Tax Cuts and Sex Equality in Canada, 1995-2015:

Women and girls cannot endure another 20 years of fiscal discrimination

Review of Canadian tax policies for
UN CSW Beijing+20 Canada
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October 2014
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From *CEDAW* to Beijing: tax policies matter

Gender-equal tax and spending laws are essential to attaining sex equality ---
All countries need tax revenues to set up effective governments and fund social, environmental, and economic programs to ensure that all within their borders live in security and health. As a minimum, stable and adequate revenues are essential to maintaining stable and adequate governments and programs – including sex equality machinery that monitors and addresses equality between women and men.

Because revenue laws almost always reflect any economic disparities between groups of people, they are very prone to reproducing existing inequalities.

The many economic inequalities between women and men are therefore inevitably built into and easily magnified by tax laws. It can be difficult to see how tax laws themselves can be sources of sex discrimination, but no matter how gender neutral tax laws may be, they are almost never completely gender-equal.

In recent years, it has become very obvious that tax laws play a big role in intensifying the concentration of after-tax incomes and wealth in the hands of the most economically-powerful and thus politically-powerful actors in any given country. Because little of this data on 'top 1%' incomes has been presented with breakdowns between women and men, it is hard to see that in fact, a significant majority of those with the smallest incomes are women – it is men's high incomes that are growing so quickly.

The *Convention on the Elimination of all Forms of Discrimination against Women* clearly prohibits discrimination in tax and other fiscal laws:

CEDAW Preamble: Discriminatory taxation violates 'equality of rights,' 'is an obstacle to the participation of women, on equal terms with men,' and 'makes more difficult the full development of the potentialities of women.' The may family-based tax laws are discriminatory because 'the upbringing of children requires a sharing of responsibility between men and women and society as a whole.'

CEDAW: Articles 1, 2(d) and (f), 3, 4, and 5(a) and (b) (general articles), and Articles 7 (political and public life, policy formation), 11(1)(d), (e) (employment, remuneration, benefits, and social security), 11(2)(b), (c), (d) (public life, paid work, maternity leave, job protection rights, and child care resources); 13(a), (b), (c) (economic and social benefits); and 15(1), (2) (women in unpaid or subsistence areas) all prohibit aspects of fiscal discrimination on the basis of sex and call for 'all appropriate action' to eliminate them.

CEDAW General Recommendations 6, 16, 17, 21, and 23: Since 1988, growing numbers of comments on the importance of women's financial independence and equality have been made.

The Beijing *Platform for Action*[1] adopted at the Fourth United National World Conference on Women particularized all aspects of *CEDAW* in detail, including state obligations to carry out gender-based analysis of all laws, practices, and policies, to mainstream gender in all policy review and development processes, and to eliminate all existing forms of discrimination.

The Beijing *Platform for Action* contains numerous references to the importance of gender mainstreaming in relation to tax and other fiscal policy:

Para. 58(a)-(d): fiscal and economic priorities regarding women and poverty;
Paras. 150, 155, 165(f), (i), 179(f): women and economic relations, including the application of equality principles to fiscal instruments and the importance of gender budgeting;
Para. 205(c): institutional machinery responsible for gender mainstreaming;
Paras. 345-353: gender equality reforms and impact analysis required in all fiscal areas.

***Platform for Action* paragraph 58 makes the full scope of fiscal mainstreaming clear:**

> (a) Review and modify, with the full and equal participation of women, macroeconomic and social policies with a view to achieving the objectives of the Platform for Action;
>
> (b) Analyse, from a gender perspective, policies and programmes - including those related to macroeconomic stability, structural adjustment, external debt problems, taxation, investments,employment, markets and all relevant sectors of the economy - with respect to their impact on poverty, on inequality and particularlyon women; assess their impact on family well-being and conditions and adjust them, as appropriate, to promote more equitable distribution of productive assets, wealth, opportunities, income and services;
>
> (c) Pursue and implement sound and stable macroeconomic and sectoral policies that are designed and monitored with the full and equal participation of women, encourage broad-based sustained economic growth, address the structural causes of poverty and are towards eradicating poverty and reducing gender-based inequality within the overall framework of achieving people-centred development;
>
> (d) Restructure and target the allocation of public expenditures to promote women's economic opportunities and equal access productive resources and to address the basic social, educational and health needs of women, particularly those living in poverty.

From Beijing to Canada: implementing the *Platform*

Canada fully committed to fiscal mainstreaming in its *Platform* actions —
The Beijing *Declaration* and *Platform for Action* framed state commitments as active obligations assumed by assent to the Platform. Each state enacted its assent by filing with the Conference detailed state action plans for implementing the commitments in the *Platform*. These action plans bound each state, in addition to the usual conference and UN General Assembly adoptions.

Canada played an international leadership role in commitment through activation: By the time Canadian representatives arrived in Beijing, they had already formalized Canada's national action plan, complete with the list of federal ministries agreeing to implement the specific action items enumerated in it. At the same time, the federal plan was released in Canada as a government-wide working document entitled *Setting the Stage for the Next Century: The Federal Plan for Gender Equality*.[2]

Canada's *Federal Plan* translated all its *Platform* commitments out of the broad framework language used in the *Platform* and into language consistent with the structures, languages, and legal/constitutional frameworks of Canada's governance system.

Thus the Canadian Federal Plan restated the strategic objectives identified in the *Platform* in terms of Canadian policy frameworks – including:

Strategic objective 1: full gender-based analysis of all aspects of federal governance;
Strategic objective 2: full equality in matters concerning women's economic autonomy;
Strategic objective 6: women's equal participation in governance and decisionmaking;
Strategic objective 7: promote and support global gender equality;
Strategic objective 8: advance gender equality in federal employment.

Canada's *Federal Plan* also outlined the research tools, data, and methodologies to be used to carry out gender-based analysis by those departments and agencies and it confirmed that Status of Women Canada would continue to be the high-level 'machinery' responsible for implementing and operating this gender mainstreaming framework.

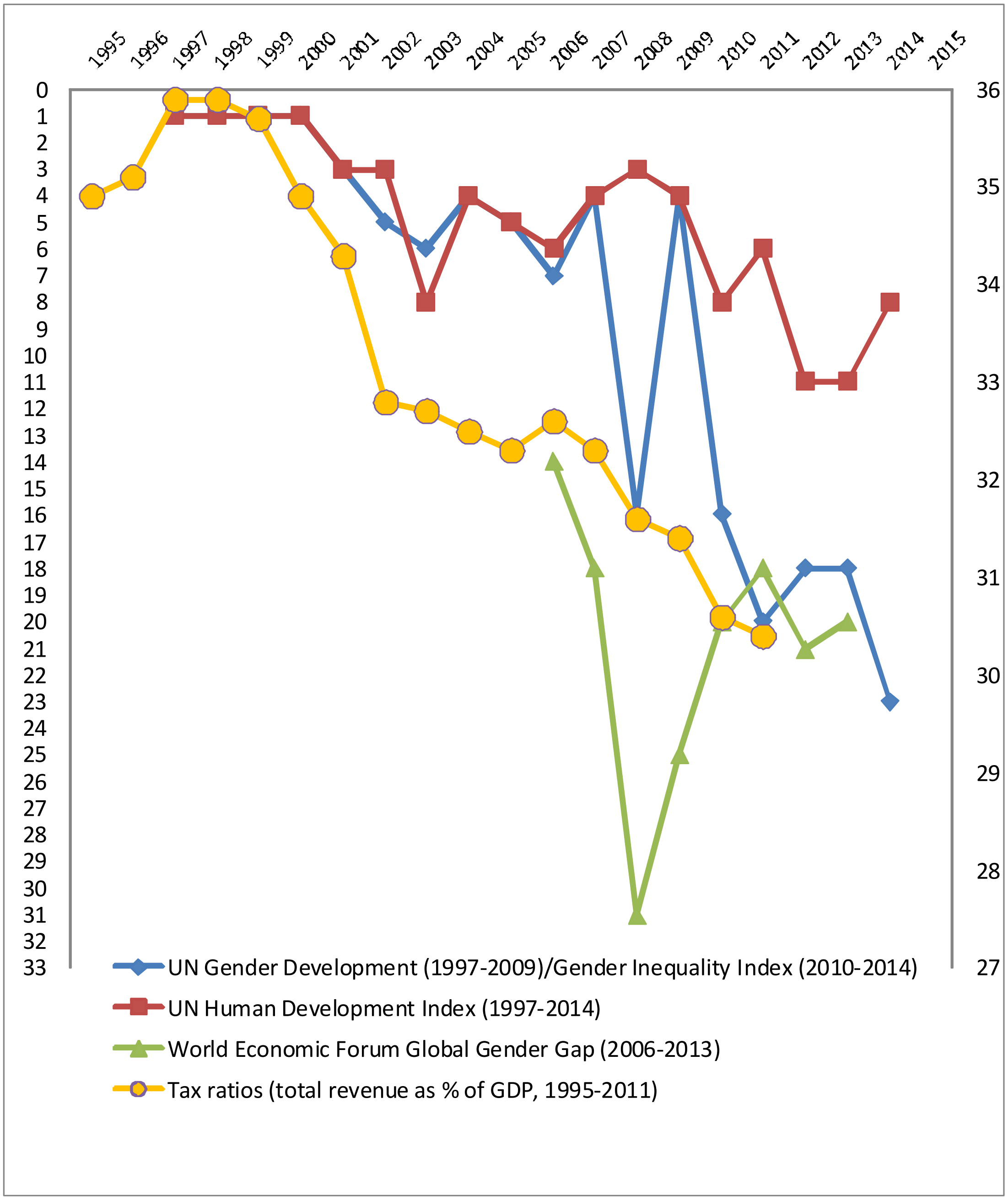
Canada's *Federal Plan* contemplated that governmental fiscal policy and budget decisions be encompassed within gender-based analysis. The Canadian Department of Finance made specific commitments under Canada's Federal Plan to guarantee women equal input into and benefit from government decisions concerning economic growth and planning.[3]

The *Federal Plan* grounded its commitments directly in the sex equality clauses of the *Canadian Charter of Rights and Freedoms*, the *Constitution Act, 1982*, human rights laws, all of Canada's international obligations, including those under the CEDAW, and the commitment to substantive constitutional equality found in Supreme Court of Canada decisions.

Canada's tax cuts and sex equality rankings, 1995-present

While implementing the *Platform* in 1995, Canada accelerated tax cuts aimed at 'taxing for growth.' By 2011, Canada had cut its tax ratio – total revenues expressed as a percentage of GDP – by 5.5%.[4] This represents a total reduction in annual revenues of 15% ($100 billion in 2011). Within a few short years, Canada was no longer rated #1 globally on sex equality.

Tax ratios, human development, and sex equality rankings, Canada, 1995-present



The chart above shows the magnitude of the changes in Canada's tax ratios between 1995 and the present. The drop in revenues has been sharp and sustained, among the three fastest and deepest total revenue cuts in the OECD. These cuts accelerated anew in the mid-2000s when competing political parties began trying to out-cut each other in search of votes.

This chart also shows how Canada's sex equality rankings fell during this same period of time. Before Canadian governments began systematically cutting all types of taxes in the late 1990s, Canada had been ranked number 1 in both the United Nations human development index and the UN's sex equality indices for several years.[1] Since 2001, Canada's sex equality rankings have fallen rapidly -- from first to twenty-third in the UN gender indices, and much lower in the World Economic Forum gender rankings.[2]

Canada's tax cuts discriminate against women in four distinctive ways:

- ➢ Deliberate reduction in tax revenues have been used to justify huge budgetary austerities that have de-funded governmental sex equality institutional mechanisms as well as sex equality, social spending, income security, and anti-poverty programs.

- ➢ Tax cuts have privatized nearly 15% of previous annual revenues in gender-unequal ways that have directly increased men's shares of after-tax incomes as compared with women's shares.

- ➢ Tax cuts and benefits as well as direct benefits and penalties have disproportionately benefitted private capital, investment, and business owners, which tend to benefit men and few women, and under-benefitted or excluded social provisioning and reproduction, education, public employment, and human development realms, which has had disproportionate negative effects on women.

- ➢ Tax and other fiscal policies increasingly presume, support, and incentivize discriminatory and stereotyped breadwinner roles for men and caregiver/marginal paid worker roles for women.

In the following sections, this report outlines the four major types of tax cuts that have been made since 1995 that have contributed to this overall result: (1) structural or detaxation cuts; (2) expanded use of tax expenditures; (3) increased use of joint tax-benefit measure to provide fiscal incentives to women to shift work effort away from paid work and toward unpaid or privatized work; and (4) permitting offshoring to reduce taxes payable in Canada.

Each of these four types of tax cuts negatively affects the distribution of tax burdens and tax benefits on the basis of gender, undercutting women's shares of net after-tax incomes and massively reducing government revenues needed to carry out state obligations to all within their scope of operations, including to women equally with men.

Detaxation cuts: privatization of public revenues

Structural detaxation was initiated in the late 1990s with Canada's federal ‘Tax Advantage’ program, designed to attract companies and investment to Canada. It accelerated significantly in 2006 as the conservative government implemented major cuts to the three basic sources of federal revenue -- personal income taxes, corporate income taxes, and the goods and services tax.

These types of structural or deep tax cuts are referred to as 'detaxation' because once in place, they become invisible as they operate to reduce a country's fiscal capacity or revenue production year after year, and because they are intended to give private actors more control over economic flows. They are often justified on the basis that they will create 'incentives' to businesses, investors, and workers because they enable them to keep more of their after-tax incomes. However, even the Canadian government has admitted that the connection between tax cuts and economic growth is weak.[3]

Detaxation cuts do have a lot in common with tax 'expenditures,' discussed in section B below. Both detaxation cuts and tax expenditures have limited budgetary visibility, tend to be expensive in terms of lost revenues, and usually benefit those with higher incomes than those with lower incomes. The difference between tax expenditures and detaxation, however, is that tax expenditures tend to be small rules buried in the 'fine print' of complex tax provisions, and are intended to provide affirmative incentive for taxpayer behaviour.

In contrast, detaxation cuts take the form of large tax cuts or increased tax exemptions across the board for everyone, do not require any specific behaviours to qualify for such benefits, and are justified in general political terms that can change depending on the circumstances.[4] In this sense, 'detaxation' cuts have been referred to as 'virtual manna' in the sense that they fall to anyone who is already in a position to receive them, but may not be easy to access because they are not particularly linked to identifiable or easily-changed behaviours.[5]

Canada’s detaxation program illustrates these features. The 2006 conservative government had announced its major tax cut plans long before the 2008 recession began, and justified these cuts on the basis that they would help increase Canada's economic growth and productivity. Once the recession began, these same tax cuts were quickly repackaged as ‘crisis stimulus’ policies designed to help soften the effects of the recession on workers and businesses.

Between 2007/8 and 2012, these tax cuts removed at least $130.5 billion from total annual federal revenues that could have been collected in those years. They quickly wiped out existing annual surpluses and ran up total operating deficits of $115.8 billion.[6] In effect, these tax cuts shifted public fiscal space from the federal government to private individuals.

However, it is important to note that this privatized fiscal space was not allocated equally to each person in Canada, on a *per capita* basis. Instead, it was distributed in proportion to the amount each individual had contributed monetarily to public revenues. In essence, this fiscal space was privatized by redistributing it from the federal government back to individuals based on their individual income-earning capacities -- not equally to all members of the population.

It is particularly important to note that these detaxation tax benefits did not go equally to women and men. As can be seen from the figures below, the massive tax benefits from these detaxation cuts went predominantly to men:

Cumulative detaxation revenue losses, 2008-12	*Total*[7]	*Women's shares*
GST rate cuts	$ 48.4 bill.	38%
Corporate income rate cuts	30.4 bill.	10% to 37%
Personal income tax cuts	51.6 bill.	40%
Total revenue losses 2008-12	**$130.4 bill.**	
Total deficits 2008-2012	**$115.8 bill.**	

Because these detaxation losses are structural, they will continue to reduce federal taxes by similar amounts on an annual basis in every year going forward – and always in proportion to individual income-earning capacities over time, not on a *per capita* basis. For 2012/13 alone, detaxation left the federal government with $40.1 billion less revenue than it would have otherwise received, all of which was allocated unequally between women and men because it was based on income tax liabilities of each:

Annual detaxation revenue losses, 2012/13	*Total*	*Women's shares*
GST rate cuts	$ 13.8 bill.	38%
Corporate and business tax	13.3 bill.	10% to 37%
Personal income tax	13.0 bill.	40%
Total 2012/3 revenue lost	**$ 40.1 bill.**	

As these figures demonstrate, each of these structural tax cuts is gender regressive. With 60% of the financial benefit of the personal income tax cuts going to men, and men's shares of corporate and GST cuts ranging from 62% to 90%, it is numerically impossible for these tax cuts to help increase women's shares of total consumable incomes above their existing 38% to 40% shares. In fact, it is much more likely that over time, detaxation will place increased downward pressure on women' existing shares of after-tax incomes.

Three factors explain how structural detaxation will almost always be gender regressive. First, women have much smaller incomes than men, on average, and own fewer capital or investment assets. Thus detaxation cuts that reduce income tax rates for individuals or for corporations will give those with the biggest incomes the biggest tax cut benefits.

Second, these tax cuts will be regressive in incidence to the extent that the rates being cut were originally progressive in incidence. The more progressive or sharply graduated the rates being cut are, the larger these 'upside down' tax cut benefits going to those with the highest incomes.

Third, 40% of all women have such low incomes that they do not have any income tax liability in the first place, so they get no financial benefits at all from any income tax cuts. Men own nearly twice as much income and wealth as women, and so they hold more 'entry cards' that qualify them to receive the benefits of detaxation. Giving a personal income tax cut to someone who has little or no income tax liability gives them nothing at all. Giving tax cuts to corporations leaves out all those who do not own corporate shares.

The present-day gender distribution of detaxation benefits is the legacy of women's historical exclusion from ownership of capital, businesses, and high incomes. Canada's total tax system has been slightly gender progressive, and the sense that it has historically redistributed some after-tax net income to women through transfer payments such as social assistance.

But detaxation undercuts that slightly gender progressive redistribution of after-tax incomes in a very direct and permanent way. By scaling the financial value of structural detaxation benefits to existing individual shares of capital, income, and caregiving, detaxation essentially sets the slow process of gendered redistribution into reverse. For example, Canada's total tax system has generally increased women's after-tax incomes by 4%, compared with men's after-tax incomes. But when $1.9 billion in personal income tax cuts came into effect in 2009/10, women received only 36.6% of those tax benefits. This incrementally reduced their net after-tax incomes, and will have the same effect year after year.

Even detaxation cuts to flat-rated taxes like the GST are gender regressive in effect. As demonstrated in the table below, the 2006 cut of the GST rate from 7% to 5% gives the biggest tax cut benefits to those with the largest levels of taxable consumption, and the smallest tax cut benefits to those with the lowest levels of consumption. Consumption levels fall as incomes fall. Even though those with low incomes receive the tax benefit of refundable GST tax credits, those credits do not offset all lower-income GST liability. And because women are concentrated in lower income levels, they received fewer financial benefits from detaxation of such consumption taxes – even though such taxes are assessed at a fixed rate across income groups instead of scaled to taxable income.

Average benefit from 2% GST cuts, by income quintile and sex, 2012

Quintile	**First**	**Second**	**Third**	**Fourth**	**Highest**	**All**
Women ($)	$132	$343	$584	$799	$1,348	38%
Men ($)	$222	$451	$708	$991	$1,666	62%

Source: SPSD/M, v. 20.

Those with the lowest incomes – who need additional government support if it is being handed out without regard to cost – receive the smallest benefits from the GST rate cuts, while those who need it the least receive the most. And even within low income groups, women's average incomes will be lower than men's average incomes. Thus women in the first quintile will receive annual benefits from GST detaxation of only $132, while men receive $222. Women have the lowest of the low incomes in this quintile, but in violation of all concepts of equity, they receive the smallest detaxation benefits of any group in this table.

Tax expenditures: hidden tax cuts and program spending

'Tax expenditures' are special tax rules that are designed to forego tax revenues under carefully defined circumstances. Often they are used as a way to provide government benefits to qualifying individuals through the tax system instead of through direct spending programs. For example, giving volunteer firefighters a tax credit is a way for governments to reward that type of unpaid work even when it is performed for a different level of government. They are called tax 'expenditures' to emphasize that by foregoing revenue for special purposes, the fiscal effect is the same as direct budgetary expenditures.[8]

It is widely recognized that it is politically easier to make government expenditures through the tax system in this way. Part of the reason for this is that tax expenditures can take many different and complex forms -- they may be structured as tax deductions, exemptions from taxation, tax credits, special tax rates, deferral provisions, or as refundable tax credits that are paid even if there is to tax liability being 'credited.'[9] As such, it is difficult to identify the universe of all tax expenditures in any given tax systme, let alone quantify them and make useful general observations about their impact. In addition, they usually function to reduce taxes, and so they often have the same political appeal as direct tax cuts and the same resistence to political critique. However, tax expenditures frequently contain direct or implicit penalty provisions, which are difficult to identify and track but resistent to political critique because the penalty features are often used to limit the value of such tax benefits at low income levels, and appeal to the sense that they should only be given to those who 'need' them the most.

Canada's tax systems contain vast numbers of tax expenditure provisions. In 2010, all the tax expenditure provisions in the personal income, corporate income, and goods and services tax systems removed nearly as much potential revenue from the federal treasury as the federal government actually collected that year: the combined total of all personal, corporate, and GST tax expenditures came to $172.0 billion in 2010, while total federal revenues collected were only $191.5 billion.

The identification and analysis of the gender distribution of tax expenditures is important because of the massive amounts of revenue that these provisions remove from government hands and leave in the private sector. In 2010, that $172 billion in tax expenditures represented 47% of potential federal revenue for the year, all surrendered to the private sector through hundreds of tax exemptions, allowances, deductions, credits, deferrals, and special rates. Another 30% or more of that $172 billion was left in private hands through the provincial and territorial versions of these tax expenditures.

Like detaxation, the distribution of tax expenditures reflects deeply-rooted gendered economic inequalities. Many tax expenditure provisions are built into or are contingent upon existing allocations of capital, incomes, and caregiving. Despite the large amounts of potential revenue left in private hands as the result of tax expenditures, it is arithmetically impossible for tax expenditures as they are presently structured to help close the gender gap between men’s 60% shares of after-tax incomes and women’s 40% shares.

Like detaxation benefits, tax expenditures are distributed on an 'upside down' basis – the overwhelming majority of specific tax expenditures provide larger financial benefits for taxpayers with high incomes than they will for those with low incomes. Some technical variations produce more extreme maldistributions than others. For example, tax credits produce the same dollar value of benefits for taxpayers at all income levels, but they will still not benefit those who have little or no incomes, because only those with positive tax liability can take full advantage of nonrefundable tax credits. In addition, even fully refundable credits only reach those affected by the formal tax system. Thus those excluded from national tax systems due to their status under the Indian Act and those who have no contact with the formal tax system will have no access to such benefits.

Given the lifelong gaps between women's and men's incomes, it is no surprise that men receive 62% of total tax expenditures that can be claimed when calculating total income assessed, and that the rest of the total tax calculation process only shifts another 2% of total after-tax income from men to women, as demonstrated by the figures below:

Tax expenditures, 2010	***Total***[10]	***Women's shares***
Personal income tax	$128.6 bill.	40%
Corporate income tax	26.0 bill.	30%
GST	17.4 bill.	38%
Total revenue lost	**$172.0 bill.**	

However, the above broad gender shares of aggregate tax expenditures do not fully reveal how the distribution of specific tax expenditures will be affected by gendered economic relations. Providing a comprehensive picture of the actual gender impact of specific tax expenditures is quite complex, because there are literally hundreds of such provisions. The following figures set out men's and women's shares of the largest tax expenditures relating to promotion of capital investment as compared with government subsidies of unpaid caregiving work[11]:

Tax expenditures: capital:	***Total cost***	***Men's shares***	***Women's shares***
Dividend tax credit	$6.5 bill.	71.2%	29.8%
Capital gains exemption	$4.2 bill.	78.2%	21.8%
Pension income splitting	$2.0 bill.	220.6%	(120.6%)
Total	**$12.7 bill.**		

Tax expenditures: caregiving:	***Total cost***	***Men's shares***	***Women's shares***
Canada child tax benefit	$9.2 bill.	3.7%	96.2%
Dependent spouse credit	$1.7 bill.	84.1%	15.9%
Equivalent to married credit	$0.6 bill.	25.9%	74.1%
Dependant caregiver credit	$0.1 bill.	60.6%	39.4%
Total	**$11.6 bill.**		

What is striking about these figures is how clearly they reflect the separate economic spheres associated with male and female roles that still strongly persis in contemporary Canada. Ownership of capital is highly concentrated in male hands, and the gender imbalances in the shares of the three largest tax expenditures that subsidize capital ownership are quite extreme.

In contrast, governments are clearly prepared to provide equally massive subsidies to incentivize women's unpaid work -- and these tax expenditures are structured in such a way that men receive the majority of two of those four items. The only item that clearly benefits women as a group is the refundable tax credit for low-income parents, and women lose that benefit when they cohabit with another person who can support them.[12]

It is particularly significant that the tax expenditures for caregiving are not likely to close after-tax income gender gaps, just on the numbers. On the contrary, by rewarding males who support women who provide unpaid care work with most of these tax credits, these tax expenditures incentivize women's unpaid caregiving work and economic dependency. But the net economic benefit of these tax credits increases men's after-tax incomes and savings rates.

It is also worth noting that most caregiving tax credits are aimed at creating tax benefits that can be claimed only when individual women substitute unpaid care work that they do in their own households instead of when they engage in paid work. The UCCB is an exception to this, but the small amount, which is just slightly more than $100 per month per child under six is no substitute for public-funded and universally accessible care resources. This makes it clear that in Canada, there is little concern that public subsidies for private caregiving activities all create hidden barriers to women being able to devote more time to the types of economic activities that could, over time, give them access to larger shares of incomes and, eventually, of capital ownership.

Joint tax and benefit measures: enforcing women's economic dependence

The third category of tax cuts that have particularly negative impact on women's movement toward economic equality are joint tax and benefit provisions. On paper, Canadian tax law makes it sound as if each individual is a taxpayer. However, there has always been strong pressure on Canadian governments to adopt the married couple – and more recently, unmarried common law couples of both opposite and same sexes – as tax and benefit units. As governments have made piecemeal changes to implement joint taxation in Canada, however, this has not been done by passing laws that redefine the legal tax unit as the couple, or by enacting full joint filing of all taxable incomes, as in the US, but by the slow and steady insertion of growing numbers of 'joint' tax benefit, tax penalty, program benefit, and benefit clawback laws into federal legislation. The provinces and territories generally apply their own personal, GST, and corporate tax rates to federally-defined tax basis, which means that unless provincial/territorial governments take some care to exclude these types of joint provisions from their tax laws, they apply at both levels of government.

As a result, federal tax law alone is riddled with well over a hundred different tax provisions that treat spouses/common-law couples as presumed interdependent and financially integrated tax units. These provisions are then enacted again in sub-federal tax laws. In substance, these types of provisions are neither consistent in application nor fair in impact. For example, taxpayers have the right to transfer taxable dividends to a supporting spouse to optimize the tax benefits of the dependent spouse income tax credit, but transferring the same taxable dividends to a low-income spouse could disqualify that spouse/partner from receiving the Working Income Tax Benefit, which is designed to help low-income individuals make the transition from social assistance to paid work. At the same time, the recent enactment of pension income splitting laws has made it possible for high-income spouses/partners to obtain additional low-income benefits such as OAS/GIS pensions and benefits, refundable GST credits, UCCB payments, and other low-income supports. This happens because when high incomes are split with a low-income spouse/partner, the now-reduced split incomes are treated as 'real' incomes for purposes of qualifying for such measures. At the same time, the low- or no-income spouse/partner with whom the income-earner splits their income loses these low-income benefits because they are then deemed to be richer in fiscal terms than they are in reality.

Proponents of joint tax/benefit provisions rely on the assumed economic unity of adult couples to justify these provisions, while opponents emphasize how joint measures undercut women's economic autonomy with subsidies to their spouses/partners for women's unpaid work in the home and thus create new fiscal barriers to women's paid work. Advocates of joint tax/benefit provisions argue the legitimacy of government subsidies to supporting adults for the provision of unpaid work by other adults, while those seeking individual taxation and benefit systems insist that joint fiscal instruments are inconsistent with democratic principles of sex equality, equality of opportunity, and equity.

In these discussions, governments are usually assumed to be neutral arbiters of equity and the common good. But in fact, as Canadian joint fiscal measures are structured, such joint benefit and penalty provisions work directly against women's interests in two covert but powerful ways. First, joint tax-benefit laws subsidize men's paid work and capital accumulation by helping secure a steady supply of unpaid work for higher-income men at bargain rates. The gender of those providing this unpaid work remain overwhelmingly women. Second, joint tax and benefit provisions give governments powerful cost-control tools that can be used to cut off low-income supports to low- and moderate-income individuals when it appears that they could seek support from a spouse/partner instead of from government programs. The individuals affected by these provisions also tend to be overwhelmingly women.

Government interests in joint tax-benefit mechanisms can be seen clearly when the annual revenues and outlays from Canada's joint fiscal system are conceptualized as a *three*-way flow involving two spouses/partners and governments that have implemented joint fiscal measures. In the figures below, tax effects and benefit clawback/extension effects have been aggregated across all policy categories and across all levels of government to demonstrate what happens in Canada when federal and provincial governments act as intermediaries between spouses/partners in delivering tax and spending benefits and penalties that reflect gendered views of inter-spousal support and service obligations:

Women: net change in taxes, transfers, and consumable incomes flowing from the total joint tax-benefit system, all governments, 2012:

Total increase in taxes paid	($ 2.9 bill.)
Total reduction in transfer payments	($22.9 bill.)
Change in consumable income for year	*($25.8 bill.)*

Governments: changes in tax revenues by sex, transfers, and fiscal balance flowing from the total joint tax-benefit system, all governments, 2012:

Total additional taxes paid by women	$ 2.9 bill.
Total tax reductions given to men	($ 8.4 bill.)
Total government savings in transfer payments	$23.7 bill.
Government fiscal balances	*$18.3 bill.*

Men: net change in taxes, transfers, and consumable incomes flowing from the total joint tax-benefit system, all governments, 2012:

Total reduction in taxes paid	$ 8.4 bill.
Total reduction in transfer payments	($ 0.9 bill.)
Change in consumable income for year	*$ 7.5 bill.*[13]

When the moving pieces of the total tax-benefit system are viewed as a three-way flow, it is clear that women lose a great deal from Canada's joint fiscal system -- both to male partners and to federal and provincial governments. In 2012, joint tax and spending provisions at all levels of government cost married/cohabiting woman a total of $25.8 billion in consumable incomes (including after GST and other commodity taxes are paid on consumption). On that estimate, this averages $3,182 of net after-tax income lost per woman affected.

What is striking about these figures, however, is that governments benefit far more than supporting spouses/cohabitants do from these massive joint tax-transfer losses. Governments received $18.3 billion of women's total after-tax income losses -- but they only passed $7.5 billion of women's total losses on to men. And, although the per-woman loss in after-tax income is $3,182, the per-man average after-tax benefit from the joint tax-benefit system is just $920. Governments pocket the difference, which on these figures is $2,262 per couple affected.

Looking at the after-tax effects of Canada's total joint fiscal system in this way reveals two important facts about how it works. First, the biggest 'winners' in this three-way relationship will always be the governments that operate these systems. That is because the main justification in Canada for using joint fiscal instruments – whether they are set up in the form of tax expenditures and direct benefits, or as tax penalties and benefit clawbacks – is 'target efficiency' in providing income support only to those who really 'need' it.

Second, men overall, and particularly those with low and moderate incomes, also lose a great deal from this set of 'targeted' low-income supports. Because the fiction of marital or domestic unity still casts men in the role of main breadwinner, the presence of a conjugal partner is considered to be sufficient grounds for using income-tested benefit caps to withdraw government benefits from those receiving low-income transfers. In modern gender- and sexuality-neutral terms, this fiscal fiction of marital unity ensures that when individuals with incomes live with spouses/cohabitants who would otherwise qualify for low-income supports, they are deemed to share their incomes in ways that justify replacing government benefits with the second adult's private earnings. But the lower the supporting partner's income, the smaller the benefit.

As a result of the joint tax-benefit system, couples of all types are being incentivized to adhere to the male breadwinner model simply by tax and benefit penalty provisions that assume that all lower-income individuals – who are predominantly women – are economically dependent on their partners, whether they have chosen that financial arrangement or not. The Canada Child Tax Benefit, which is an income-tested refundable tax credit for lower income couples and women, does account for roughly a third of the $22.9 billion that women lost through this joint fiscal system in 2012, but there are many other provisions in every jurisdiction in Canada that replicate this result every year. These income-targeted low-income supports ensure that the presumptions and expectations of deemed fiscal unity continue to shape the economic lives of both women and men at low and modest income levels, regardless of what they might choose for themselves.

At the higher income ranges, however, joint tax-transfer rules produce the opposite result. When two spouses/cohabitants are in different income tax brackets, joint tax provisions like pension income splitting not only transfer tax liability to the lower income partner, but can also actually increase the higher-income partner's eligibility for low-income reliefs. This occurs because income splitting is deemed to have actually 'impoverished' the partner with the higher income.

Governments may find it convenient to make the case for joint tax and benefit laws in vague terms of 'helping single-income parents' or 'creating choice,' but in fact, joint fiscal laws increase 'choices' – and disposable incomes – only for those who actually start out with the very highest incomes. Everyone else receives less choice – and less money – as the result of Canada's many joint tax and benefit provisions. The table below demonstrates how eliminating all joint tax and transfer measures (fiscally ‘unmarrying’ all spouses/cohabitants) would change disposable incomes for women as compared with men. The positive amounts represent increases in disposable incomes, and the negative amounts indicate reductions in disposable incomes.

Effect of fiscal individualization on disposable incomes, by sex and decile, 2012

	Number of individuals (000s)		Change in total disposable income ($millions)			Change in average disposable income ($)		
Decile	**Male**	**Female**	**Male**	**Female**	**Both**	**Male**	**Female**	**Both**
1	523	1263	75	3774	3850	147	2989	2168
2	478	1298	439	5766	6206	919	4441	3493
3	660	1119	784	4034	4819	1189	3606	2609
4	740	1036	-101	3723	3622	-137	3594	2040
5	858	920	-552	3400	2848	-644	3696	1602
6	975	802	-861	2752	1892	-883	3431	1065
7	1007	767	-1377	1874	497	-1368	2443	280
8	1120	660	-1925	1344	-570	-1719	2052	-320
9	1178	598	-2004	1185	-819	-1701	1980	-461
10	1384	394	-2683	318	-2364	-1938	808	-1330
Total	8923	8857	-8205	28182	19978	**-920**	**3182**	1124

Source: SPSD/M v. 20; totals may not add due to rounding.

If all joint provisions were repealed, then women in the lowest income deciles would have $3,000 to $4,440 more in annual after-tax disposable incomes, and even women in the top income deciles would see nearly $1,000 to $2,000 net increases. Although there are far fewer men in low-income deciles, they would also see increases in disposable incomes under a purely individualized tax system. However, men in middle- and high-income deciles would experience a reduction in disposable incomes as they lose the many benefits of the very generous joint tax and benefit rules that favour them.

It is also important to note that overall, complete individualization of Canada’s total tax-transfer system would shift disposable incomes from high-income couples to lower-income couples. Even though joint low-income penalties (like the CCTB clawback) predominantly affect women, they also affect the total net incomes received by low- and middle-income couples. Joint fiscal measures not only transfer after-tax incomes from women to men at all income levels, but also transfer after-tax incomes from low income couples to high-income individuals, who are predominantly men.

Despite the discriminatory impact joint tax-benefit provisions have, the current government has insisted for years that as soon as the current post-recession budgetary deficits have been eliminated and Canada again has budgetary surpluses, it will spend nearly $3 billion of that surplus to further expand the federal joint tax-benefit system by enacting parental income splitting. And it will then place pressure on provincial/territorial governments to spend another $1.9 billion to provide sub-national parental income splitting.

As the table below shows, parental income splitting will give the largest shares of this benefit to those with the highest incomes, and, in each income decile, to the men in those income classes:

Distribution of $2.7 billion cost of parental income splitting tax benefits, Canada, 2015

Couple incomes in each income decile	Average tax benefit per couple in decile	% of $2.7 bill. rec'd by couples in decile	% of $2.7 bill. received by women:	by men:
1: up to $32,000	$14	0.1%	0.1%	0.004%
2: $32,001-$45,000	$38	0.2%	0.07%	0.2%
3: $45,001-$56,000	$123	1.0%	0.3%	7.4%
4: $56,001-$68,000	$195	2.8%	0.3%	2.5%
5: $68,001-$82,000	$546	7.8%	1.0%	6.9%
6: $82,001-$98,000	$845	12.4%	1.5%	11.0%
7: $98,001-$116,000	$1,207	17.4%	2.8%	14.7%
8: $116,01-$140,000	$1,060	14.9%	1.4%	13.6%
9: $140,001-$182,000	$1,121	16.2%	1.8%	14.4%
10: $182,001 and up	$1,730	26.9%	3.1%	23.9%
All		100.0%	12.3%	87.7%
Top 1%: > $444,500	$3,393			

Source: SPSD/M v. 21; deciles and results have been rounded.

When parental income splitting comes into effect in 2015, it will enable supporting spouses with incomes of approximately $190,000 or more to receive up to $12,500 per year ($6,600 federal, $5,900 provincial). And couples in the top income decile will receive larger benefits than the total of all those received by 60% of couples with the lowest incomes (deciles 1 through 6).

At the other extreme, the average benefit from income splitting for parents in the lowest income decile is estimated at $14 per couple federally, and rises very slowly.

Although parental income splitting is being promoted as giving women a 'choice' to stay at home and perform unpaid work, the payments received at all income levels are too small to actually fund such choices. The only couples who can take advantage of this 'choice' are those who already can afford to live on one income, and that will be couples in the top income deciles. Thus parental income splitting will also act as 'virtual manna' and not as a true policy measure designed to support parents -- it will only reward those who would have made the single-income lifestyle choice on the basis of their existing resources, or on grounds extraneous to the accurate measurement of ability to pay taxes.

Of greatest concern of all, however, is that the realities of women's longstanding economic disadvantage ensure that very few women will have large enough incomes to become the ‘splittor’ spouse/partner. And when they do, as demonstrated in the table above, they will receive much smaller shares of these massive tax benefits than men in their income deciles. Income splitting privatizes care work, and incentivizes women’s unpaid work by providing tax benefits in lieu of women’s earned income.

Parental income splitting will heavily subsidize men who can afford to trade financial support of their partner for that partner's performance of unpaid care work. At the same time, however, it ensures that women will not be able to trade financial support in exchange for partner unpaid work to the same extent, for two reasons. First, women generally have the lower of spouse/partner incomes, and thus they will not be in a position to even consider making this trade. These women can choose between more unpaid work and less income for themselves, or less unpaid work but higher childcare costs and more income for themselves, but they cannot even enter into the bargain contemplated by parential income splitting. Second, because women do generally have lower incomes in all occupations, professions, and regions than their male counterparts, even when women do have the higher income, the spread or gap between the two incomes will be smaller in most situations. Thus the 'choice' a supporting woman might be able to offer her spouse/partner will not, on average, buy as much male-provided unpaid care work as a supporting male can buy of female-provided unpaid care work.

In other words, this is a very large joint tax measure that can only benefit higher-income male breadwinner households. It is designed to deny these benefits to single parents, dual income couples, and higher-income women single income households.

Thus parental income splitting will further subsidize men who support partners performing unpaid work in the home. In turn, these subsidies will form additional fiscal barriers to women's paid work and economic security, because these subsidies are designed to reward women who withdraw further from the monetized economy, and will further slow the rate at which women as a class continue to gain access to education, paid work, assets, pension benefits, income security coverage, and other valuable economic rights as individuals in their own right.

International tax deferral: unreachable revenues

The final type of tax cuts are found in international tax rules that in effect permit permanent or longterm deferral of Canadian tax liability: growing use of offshore, developing country, and tax competition rules to avoid immediate or full payment of taxes otherwise due to Canadian tax authorities.

In 2005, the Canadian Revenue Agency reported to the Auditor General of Canada that over 16,000 Canadian corporations had reported transactions with foreign affiliates valued at over $1.5 trillion in that year alone.[14]

Despite Canada's treaty obligations to cooperate in bringing such international transactions into compliance with domestic tax laws, the federal government has repeatedly backed off of enforcing anti-tax haven measures in favour of limited 'co-compliance' projects that involve closed door negotiations with large companies and those with large offshore investments. The reality is that without a full suite of antiavoidance initiatives, only a tiny amount of tax will ever be collected on the massive overseas financial flows initiated by growing numbers of Canadian businesses and individuals.

Given the claim that Canada cannot even afford to maintain its minimal social safety net programs with any stability, recovering some of the trillions located in offshore tax havens could transform Canada's domestic economy. While those who would be negatively affected by the recovery of these monies would be predominantly men, women could benefit tremendously from the infusion of such tax revenues into the federal treasury.

Women in other countries would also benefit, because Canada would be able to contemplate restoring some of its ODA to developing and transition countries, and begin to restore its previous level of gender-specific and gender-aware overseas development activities.

Summary of tax policies that undercut sex equality

In Canada, the largest cuts have been to personal income taxes (PIT) and corporate income taxes, Canada's largest source of annual revenues and the main sources of redistribution of after-tax incomes by the use of graduated rates to collect higher rates of tax from those with greater ability to pay, and lower rates of tax from those with the least ability to pay.

Over half of all Canadian tax revenues are collected through flat-rated taxes such as the GST, CPP, and EI. Thus as the proportionate share of revenue collected through progressive PIT and CIT has fallen, the total tax system has become less progressive in impact, more regressive at low income levels, and redistributes less after-tax income to those who need it the most.

Unless care is taken in making PIT and CIT cuts, they will reduce low income and poverty-level per capita and per decile after-tax incomes, and will increase the rapid rise of income inequalities as the affluent take advantage of low progressive income tax rates.

Due to continuing sex discrimination and policy barriers to income equality, women's incomes are clustered in the lower income deciles and PIT brackets and at the lower ends of income tax rate bands, and women have but small minority shares of ownership of corporations, so they benefit least from those tax cuts too. Thus structural PIT and CIT tax cuts disproportionately reduce women's net after-tax incomes, while increasing men's.

Before the tax cuts in question came into effect, Canada's total tax system compensated for women's structurally lower incomes with provisions that left them with 4% larger shares of total after-tax income than market income; by 2011, that 4.0% figure had fallen to 3.2%.

The effects of such large changes in the degree of progressive redistribution of after-tax incomes are substantial and far-reaching:

* less redistribution increases women's economic dependency rates;

* as women's economic dependence increases, their intra-household status falls;

* women have less economic capacity for saving for retirement and income security;

* women experience less economic security and reduced hopes for the future;

* as gendered poverty and income inequalities grow, so too do health, social assistance, and other costs to families, communities, governments, and children;

* governments with impaired revenue systems cannot meet such increased costs;

* overall national economic stability and human development are impaired.

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[10] Tax expenditures and gender shares were calculated based on Canada Revenue Agency, *Income Statistics 2012* (preliminary data, for 2010 tax year), at table 6A, http://www.cra-arc.gc.ca/gncy/stts/gb10/pst/ntrm/pdf/table4-eng.pdf.

[11] These results were simulated using the SPSD/M ver. 20.

[12] The caregiving figure would be $14.3 billion if the UCCB ($2.7 billion for 2012) were included. Women received an estimated 80.1% of that direct expenditure in 2012.

[13] All the figures cited in this discussion as well as the three-way allocations of costs and benefits of joint fiscal instruments were estimated using Statistics Canada, SPSD/M, v. 20.

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