

Research shows disparity between tax paid by women and men

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According to researchers Professor Norman Gemmell, Victoria's Chair in Public Finance, Honours student Athene Laws and Omar Aziz, from New Zealand Treasury and Harvard University, this has the effect of reducing income inequality between men and women across their lifetimes. Their research paper 'Income and Fiscal Incidence by Age and Gender: Some Evidence from New Zealand' has been accepted for publication by international economics journal *Review of Income and Wealth*.

Professor Gemmell says he expects the patterns uncovered by the research would be similar in other countries, but that this is the first time such a study has been done.

"We can speculate that the reason for [women](#) paying less tax is partly because women more commonly stay at home than men to look after their children, so in turn they receive more of the related tax credits and allowances," he says. "Statistically, women live longer too, so they are receiving pensions for a greater period on average than men. It may also reflect the gender pay gap that exists in this country, and the fact that when women return to the workforce after having children they often take on part-time or lesser-paid roles."

Athene says the amount of tax each person pays depends to a large extent on whose income gets spent on what. "It would be easier to work out if everyone stayed single all their lives, but once couples form households it makes it difficult to calculate who paid the GST. Quite a

lot of evidence suggests that if the man earns more money they're more likely to spend it on themselves and vice-versa."

The research also revealed significant inequality between men's and women's pre-tax income, with women earning less than men on average. "Taxation and government assistance notably reduces this inequality between genders."

Not surprisingly, Athene says, children and the elderly were shown to receive the most government support. Middle-aged people pay the most tax overall.

The paper anticipates some key changes over the next 50 years that could have policy implications. For instance, Statistics New Zealand projects increased labour force participation particularly for women and those over 65 years old. This is likely to increase the market income of both groups, increasing their tax liabilities, which would reduce gender differences.

Additionally, demographic structure is changing. Fertility is projected to reduce which may result in lower family social welfare benefits, particularly affecting the [income](#) and spending of women aged 25-45. The growth in the older demographic may also trigger changes in New Zealand Superannuation, changing financial circumstances for those over 65.

Provided by Victoria University of Wellington

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