countries in Northern and Western Europe have more flexible workforces than the UK, and have interpreted 'flexibility' in ways which favour employees as much as employers. As a result the gender pay gap, especially for part-time workers, is smaller than in the UK[4] and levels of productivity are often higher.

In its Section 31 assessment,[5] the Equality and Human Rights Commission (EHRC) found that the Government as a whole has not "*fully grasped the way in which case law has elucidated the requirements of the [Public Sector Equality Duty] PSED over recent years*" and recommended:

- Greater transparency, including clear HM Treasury guidance on data and analytical requirements for the whole of government
- Common rules to allow easier sharing of equality data within government, such as standardised data collection rules

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[1] HM Treasury and Department for Business Innovation and Skills (2011) *Plan for Growth* http://cdn.hm-treasury.gov.uk/2011budget_growth.pdf

[2] HM Treasury and Department for Business Innovation and Skills (2011) *Plan for Growth* http://cdn.hm-treasury.gov.uk/2011budget_growth.pdf p. 52

[3] Mulholland, H. (2012) 'David Cameron axes equality assessments in war on 'red tape'', The Guardian, 19th November 2012 http://www.guardian.co.uk/politics/2012/nov/19/cameron-axe-equality-assessments

[4] European Commission, Eurostat, Gender pay gap statistics http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Gender_pay_gap_statistics Accessed: 12/04/13

[5] Equality and Human Rights Commission (2012) *Making Fair Financial Decisions Final Report*. EHRC: London http://www.equalityhumanrights.com/legal-and-policy/inquiries-and-assessments/section-31-assessment-of-hm-treasury/the-assessment-final-report/

- Authoritative sources of advice and support for government departments on equality impact analysis
- The development of a common model of analysis to predict the likely equality effects of policy
- A single point of government responsible for monitoring and assessing the cumulative impact of future Spending Reviews and Budgets
- Independent and authoritative equality analysis of public spending.

Gender analysis of tax revenue

The Government provided some equality impact assessment information for the tax measures contained in the 2011 Budget in the Overview of Tax Legislation and Rates.[6] The assessment is limited to tax changes that affect individuals, on the grounds that businesses have no sex or race or age or dis/ability characteristics. This is misplaced - those who own and manage businesses have these characteristics, and they stand to benefit (or lose) income from these measures.

Some assessment is provided for tax measures that affect individuals, but it is superficial and at times completely misguided. For instance, the Government assesses that one tax break for business investment will go to investors that tend to be "*male, located in the South of England and have higher overall income levels.*" The judgement is that: "*the changes to the scheme are not likely to change that position. We have no data to suggest that there will be impacts on other groups. From the data available therefore we do not think these changes will have a disproportionate impact.*"[7] Clearly the Government's own data show that this tax break will perpetuate existing patterns of inequality.

The Government has raised the personal allowance; this will give £514m to women who pay tax and £680m to men who pay tax. The rise in the personal allowance will do nothing to help those who earn less than this, of which the majority are women. In 2009/10, 3,769,252 people had earnings below the threshold of £7475 - of these 73% were women. For mothers in this group, a more effective use of resources would be, for example, to raise Child Benefit. Instead, a three year freeze has been imposed. (See Article 13)

Those 'taken out of tax' will in the main actually gain less from this measure than higher earners.[8] Moreover, some of the gains lower earners enjoy will be clawed back by changes in the way that National Insurance Contributions (NIC) thresholds are uprated to allow for price rises (switching from the Retail Price Index to the lower Consumer Price Index). Indeed 370,000 people earning between £7,500 and £7,900 will find that all the gain in 2011-13 is wiped out by their having to pay up to £6.25 extra NIC a year.[9] Most of these people will be women.

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[6] HM Revenue and Customs and HM Treasury (2011) *Overview of tax legislation and rates* http://www.hmrc.gov.uk/budget2011/overview.htm
[7] HM Revenue and Customs and HM Treasury (2011)*Overview of Tax Legislation and Rates* http://www.hmrc.gov.uk/budget2011/overview.pdf P A5
[8] Because they will not earn enough to gain fully from the new personal allowance.
[9] HM Treasury (2011) *2011 Budget* http://www.hm-treasury.gov.uk/2011budget.htm P.79

Taxes on individuals and households

The personal allowance for those aged under 65 will rise in 2012/13 from £7,475 to £8,105. The threshold for higher rate payments at 40% will not rise, but will remain at £42,475 as in 2010/11. This will ensure that there is no increase in the numbers of people liable to pay higher rate income tax at 40%. (See Article 13)

The Treasury estimates that this will take 260,000 of the lowest income tax payers out of income tax in 2012/13, but it will also benefit higher rate tax payers, though not additional rate tax payers who do not have a personal allowance. The Treasury estimates that 25 million taxpayers will have an average gain of £48 a year and 550,000 will lose on average £48 a year – all of whom have incomes over £115,970.

The Treasury has provided an equalities impact assessment,[10] which we welcome. It confirms that HM Revenue and Customs does hold data on income tax payers by sex. It reports that: "*43% of the 25 million tax payers who will gain are women*" thus the majority of those who gain will be men. "*56% of the 260,000 people taken out of tax are women*" thus the majority of those who gain less than the standard £48 per year will be women and these are the lowest earners who gain at all from this measure. "*16% of the 550,000 individuals who will be worse off are women*" thus more of the very high income people who will actually lose from their measure are men. It is useful to have this data, but this does not provide a full gender equality impact assessment. We also need to know the numbers of people who will not benefit from this measure because their earnings are below £7,457, or because they have no earnings, and the proportion of these that are women.

The Quarterly Labour Force Survey, April 2009-March 2010, shows that 3,769,252 people had earnings below £7,475 - of these 73% are women, most of them part-time workers (93%).[11] This does not, however, give us information on those who do not gain at all because they have no income. We can safely assume that because of the lower employment rate of women, there are more women than men who do not gain because they lack earnings.

As well as representing a small majority of those low earners who gain a little but not as much as most from this measure, women are a large majority of those workers who do not gain from this measure at all because their earnings are too low. From the figures given above, we can calculate that this measure will give £514m to women tax payers and £680m to men tax payers, i.e. men will receive roughly one third more than women. Furthermore, the poorest women - those most hit by the expenditure cuts - lone mothers not in employment and single women pensioners, will not benefit from this tax cut at all.

The Government decided to reduce fuel duty by one penny per litre. Analysis by the Women's Budget Group[12] shows that the greatest gains, in cash terms, will go

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[10] HM Revenue and Customs and HM Treasury (2011) *Overview of tax legislation and rates* http://www.hmrc.gov.uk/budget2011/overview.htm P. A25

[11] Women's Budget Group (2011) *The Impact on Women of the Budget 2011*. WBG: London http://wbg.org.uk/RRB_Reports_7_282363355.pdf

[12] Women's Budget Group http://www.wbg.org.uk/ Accessed: 21/03/13

to working age couples without children, whereas the smallest gains will go to single women pensioners and single mothers.

From April 2011, the rate of corporation tax was reduced from 28% to 26%, and by 2014 it will be 23%. This will cost a total of £4,220m, over the period 2011/12 to 2015/16. The reduction in corporation tax mainly benefits large and medium companies, as only a minority of small businesses pay corporation tax at the main rate. The immediate beneficiaries will be the owners, shareholders and senior managers of corporations, as more profit will be available for distribution as dividends and bonuses.

The equalities impact provided in the Overview of Tax Legislation and Rates is as follows: This measure concerns the taxation of the body corporate which is a non-gender/race specific entity in law. As such it is very unlikely that there will be any impact on equality. This ignores the fact that considerably fewer women than men hold shares, are senior managers, or owners of businesses. For instance, in 2010 women made up only 12.5% of the members of the corporate boards of the FTSE 100. This is up from 9.4% in 2004 – the EHRC has estimated that at this rate of change, it will be over 70 years before we see gender balanced board rooms in the UK's largest 100 companies. Only 2% of chairs of FTSE 100 companies are women. (See Article 11) Given the predominance of men at senior levels of corporate management, reductions in corporate tax liability can be expected to benefit more men than women.

Tax breaks to support small and medium businesses

The Government is also introducing new tax breaks to support investment in small and medium size businesses. Previously, the Enterprise Investment Scheme (EIS) allowed individuals investing in shares in businesses with less than 50 employees to benefit from income tax relief on 20% of the amount they invest. The amount of income tax relief will rise to 30% and the size of firm will rise to include those with up to 250 employees. An assessment of the equalities impact of this measure is provided in Annex A of the Overview of Tax Legislation and Rates.[13] It states that about 10,000 individuals invested through the EIS in 2008/9, the last year for which figures are available. The data clearly show that high income men in the South of England will disproportionately benefit from this tax break. The fact that this tax break perpetuates an unequal distribution of the tax reduction is a key aspect of its equalities impact. No evidence is provided on which businesses are likely to benefit if the tax break leads to more investment.

A further tax break is provided to encourage small and medium sized enterprises to invest in research and development. The equalities impact statement states: "*This change only affects companies involved in research and development and not individuals. It is therefore considered that these proposals have no significant impacts on age, race, disability, or gender equality*." This reflects a misunderstanding that runs throughout the Government's assessment of changes in corporate taxes. Though the immediate impact is on businesses, there will be knock-on effects on individuals through impacts on employment

[13] HM Revenue and Customs and HM Treasury (2011) *Overview of tax legislation and rates* http://www.hmrc.gov.uk/budget2011/overview.htm

and on incomes from ownership of businesses, including the ownership of shares.

The *Small Business Survey*[14] also documents that women-led businesses tend to be smaller than other businesses – 90% of women-led small and medium enterprises were micro businesses, compared to 83% of those not led by women. Tax breaks do not help firms that are too small to pay tax, so could exacerbate the gap in male and female new venture and business creation.

[14] Department for Business, Innovation and Skills (2011) *BIS Small Business Survey 2010* https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32228/11-p74-bis-small-business-survey-2010.pdf