

# The EU Mutual Learning Programme in Gender Equality

## The impact of various tax systems on gender equality

Sweden, 13-14 June 2017

### Comments Paper - Portugal



*The information contained in this publication does not necessarily reflect the position or opinion of the European Commission.*



*This publication is supported by the European Union Rights, Equality and Citizenship Programme (2014-2020).*

*This programme is implemented by the European Commission and shall contribute to the further development of an area where equality and the rights of persons, as enshrined in the Treaty, the Charter and international human rights conventions, are promoted and protected.*

*For more information see: [http://ec.europa.eu/justice/grants1/programmes-2014-2020/rec/index\\_en.htm](http://ec.europa.eu/justice/grants1/programmes-2014-2020/rec/index_en.htm)*

# The impact of individual taxation on gender equality in Portugal

**Rita Simões**  
Independent Expert

## 1. Summary of the policy background

The first time that a general income was taxed in Portugal was in the year of 1641, when the tenth soldier was created. This was an extraordinary tax in which each citizen had to contribute 10% of all his assets in order to contribute to the defence of the country by allocating funds to the army. This was necessary because of the war expenses incurred under the Restoration of 1640.

It was the 1922 tax reform that, based on the concern to achieve real income, created our first truly personal tax. But the tax category that was introduced then faced insurmountable difficulties of application, resulting in a general default situation that hastened its replacement by the complementary tax - a replacement that was implemented even before the 1929 tax reform was introduced, aimed at the taxation of normal income. The complementary tax, in conjunction with the new framework of partial taxes - including the then established professional tax - began to function in relation to these as overlap tribute.

As our tax system evolved, the ten-fold system has been broken down and taxation of individual income has been effected through a set of taxes: after being restructured and having its base enlarged, "became" in the capital tax, which concerned the various sources of income, thus not taking into account the person of the taxpayer, and the tax Complement of overlapping, that taxed the set of incomes already submitted to the partial taxes taking into account the personal situation of the taxpayer.

The tax reform carried out between 1962 and 1965 did little to change the previous situation, since personal income tax (IRS) was created only with the tax reform of 1988. This tax was created due to the need for a single and progressive tax required by Article 104 (1) of the Constitution of the Portuguese Republic. Thus, the IRS emerged as a means of substituting numerous taxes and contributions. (The system of global taxation, which is, moreover, provided for in the 1976 Constitution) One jumps on the intermediate stage of the mixed system with simple reinforcement of the personal taxation and maintenance of the provincial taxes, assuming the unitary taxation of income.

Even so, the Personal Income Tax Code (CIRS) is one of the means of readjusting the former system of taxation, which has evolved freely, which may have had a serious effect on the rule of law, such as standardization the rules of law (in this sense we can consider the reform taxation of the century).

From 1989 till 2015 the income taxation is a family-based taxation, but, in 2015, the IRS Code changed the way in which the final tax to be paid by the household was established, as a general rule, separate taxation and as an option the final tax payable as joint taxation.

## 1.1. From family-based to individual-based taxation

Since 1976 (after April revolution) we changed the paradigm with a new Constitutional Law.

Under Article 104 of Portuguese Constitutional Law, we have:

“1. Personal income tax is aimed at reducing inequalities and will be unique and progressive, taking into account the needs and of the household.”

The collecting of the incomes tax has 2 stages: 1<sup>st</sup> one based on income obtained (job, pension, capital or other) during the year for each of the subject household members the incidence of law rules (objective scope and subjective scope); and 2<sup>nd</sup> one And a second stage with the delivery of income returns/applications (which in 2017, with reference to the year 2016 took place in the period from April 1 to May 31, 2017).

We can consider that Portugal has individual income taxation in the first stage (during the year) but it is also mitigated by the difference in withholding tax on the part of taxpayers married or unmarried, with or without children.

In the second phase / stage (settlement and payment) since the 2015 reform the general rule for collecting the tax due for each year was separate taxation but you can choose to opt for joint taxation (but the option is made year by year).

Taxation is made according to the remuneration that each individual taxpayer (job or pension) capital or other income for example heritages, and the taxation of the entrepreneurs (men or women) is subject to the same specific rules of the IRS Code.

There is no taxation of individual income differently between men and women, but rather between married and single. The married / unmarried but together, they are allowed the joint option taxation, according to which they consider more favourable.

We have no special disaggregated data on woman and men's income, according to the Tax Authority (TA), statistical treatment of IRS tax returns has been initiated and released since 1990, however, data comparability has not always been possible.

The last statistical dates published related to individual tax income is 2013/2015 (2016 isn't possible statics data because the deadline to deliver tax income returns is on May 31). In this statistical dossier the Tax Authority intended to ensure the comparability of statistical data of the three years in analysis.

From 2015, inclusive, the taxation rule provided for taxable persons married or unmarried but together, became the separate taxation with the option of joint taxation. From the analysis of the tax settlement of the year 2015, it is verified that, from the category of taxpayers married or unmarried but together, 94.60% opted for joint taxation and only 5.40% were covered by the separate taxation regime.

Even with the introduction of the family quotient, replacing the conjugal coefficient and increasing the limits of some deductions to the collection we found that the option for joint taxation was very high. This can mean two things, one that the household income earns the same income and does not make a difference to joint

or separate taxation or that the income gap is high and the option for joint taxation is more favourable to the household.

On the other hand, in individual / separated taxation has the issue of dependents (children and ascendants - parents, in-laws and grandparents).

Laws that significantly change income taxation:

- Decree-Law nº. 442-A / 88, of June 30, approving the IRS Code;
- Decree-Law nº. 198/2001 of 3 July, which reviews the IRS Code;
- Law nº 82-E / 2014 of 31 December, which provides taxation of individuals, family- oriented simplification and social mobility.

As I mentioned, Portugal does not have statistics to measure the impact of income taxation on an individual or family-basis, however, at this stage of the economic crisis there is a perception of how to reduce income taxation and make the households' disposable incomes increase.

In this way, the impact / contribution to gender equality is also not evaluated.

## 1.2. Working hours of Women and men

We can't consider the taxation impact on working hours (because the income taxation is the same for both), however in 2015, the Portuguese working population (15 and over) was estimated at 5 195, 2 thousand people, 51.1% were men and 48.9% were women. Compared to the previous year, there was a decrease of 30.5 thousand people, more pronounced for men than for women.

This growth resulted in a growth in the number of women in the active population, from 47.7% in 2011 to 48.8% in 2015. In turn, the unemployment rate in 2015 was 12.2% for men and 12.7% for women.

The wage gap between men and women persisted in 2014, with women earning 83.3% of the average monthly earnings of men.

Gender inequality in weekly working hours has declined slightly since 2005 as men's work hours have declined faster than women's. However, inequality continues to be significant, observing that on average men work 39 hours a week and women 33 in their main paid activity.

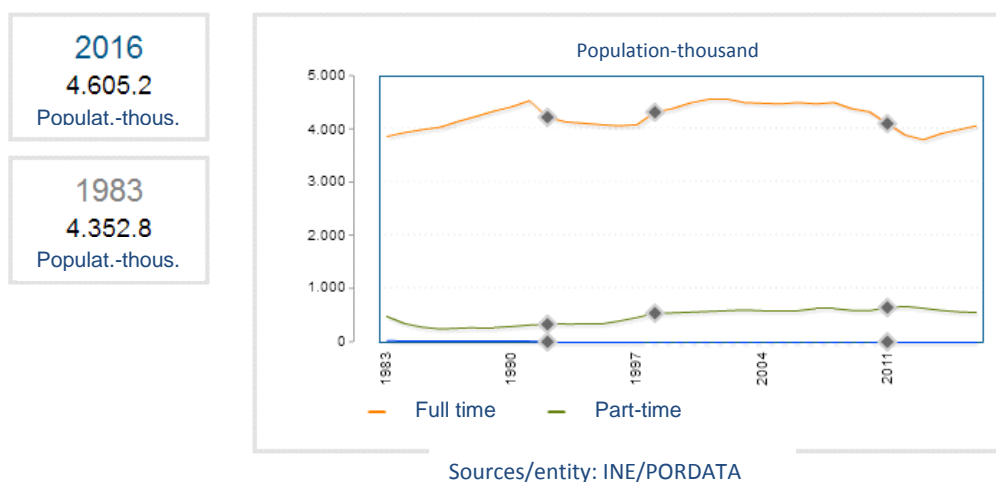
It should be noted that they do not count the hours that women spend with the house or the children.

Employed population is, 4 605.2 thousand, 2 123.0 men, and of these, with part-time work 238.4, which means that 11% of men do not work full time. The employed women are 2 243.8, and 311.0 with part-time work, the temporary work rate of women is 16%.

Its impact on income taxes is also not assessed.

### 1.3. Evolution of total, full and part-time employment

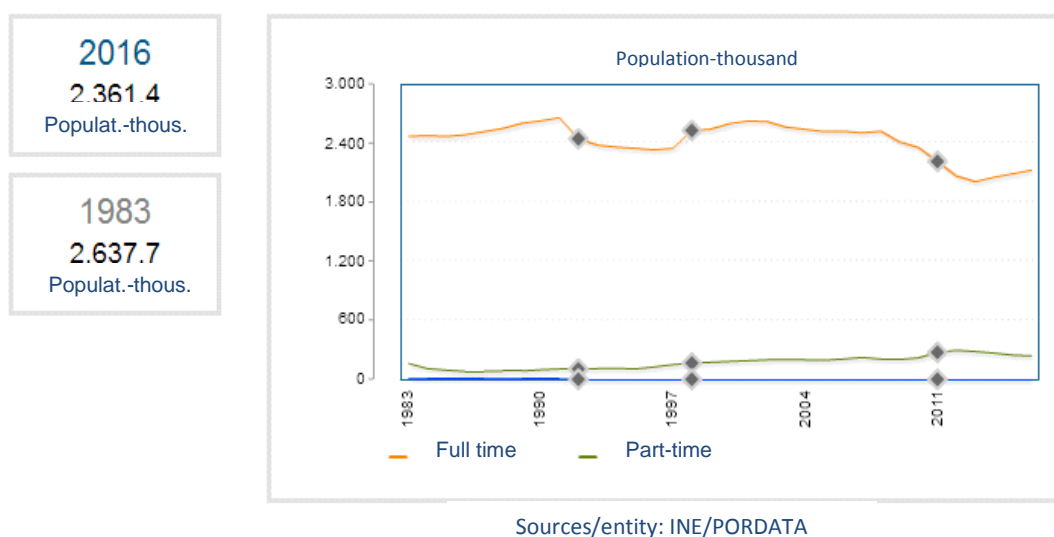
Employed population: total and full and part-time - Portugal



From the analysis of this chart it can be concluded that the option of the Portuguese people is to obtain employment in full time.

#### 1.3.1. Evolution of the male total, full and part-time employment

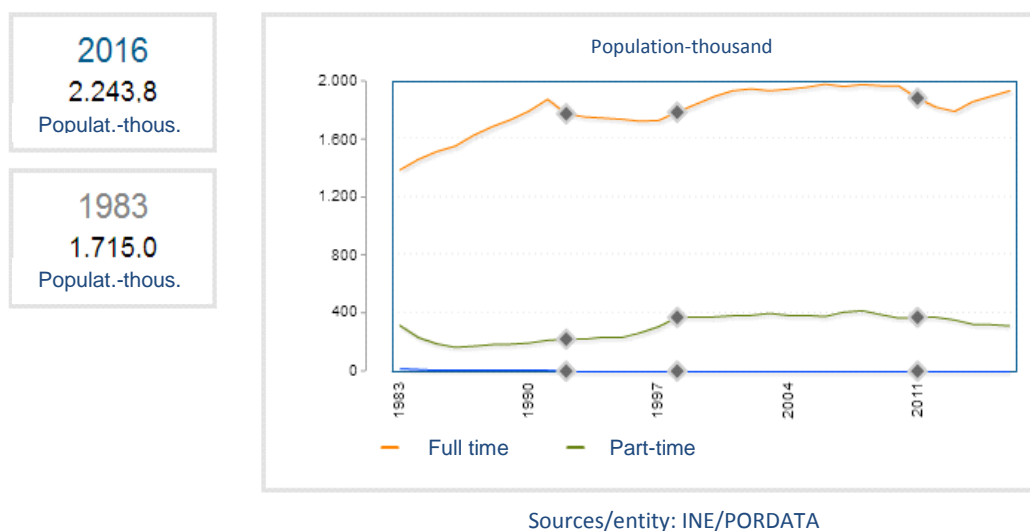
Male employed population: total and full-time and part-time



It appears from the data in this chart that during decades that men's part-time work is almost residual.

### 1.3.2. Evolution of the female total, full and part-time employment

#### Female employed population: total and full-time and part-time

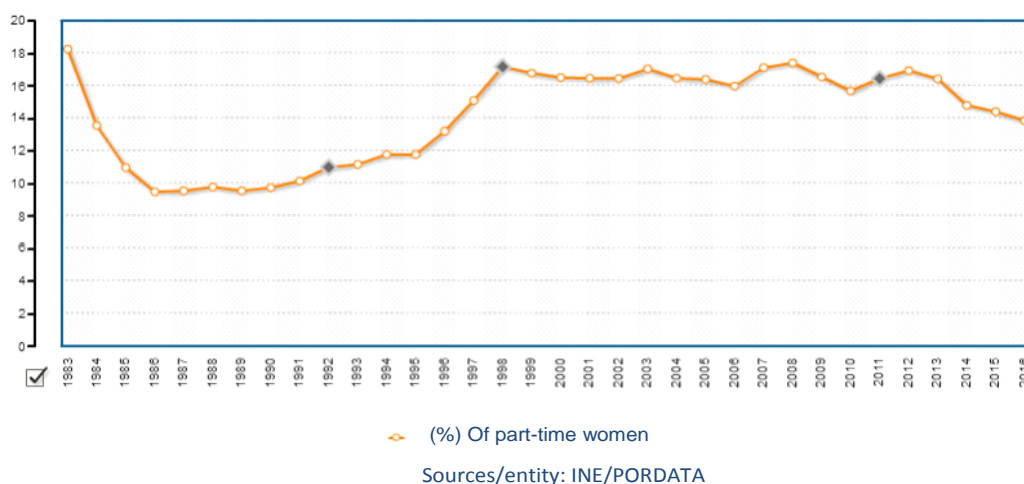


The chart shows that, unlike what happened with males, for the same period of time, female employment increased significantly. Which seems to mean that the process for gender equality is a slow but gradual process.

Note: in the charts the axis of the XX show points in bold, that being irrelevant, they were ignored.

### 1.3.3. Evolution of the female (%) part-time employment

#### Part-time women (%)



The percentage of women with temporary work is very high. Can we ask why? Why do they have children? Why are they less skilled jobs?

Observations: in the charts the axis of the XX show points in bold, that being irrelevant, they were ignored.

## 2. Policy debate

In the State Budget for 2016, the family quotient regime was replaced by a fixed deduction per child, with a concomitant increase in the deduction per dependent and handicapped person.

The Government will pursue a policy of guaranteeing equality between women and men by promoting specific actions and integrating the gender dimension into all policies, since discrimination against women is multifaceted and exacerbates other forms of discrimination.

The Government will promote the development of the following actions:

- Effective and effective combating of pay inequalities between women and men at work, in order to counteract the worsening trend that this indicator has been experiencing in recent years;
- Gender balance at the level of 33% in management positions for companies, public sector companies and direct and indirect administration of the State, and other public corporations;
- Evolution to a benchmark exercise of at least 33% of the total time of leave actually enjoyed by each person exercising parental responsibility, in addition replicating other instruments to promote gender equality.

According to the Strategic Plan for 2017, it was the intention of the government to continue to promote the reduction of inequalities by increasing the disposable income of families, in addition to the measures already mentioned in relation to Social Benefits and Pension System, the Government will continue to ensure the strengthening of fiscal progressivity, lowering the taxation of households family members.

It will be necessary to evaluate the results of these measures that in the face of the economic crisis the parliament had considered appropriate.

## 3. Transferability aspects

As in Sweden, the development of Women's labour force participation could not have taken place without the expansion of the public sector namely health care and education.

Portugal should assess the impact of income taxation in order to measure how the impact of the policy measures implemented contributes to gender equality.

## 4. Conclusions and recommendations

We can conclude from the discussion of the seminary that there is a common point in all the countries present, that gender equality, despite the way we have gone, still has a long road ahead. Equality in access to work, especially in private enterprises, is still an obstacle.

As long as equality of rights and freedom of participation, recognition and appreciation of women and men in all areas of society, political, economic, labour,



personal and family life is not equal, it is difficult to achieve "gender equality" only through the tax system (it can be considered a form of discrimination?).

Although women have, on average, a higher level of education than men, the wage disparity (the principle of equal pay being included in the Treaty of Rome of 1957) and unemployment and part-time work (16%) means that there is still a long way to go.

The goal proposed by Europe 2020, that the employment rate of the population aged 20-64 be increased from 69% to at least 75%, may be achievable with certain economic policies despite globalisation.

## References/Sources

Preamble of the IRS Code of 1988.

Income Single Taxpayers code (CIRS)

Constitution of the Portuguese Republic in force (Artº 104 – Taxes)

Government Strategic Plan for 2017

State Budget for 2016

Tax Authority: [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt) (Statistical Dossier 2013/2015-IRS)

INE/PORDATA: [www.PORDATA.pt](http://www.PORDATA.pt) (data from 2017.02.07)

Magazine of the of technical certified accountants (Nº 206)