Women’s Budget group: Commission on a Gender-Equal Economy

General Features

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LITRG has made a written submission to a call for evidence on taxation issued by the Women’s Budget Group.

The Women’s Budget Group (WBG) are known for their analysis of the impact of UK government policy on women. In February 2019, they launched the WBG Commission on a Gender-Equal Economy, which is an expert-led project aiming to proactively develop alternative economic policies to promote gender equality across the UK. The WBG approached LITRG to let us know about their call for evidence on taxation. The Commission also published a call for evidence on social security, to which we did not respond; however, some of the points included in our submission cross over into the area of social security.

We used our response to highlight a few policy and operational changes that might have a positive impact on gender equality. In doing so, we noted that whenever changes are made to the tax system, it is important to give careful consideration to possible consequences and problems that might arise as a result of the new policy. Moreover, interactions with other aspects of the tax system and with non-tax systems also need to be considered and analysed.

We commented on the high income child benefit charge (HICBC), for which we think the thresholds need to be raised. Despite its name, the HICBC can affect the lower-earning partner (and child) in a household. We noted that the operation of the HICBC creates problems, which seem to affect women disproportionately. This is because the options available to those affected can be confusing, and the consequences of each are not transparent. For example, issues can arise in relation to the child receiving a National Insurance number when they turn 16 and the preservation of National Insurance credit entitlements for the claimant of child benefit.

Our response also looked at the issue that we have identified, whereby lower earners in net pay arrangement pension schemes are missing out on tax relief on their pension contributions. Over 75% of those affected by this issue are female. This issue is discussed in more detail in the article above on LITRG's Budget representations.

Other possible changes we mentioned in the response include changing the VAT rate on women's sanitary products from the reduced rate of 5% to the zero rate, the extension of bereavement support payment to unmarried partners, the annual uprating of the carer's allowance earnings threshold for the national living wage, and the introduction of the operation of PAYE on carer's allowance. We also highlighted the problematic way in which real time information for PAYE interacts with universal credit and suggested that HMRC consult on formalising the on or before easement that has been put in place to deal with the problems that arise when real time information data does not tie in with universal credit assessment periods.

As well as highlighting these specific possible changes, we set out our seven principles that we think the tax system should try to adhere to, including that the tax system should be clear, simple, equitable, accessible and inclusive. We also suggested that more meaningful equality impact assessments are needed prior to making final policy decisions.

The submission is available on the LITRG website: www.litrg.org.uk/ref372.

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