

Exploring Gender Dimensions in Tax Expenditures

The Canadian Experience

ATI Side Event at the 2024 General Assembly

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Department of Finance
Canada

Ministère des Finances
Canada

Canada 

The *Canadian Gender Budgeting Act* creates a legal requirement to perform GBA Plus

- The *Act* requires that:
 - The Government of Canada consider gender and diversity in all taxation and resource allocation decisions.
 - Information must be made available to the public on the impacts of Government decisions in terms of gender and diversity.
- Two specific requirements of the *Act* are under the responsibility of the Minister of Finance.
 1. Shortly after a budget plan is tabled in Parliament, the Minister of Finance must table a report on the impacts in terms of gender and diversity of all new budget measures.
 2. Once a year, analysis of impacts in terms of gender and diversity of existing tax expenditures that the Minister considers appropriate must be made available to the public.

Background on GBA Plus for Existing Tax Measures

- The *Canadian Gender Budgeting Act* mandates that '***Once a year, the Minister of Finance must provide the public with an analysis of the gender and diversity impacts of tax expenditures, including tax exemptions, deductions, or credits that the Minister deems appropriate.***'
- Since 2018, the Evaluation and Research Group (ERG) in the Tax Policy Branch has undertaken extensive medium-term planning and research to meet this second publication requirement. This work has involved consultations with academics, exploration of new methodologies as well as collaboration with Statistics Canada on data development projects.
- Six GBA Plus studies have been published in the annual Report on Federal Tax Expenditures. To prepare the ground for future publications, data development work underway includes matching tax returns with survey data.

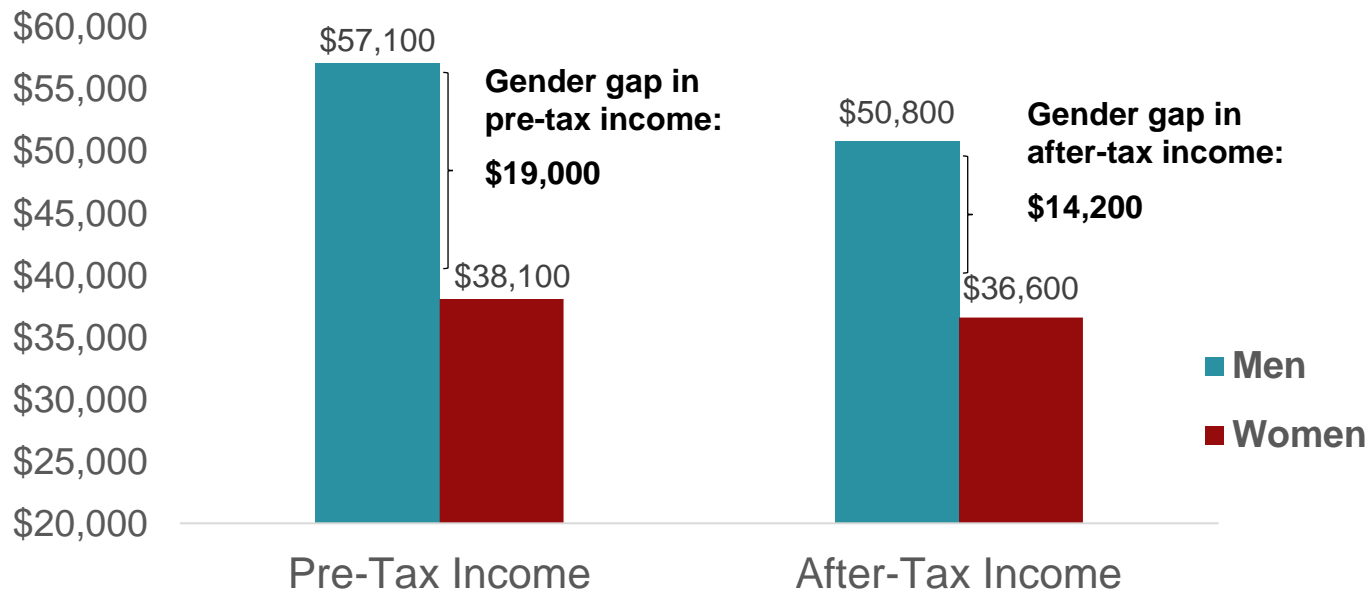
Methodological Considerations

- The successful completion of GBA Plus studies, meeting rigorous quality standards for publication, necessitated addressing critical data limitations and exploring multiple methodological options.
- For instance, choices had to be made regarding:
 - ✓ the tax base to consider (PIT, CIT, and sales tax expenditures);
 - ✓ the type of impact analysis, i.e., income redistributive impact between groups;
 - ✓ the population of interest, i.e., claimants or beneficiaries;
 - ✓ the benefit-sharing assumption within families; and
 - ✓ the most relevant indicators to use (e.g., share of benefits received by men/women relative to their proportion among all tax filers or their share of total pre-tax income).

Main Findings : The Canadian federal personal income tax system contributes to reducing the gender income gap

Canadian women progressed in a number of areas over the past several decades. However, some challenges remain in terms of male-female earnings.

Average Pre-Tax and After-Tax Income, by Gender, 2016



The application of the 2016 tax system increased the share of income held by women by 1.9 pp.

Among the major components of the tax system, refundable credits have the most significant redistributive impact towards women, followed by the progressive tax rate structure.

Main Findings: There are differences in the types of tax expenditures that predominately benefit men and women

- Because **deductions** reduce taxable income and provide tax savings which increase with income, men generally benefit more.

Some design features of deductions may also help reducing the gender income gap, e.g., the Child Care Expense Deduction (CCED) with its **lower-income spouse requirement**.

- Because **refundable credits** generally target lower income individuals, women generally benefit more.

Some design features of refundable credits may help reducing even more the gender income gap, e.g., Canada Child Benefit (CCB) with its **female-presumption rule**.

- Exemptions and non-refundable credits benefit both men and women, but in different ways.

Main Findings: Tax Expenditures in Favour of Each Gender

The Top Five Federal PIT Expenditures in Favour of Men and Women in 2016

Men	Women
Deduction for tradespeople's tool expenses	Canada Child Benefit
Rollovers of investments in small businesses	Teacher and Early Childhood Educator School Supply Tax Credit
Volunteer Firefighters Tax Credit	Eligible Dependant Credit
Non-taxation of income earned by military and police deployed to international operational missions	Child care expense deduction
Employee stock option deduction	Non-taxation of GIS and Allowance benefits

The benefits for both men or women from some tax expenditures may change depending on age, family type or income group, which underlines the importance of considering intersecting identity factors when examining the redistributive impact of the tax system by gender.

Annex 1: Example from Budget 2024 Impacts Report

Expanding the Disability Supports Deduction

This measure would benefit persons with physical and mental impairments who work, operate a business, attend school, or carry on research, with women, seniors, and lower income individuals expected to benefit the most, based on claimants data. Women represented 60 per cent of claimants in 2021. Those over the age of 60 represented 30 per cent of claimants, with 50 per cent of the total amounts claimed in 2021. Claimants are also more likely to have lower incomes (40 per cent of claimants in 2021 had individual net incomes under \$30,000). The Government has made recent investments in outreach, support and assistance with tax filing for lower-income individuals, including low-income persons with disabilities, in an effort to improve access to credits and benefits delivered through the tax system.

Data Source: Internal administrative data

Information from Disaggregated Tax Data

Government Action that Mitigates Potential Barrier

Quality of Life Impacts



Prosperity – Employment; Post-secondary attainment

Target Population: Persons with Disabilities or Health Issues

GBA Plus Timing: Early Later Existing

Expected Benefits

- Gender: Men Women
- Income: Low High
- Age cohort: Youth Senior
- Additional Characteristics: Students, Workers

Annex 2: Reference Documents

Canadian Gender Budgeting Act

- [Justice Laws Website](#)

GBA Plus Published in Budget 2024

- [Statement and Impacts Reports on Gender, Diversity, and Inclusion](#)

GBA Plus Studies Published in the Annual Report on Federal Tax Expenditures

- [2019 - Gender-Based Analysis Plus of Existing Federal Personal Income Tax Measures](#)
- [2020 - Gender-Based Analysis Plus of Federal Personal Income Tax Expenditures With Family Components](#)
- [2021 - Gender-Based Analysis Plus of Federal Personal Income Tax Measures: Impacts by Identity Factors Other than Gender](#)
- [2022 - Gender-Based Analysis Plus of Tax Expenditures and the Indirect Impact of Refundable Credits](#)
- [2023 - Gender-Based Analysis Plus of Tax Expenditures: A Closer Look at Persons with Disabilities](#)
- [2024 - Gender-Based Analysis Plus of Federal Tax Expenditures Related to Pension and Retirement Savings Plans](#)