

## TOWARDS FAIR TAXATION: A STUDY ON GENDER-BASED TAX POLICIES AND THEIR EFFECTIVENESS FOR WOMAN

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### Abstract

Gender inequality in Indonesia is reflected in the lower participation of women in the workforce, lower income levels, and reduced access to higher education compared to men. One contributor to this inequality is an unfair tax system for women. This research aims to identify gender-based tax policies as a measure to determine their effectiveness in improving the well-being of women in tax justice. The study involved a sample of 88 women who were taxpayers, and the research analysis technique used was simple linear regression. The results indicate a significant and positive influence of Gender-Based Tax Policies on tax justice. Thus, Gender-Based Tax Policies are designed to address various obstacles and gender biases in the tax system that often disadvantage women.

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### INTRODUCTION

Gender inequality is still a crucial issue in various countries, including Indonesia. This can be seen from various indicators, such as women's participation in the labor force which has a lower labor force participation rate than men (51.4% vs 82.3% in 2020) (IBCWE, 2023), higher income levels. lower than men for the same jobs (average 78% of men's wages), and access to higher education which is lower than men (48.3% vs 51.7% in 2020). One factor that contributes to this gap is a tax system that is unfair to women (Doorley & Keane, 2023). An unfair tax system for women is one of the factors

that exacerbates gender gaps in various countries (Hodgson & Sadiq, 2017). This injustice can appear in several forms such as a disproportionate tax burden, tax policies often do not take into account the needs and situation of women, as well as in terms of injustice in tax administration.

Joshi et al. (2020) revealed that current tax policies are generally based on the assumption that men and women have the same economic situation. In reality, women often experience discrimination in the labor market, resulting in lower earnings and fewer economic opportunities (Kabeer, 2021). As a result, women often pay proportionally more taxes than men. This is because of the progressive tax system, where people with higher incomes pay more taxes. Because women generally have lower incomes than men, they often pay a higher percentage of their income in taxes (Thurow & Lucas, 2017). Additionally, women often have greater childcare responsibilities than men. This can make it more difficult for them to work and earn an income. Thus, women are more likely to rely on government assistance programs, which are often funded by taxes. This unfairness in the tax system can have a negative impact on women and their families. This can make it more difficult for women to escape poverty, increase the risk of stunting in children, and reinforce outdated gender stereotypes (Wodon et al., 2020).

So a gender-based tax policy is needed that is able to encourage fair taxes. Here the Government and House of Representatives from Indonesia, the Republic of the Philippines, and the Socialist Republic of Vietnam, together with other ASEAN Leaders, must develop a gender-based tax policy that can provide a stimulus for tax deductions or tax reductions for women who work and have dependents (Ramdlaningrum et al. , 2023). Apart from that, Akpan & Sampere (2019) revealed that there is a relationship between gender and tax justice. Unfortunately, there is still no empirical research regarding gender-based tax policies for women on tax justice. Therefore, research is needed on gender-based tax policies as a measuring tool to determine their effectiveness in improving women's welfare towards tax justice. It is hoped that this research can provide input to the government in formulating tax policies that are fairer and more inclusive, especially for women.

The objective of this study is to analyse tax policies that are based on gender and assess their efficacy in enhancing the welfare of women in the context of tax justice.

## THEORITICAL REVIEW

### Tax Justice

Fair application of the current tax system is tax justice. The imposition and collection of taxes by the state is considered a burden by society. Therefore, assurances that taxpayers will be treated fairly are necessary. The principle of benefit, the principle of ability to pay, and horizontal and vertical justice are the three fundamental approaches that form tax justice, according to Pahala (2022). The match between contributions made by individual taxpayers and benefits or services received from the government constitutes

a fair tax system, in accordance with the benefit principle (Lindsay, 2019). In an effort to improve the general welfare of society, this government service includes various facilities. When taxpayers are required to pay the amount of tax according to their financial situation, fairness in terms of ability to pay is considered (Damayanti, 2020). Therefore, individuals who earn an equivalent amount of tax will be subject to an equivalent tax liability.

In terms of comparable wealth, horizontal fairness is the perception of the legitimacy of taxes paid (Jurney et al., 2017). In contrast, vertical justice refers to the proportionality of taxes paid by taxpayers (Gunawan, 2022). Individuals with greater abilities should be required to pay higher taxes in accordance with the principle of vertical justice. (1) Horizontal and vertical justice in tax collection; (2) Legislative formulation; and (3) Implementation of tax provisions is an indicator of tax justice according to Ervana (2023).

### **Gender Based Tax Policy**

Gender-Based Tax Policy is an innovative approach to the tax system that aims to reduce gender gaps and increase equality between women and men (Cedro et al., 2023). The basis of this policy is the understanding that women and men experience and have different needs in the tax context (Damayanti, 2019). The existence of gender bias in the tax system can strengthen existing injustices. The main objectives of the Gender-Based Tax Policy include increasing women's participation in the workforce, women's economic empowerment, reducing women's poverty, and accelerating the achievement of gender equality.

Tax exemptions for certain income received by women, particularly from small businesses, could be part of this policy (Coelho et al., 2022). Imposing higher taxes on high-income men and providing gender-friendly tax services are also other components that could be implemented. Thus, the implementation of the Gender-Based Tax Policy is expected to provide significant benefits, such as increasing women's income and welfare, opening up new job opportunities, and strengthening women's economic resilience. The benefits of implementing a Gender-Based Tax Policy are not only limited to individual women, but also involve the government and society as a whole (Oh, 2021). For the government, this policy can increase tax revenues, encourage economic growth and strengthen social stability. Meanwhile, society as a whole can enjoy an improved quality of life as a positive impact of a more inclusive tax policy. The indicators of gender-based tax policy according to Clements (2017) are as follows: (1) Tax policy that considers gender differences in income, expenditure and economic roles; (2) Tax policy that promotes gender equality in access to public services; (3) Tax policies that encourage women's participation in the workforce.

### **The Influence of Gender-Based Tax Policy on Tax Fairness**

Gender-Based Tax Policy has a complex relationship with Tax Justice. On the one hand, gender-based tax policies can help achieve tax justice by considering gender

differences in income, work and family responsibilities (Awasthi et al., 2023). This policy can help women and men pay taxes fairly and proportionally to their abilities. On the other hand, gender-based tax policies can also raise several questions about tax fairness (Seelkopf, 2021). One example is when gender-based tax policies provide tax incentives to women, such as tax reductions or income tax exemptions. This can be seen as discrimination against men and can lead to tax injustice. Akpan & Semper (2019) reveal that there is a relationship between gender-based taxes and tax determination. Thus, the hypothesis of this research is as follows.

H1: Gender-Based Tax Policy has a positive and significant effect on Tax Justice.

### RESEARCH METHODS

This research uses a quantitative approach, namely to determine Gender-Based Tax Policy towards Tax Justice.

#### Research design

This research design begins with formulating a hypothesis, collecting data according to the required indicators, processing the data, interpreting the results and drawing conclusions and recommendations that can be drawn from the research results. In connection with the above, researchers conducted this research to study gender-based tax policies on tax justice. The framework for this research is presented in Figure 1 below.



**Figure 1.** Research Framework

Figure 1. Shows the relationship between Gender-Based Tax Policy as an independent variable and Tax Justice as a dependent variable. The research indicators for gender-based tax policy variables were adopted from Clements (2017), namely: (1) Tax policies that consider gender differences in income, expenditure and economic roles; (2) Tax policies that promote gender equality in access to public services; and (3) Tax policies that encourage women's participation in the workforce. Then, on the tax justice variable as the dependent variable, the researcher adopted indicators from Ervana (2023), namely: (1) Horizontal and vertical justice in tax collection; (2) Legislative formulation; and (3) Implementation of tax provisions.

#### Population and Sample

In research, population refers to all individuals, objects, or units that are the focus of the study. In this case, the population is women who are obliged to pay taxes, totaling 88 people. This population includes all individuals who could potentially become



research subjects. A sample is a small number of individuals or units taken from a population to represent the population as a whole. A good sample must be representative of the population, so that research results can be generalized to the entire population. The sampling technique used in this research is quota sampling. In this technique, the researcher determines the quota or number of respondents who wish to be interviewed from each category or subgroup in the population. In this case, the quota is 88 female respondents who are obliged to pay taxes. By using quota sampling techniques, researchers can ensure that the research results are representative and can be generalized to the entire population of women who are obliged to pay taxes.

### **Data collection**

This research uses an observation method by distributing Likert scale-based questionnaires to women who are obliged to pay taxes. The Likert scale ranges from 1 to 5, with 1 indicating a high level of disagreement and 5 indicating a high level of agreement. The respondents of this research are women who have the obligation to pay taxes. The instrument used in this research is a questionnaire which contains a number of questions related to the research topic. These questions were designed to understand women's views and perceptions of the issue under study. Questionnaires were distributed to respondents and respondents were asked to provide an assessment of the statements in the questionnaire. This assessment is carried out by giving a rating based on the level of agreement or disagreement with each statement. The data collected from the questionnaire will then be analyzed to understand women's views and perceptions of the problem under study. The results of this data analysis will help in decision making and preparation of recommendations for better gender-based tax policies for fair taxes.

### **Data analysis technique**

This research uses SPSS 22 software to analyze data and test the effect of Gender-Based Tax Policy on Tax Justice. This software was chosen because it has various sophisticated statistical features and is easy to use for quantitative research. The data analysis method used in this research is simple regression. Simple regression is a statistical model used to analyze the relationship between two variables. In this research, the dependent variable is Tax Justice, while the independent variable is Gender-Based Tax Policy. Researchers use simple regression to test the research hypothesis which states that there is a significant influence between Gender-Based Tax Policy and Tax Justice. The results of the regression analysis will show whether there is a significant relationship between these two variables, and how much influence Gender-Based Tax Policy has on Tax Justice. The following are several steps taken in regression analysis:

1. Entering data: Data on the variables Gender-Based Tax Policy and Tax Justice are entered into SPSS software.
2. Choosing a regression model: A simple regression model is chosen because there is only one independent variable. The simple regression estimation model is presented below.

$$Y = \beta_0 + \beta_1 X + \varepsilon$$

Information :

$Y$  : Tax Justice

$\beta_1$  : Independent Variable Coefficient ( $X$ )

$\beta_0$  : Constant

$X$  : Gender Based Tax Policy

$\varepsilon$  : Error or Error

3. Running the analysis: SPSS software will calculate various statistics, such as regression coefficients, t-values, and R-squared.
4. Interpreting the results: The results of the regression analysis will be interpreted to find out whether there is a significant influence between Gender-Based Tax Policy and Tax Justice.

By using a simple regression method, researchers can test research hypotheses and obtain conclusions about the influence of Gender-Based Tax Policy on Tax Justice.

## RESULTS AND DISCUSSION

### Results

One of the crucial processes in creating or utilizing measuring instruments, such as tests or questionnaires, is validity testing (Artino et al., 2014). The goal is to find out how effectively the instrument measures the target component. Pearson correlation is usually used by researchers as a validity test (Sürücü & Maslakçi, 2020). Validity and reliability testing is implemented on the variables of tax justice and gender-based tax policy.

**Table 1.** Validity test

Items	r statistics	r table	Cronbach Alpha	Outcomes
X.1	0.859	0.2096	0.787	Valid And Reliable
X.2	0.84			Valid And Reliable
X.3	0.814			Valid And Reliable
Y.1	0.876		0.724	Valid And Reliable
Y.2	0.685			Valid And Reliable
Y.3	0.838			Valid And Reliable

Table 1 presents the findings of Pearson correlation calculations (r-calculations), which are compared with the important threshold values contained in the r-table. Using degrees of freedom  $N-2 = 86$  of 0.2096 to assess the significance of association findings. Because the r-count (Pearson correlation value) is greater than the r-table, all research

questions are considered valid. After the validity test is completed, a reliability test is carried out. Before using tests and questionnaires for research and development, it is important to carry out reliability testing (Bolarinwa, 2015). Reliability is determined by whether repeated measurements of the same concept or variable produce consistent findings (Sürücü & Maslakci, 2020).

Meanwhile, the Cronbach's alpha value is usually understood to indicate that an instrument has strong dependence if the alpha value is greater than 0.70. Table 1 shows that the research financial performance variables are considered reliable. After carrying out validity and reliability tests, it is continued with simple regression testing which begins with a simultaneous test or F test. The simultaneous test (F test) is used in statistical analysis using SPSS to assess many independent variables against one dependent variable in the regression model (Alita et al. , 2021).

**Table 2.** F test

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	89.791	1	89.791	52.851	.000 <sup>b</sup>
	Residual	146.107	86	1.699		
	Total	235.898	87			

a. Dependent Variable: Y

b. Predictors: (Constant), X

Interpretation of t test results involves looking at the t-calculated value and the sig value. or the associated p-value. Based on table 3, it is known that the t-count for the independent variable is 7.270 which is greater than the high t-table (1.98729) and the p-value (sig.) for both independent variables is 0.000 which is smaller than the significance level  $\alpha$  (0.05) for the independent variable. This has a significant influence on the Tax Fairness variable (Y) when one of the other variables is considered constant (H1 is accepted). The model estimation equation obtained is as follows.

$$Y = 5.449 + 0.561 X$$

The analysis results show a constant of 5,449, indicating that Gender-Based Tax Policy will increase by 5,449 if Tax Fairness (X) remains constant. In addition, the coefficient of 0.561 for Tax Fairness (X) indicates that every one unit increase in gender-based tax policy contributes positively by 0.561 to tax fairness.

**Table 4.**Coefficient of Determination

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.617 <sup>a</sup>	.381	.373	1.30343

a. Predictors: (Constant), X

The coefficient of determination (R-squared) of 0.381 indicates that the regression model explains around 38.1% of the variation in gender-based tax policy on tax fairness. This model has a fairly low predictive ability for tax fairness. However, about 63.6% of the variation in tax fairness cannot be explained by this model.

### Discussion

The research results show that gender-based tax policy has a positive and significant effect on tax justice. In accordance with Akpan's statement (2019) which reveals that gender and tax justice are interrelated. Tax policy can be a cause of gender inequality or contribute to gender equality. Tax justice advocates for a fair and transparent tax system to eliminate historical and ongoing barriers, including gender bias (Joshi et al., 2020). The fight for tax justice is an integral part of the ongoing battle for women's rights around the world (Hearson, 2018). Women face various forms of exclusion from public life, including in decision-making processes related to the design and implementation of tax policies (Buss et al., 2019). Calls for tax justice aim to challenge this exclusion by advocating for progressive and gender-equal taxes, reducing the unfair tax burden on women, and adopting new forms of taxation on capital and wealth. Tax fairness can also provide a secure income, increase women's safety, and the ability to engage in political activity.

On the other hand, the Gender-Based Tax policy is designed to overcome various obstacles and gender biases in the tax system which often disadvantage women. For example, Gender-Based Tax Policies can help overcome income gaps by providing tax incentives for women who generally have lower incomes and often work in the informal sector which is not subject to tax. Gender-Based Tax Policies can also increase women's participation in the workforce by reducing women's tax burden (Rubolino, 2022). This can generate additional income for the family and help women achieve financial independence. Additionally, Gender-Based Tax Policy can strengthen women's economic resilience by providing better access to financial services and social protection, helping women overcome economic risks such as job loss or death of a husband.

In addition to providing direct benefits for women, Gender-Based Tax Policies also have the potential to improve overall gender equality in society by creating a fairer tax system for everyone. However, it is important to remember that Gender-Based Tax Policy is not the sole solution to achieving tax justice for women. Accurate data and research, careful policy design, and political commitment for sustainable implementation are needed so that the Gender-Based Tax Policy can be effective in realizing its goals. With proper implementation, Gender-Based Tax Policy can play an important role in



creating tax justice for women and increasing gender equality in society.

### CONCLUSIONS AND RECOMMENDATIONS

Research on Gender-Based Tax Policy shows that there is a positive and significant influence on tax justice. Data analysis shows that the independent variable gender-based tax policy has a significant impact on tax justice. However, although the regression model can explain around 38.1% of the variation in gender-based tax policies on tax fairness, around 63.6% of the variation in tax fairness cannot be explained by this model.

The implications of this research highlight the importance of the fight for tax justice as an integral part of the ongoing battle for women's rights around the world. Fair and transparent tax policies are a crucial step towards eliminating historical and ongoing barriers, including gender bias. The demand for tax justice aims to reduce the unfair tax burden on women, advocate for progressive and gender equal taxes, and adopt new forms of taxation on capital and wealth. In addition, efforts to realize tax justice can also provide a secure income, increase women's safety, and provide opportunities to engage in political activities, creating a more inclusive environment for women in the decision-making process regarding the design and implementation of tax policies.

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