



The EU Mutual Learning Programme in Gender Equality

The impact of various
tax systems on
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The impact of tax system on gender equality in Lithuania

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1. Country context

1.1. Taxation system

The Lithuanian taxation system aims at ensuring sustainable, up to the date taxation, enabling rapid economic growth and ensuring stable budgetary income, fair and proportional tax distribution, and fair competition, states the Ministry of Finance of the Republic of Lithuania.¹

According to the Law on Income Tax of Individuals², income tax shall be imposed on any income derived by an individual. Income tax shall be paid by any individual who has derived and/or earned income. This is an indicator of an individual taxation system. However some elements of family taxation is present, for example, family farms and benefits for families with children. The rates of Income tax in a majority of cases are 15 percent. The income tax rate of individual activities except of liberal professions (such as notaries, advocates, bailiffs, auditors, architects, designers, doctors, psychologists, journalists, etc.) is 5 percent. Neither taxes, nor their rates are directly connected to any individual features, including gender, of the taxpayer. Main principles of taxation, which were taken into account in the development of the Lithuanian taxation system and which may not be violated by any tax related legal act include:

- Taxpayer equality – in the application of tax laws, all taxpayers are equal with respect to provisions of the laws;
- Equity, justice and universal application – taxes must be paid by all taxpayers in accordance with the procedure established in tax laws; establishing tax relief of an individual nature is prohibited; the tax administrator must apply the criterion of fairness in tax administration;
- Clarity of taxation – the content of a tax liability must be clearly defined in the laws and regulations.

In addition to income tax, compulsory health insurance fees and social insurance contributions shall be paid by insured persons and/or by their insurers in the amount specified by law. According to the Law on State Social Insurance³, insured income means all income of a person from which state social insurance contributions have been calculated, as well as calculated sickness, maternity, paternity, parental,

¹ <http://finmin.lrv.lt/en/competence-areas/taxation>

² Law of the Republic of Lithuania on Income Tax of Individuals.
https://www.google.com/search?q=Law+on+income+taxes+Lithuania&ie=utf-8&oe=utf-8&client=firefox-b&qfe_rd=cr&ei=tYeWb_ED-7k8AeCipHYAg

³ Law of the Republic of Lithuania on State Social Insurance.
<https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/f85b15f062c011e5b316b7e07d98304b?jfwid=5sjolge5y>

vocational rehabilitation state social insurance allowances, state social insurance allowances for illness resulting from occupational accidents or occupational diseases and unemployment state social insurance benefits.

1.2. Women and men in employment

According to the Statistics Lithuania (Statistics Lithuania, 2016), in 2015 the employment rate of women aged 15-64 years was 66,5 percent and men's – 68 percent. The employment rate gap was only 1,5 percentage points. In the age group 25-54 the employment rate of women and men was almost equal – 81,4 and 81,8 respectively. However, the employment rate of low-educated women (age group of 15-64 years) was almost twice lower than that of men's – 14,8 and 23,8 percent respectively. Significant gap is seen between the number of self-employed women and men – 58,6 thousand of women and 89,9 thousand of men. In the context of individual and family taxation it is important to mention the number of women and men farm workers – 144,4 thousand of women and 155,9 thousand of men worked as farmers or in the family farms, agricultural companies and enterprises. As regards to the employment status, contributing family workers (assisting spouses) comprised 9,7 thousand of women and 5,6 thousand of men.

The activity rate of women aged 15-64 years was 72,5 percent and activity rate of men of the same age group – 75,8 percent. Activity rate gap was only 3,3 percentage points. A similar gap remains in all age groups.

In 2015, Women's unemployment rate was 8,2 percent, while men's – 10,1 percent. Unemployment gap according to the official statistics was (-)1,9 percent – favourable for women.

In 2015, women working part time made up 10,5 percent of all the working women while men made 6,1 percent of all the working men. The gap was 4,4 percentage points. The main reasons of working part time, declared by women were: could not find full time job – 32,4 percent (while men's – 24,5 percent); other reasons – 32,9 percent (while men's – 42,6 percent). The part of women who indicated the reason for working part time because of taking care of children and disabled adults was more than 4 times bigger than men's (2,4 percent of women and 0,5 percent of men). 17,2 percent of women and 9,4 percent of men indicated other category – "personal or family reasons" for working part time. According to the Statistics of Lithuania, the explanation of the last-mentioned category of the reasons is the following: the respondent has chosen "personal or family reasons" for working part time either he/she is not willing to work the whole working day because he/she wants to devote more time for housekeeping, or self-education; for himself/herself or to the other members of family and etc. Also there is a possible motive for not working the whole day – there is no need to do that as a spouse or other member of a family earns enough. However, it is not clear what the biggest group "other reasons" covered.

In 2015, average gross monthly earnings of women were 655,2 EUR while that of men's – 775,4 EUR. So, women earned 120,2 EUR less than men. Gender pay gap in 2015 was 15,6 percent. In addition to the data by gender on earnings, Statistics Lithuania collects and annually publishes gender-segregated statistical data on living standards. It includes all types of pension beneficiaries, a size of average pensions, at-risk-poverty rate, and persons affected by material deprivation, average disposable income of women and men and other indicators.

Taxation system, including income taxes and tax burden on labour was not systematically analysed and evaluated from the gender perspective. State Tax directorate do not segregate the statistics on the taxpayers by gender. However, several studies (Rakauskiene *et al.*, 2014; Rakauskiene *et al.*, 2015; Kanopienė V. *et al.*, 2015.; Štreimikienė D. and Mikalauskiene A., 2006) touch upon such gender-relevant aspects related to taxes as gender pay gap, unpaid work at home, income inequalities and several other issues. The new Social model⁴ states, *inter alia* that heavy tax burden on the small salaries earned, first of all, by low-skilled women, have a negative impact on the employment rate of these women. Indeed, low-skilled women's employment rate is lower than that of men's.

1.3. Dual-earner family model

It was not complicated to develop and introduce an individual taxation system in Lithuania due to historical and cultural traditions of the society. In Lithuania dual-earner family model was prevailing before restoration of independence in 1990 and remains prevailing today. Both women and men, despite of her/his marital status, had to work. Due to the relatively low salaries, as well as having not so much choices, traditionally both women and men worked full time. Generally women were in charge of the majority of everyday domestic responsibilities: child care, cooking, cleaning, care for disabled and elderly family members, etc. All this work has to be performed by women after full working day. This tendency is still remaining, though some progress is noticed, in particular as regards paternity leave for fathers, as well as the share of fathers using parental leave.

No doubt, unpaid economic performance of the households (mostly performed by women) is an important part of the welfare of women and men, the whole society and the state. Household economics is full-fledged economic branch, where, in the same way as in any other branches of economy, added value is created and which offers a significant contribution to the GDP of the country. Being an equivalent branch of the country's economy the household sector should be measured, valued and rewarded (Rakauskiene *et al.*, 2014; Rakauskiene *et al.*, 2015).

2. Policy debate

According to the data and findings of different research (Rakauskiene *et al.*, 2014), income inequality and in general socio-economic inequality in Lithuania is one of the deepest in the EU. The discussion paper of the host country raises the idea, that "today the gender gap in employment is no longer the most important indicator of gender equality, instead the gender gap in working time and women's lower wages". Income inequality of women and men, including pay gap, low wages leading to the pensions' gap is one of the most visible gender gaps. Lithuanian population income is considerably behind the EU average. Most of the revenue is still being spent to ensure basic needs. Lithuanian residents' income structure is non-progressive, asymmetrical and distorted. The majority of Lithuanian resident's income level is very low (Rakauskiene *et al.*, 2014).

⁴ Darbo santykių ir valstybinio socialinio draudimo teisinis administracinis modelis. (Socialinis modelis). [Legal-administrative model of labour relations and state social insurance. (Social model)]. <http://www.socmodelis.lt/>

Decrease of socio-economic inequality is declared as one of the priorities of the current Government and the Parliament. One of the important steps towards decreasing gender pay gap was the new rule for private companies to publish the average salaries of women and men (anonymously) of the same profession groups. This new rule is supposed to come into force since 1 July, 2017 after the adoption of the new Labour Code. The same rule became valid for the public sector long ago.

3. Transferability aspects

A number of the important gender aspects presented in the Discussion paper of the host country is relevant for Lithuania. Despite the fact, that women are employed mostly full day, also they receive income and pay taxes, despite the fact that dual-earner family model is a norm; men still are treated as main breadwinners, and women – secondary. Unequal share of power, gender pay gap, traditional understanding of gender roles are the reasons of this patriarchal thinking. The goal of equal participation in decision-making and equal economic independence is effective though long way to change this stereotypical approach.

“Indirect taxes“ in terms of child care costs mentioned in the Discussion paper are relevant for Lithuania as well as care for dependant family members (elderly, disabled) and other „unpaid work“ at home laying on women’s shoulders and not properly evaluated. Outcomes of this seminar might be used to initiate discussions on this issue.

Gender budgeting is not applied in Lithuania. Some pilot ad hoc initiatives were applied on municipal level. However, policy debate on national level might be considered.

The Discussion paper highlights the importance of gender disaggregated data. “Crucial in investigating the effects of tax systems on women and men’s employment and working hours are gender disaggregated data on women and men’s individual incomes. It would greatly facilitate the evidential basis for the identification of gender equality gaps, design of policy interventions, and the evaluation of impacts of different tax systems“. This valuable approach can help to improve the existing statistics on women and men in Lithuania.

4. Conclusions and recommendations

The impact of the taxation system on gender equality being carefully analysed in the Discussion paper of the host country Sweden is an example of good practice. Such research to be conducted in Lithuania might highlight invisible, hidden, unknown gender gaps and suggest the ways towards the elimination of the negative effects of taxation on women’s situation, in particular regarding the decreasing income inequalities and promoting women’s economic independence.

The Government is recommended to cooperate with the Gender research centres of the Universities with the purpose of examination and assessment of policy initiatives from the gender perspective.

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