

Hidden Inequalities: Tax Challenger of Market Women in Enugu and Kaduna States, Nigeria

Summary of Working Paper 97 by Imaobong Akpan and Kas Sempere

Why is gender and taxation in local markets important for Nigeria?

- **The informal sector and informal market trading are central.** The informal sector accounts for an estimated 64% of Nigeria's GDP, while market and street vendors are key actors in African informal economies. In 2017, trade activities contributed to 18% of Nigeria's GDP and delivered 14% of all employment.
- **The informal (and trade) sector is feminised.** In Nigeria, 61% of working women are engaged in informal sales and services compared to 39% of men. Additionally, 65% of the 10.8 million Nigerians employed in the trade industry in 2017 were women. No disaggregated data exists for this figure but given the proportion of women working in the informal sector in sub-Saharan Africa –89% according to UN Women, it is likely that many Nigerian women working in trade do so informally, including those working in local markets.
- **Women stay longer in the informal sector.** There are several reasons for this such as: lower levels of education, skills and training compared to men; the low entry requirements to enter and operate in the informal sector; the lower likelihood

of women to have market know-how and own property; or the time due to family and community commitments.

What do we know about gender and local market taxation in low-income countries?

Gender and taxation is a growing area of study, yet little literature exists around gender and taxation in local markets of low-income countries. Many studies on gender and taxation focus on high-income countries or look for gender biases in formal taxes, including personal income tax. This is less relevant for low-income countries where the economy is mostly informal and where most women depend on informal economy revenues.

However, there are now a growing number of studies addressing the issue in low-income countries. These have raised several challenges affecting market women negatively. They are derived from tax collection and harassment, low representation of women in tax authorities, increased taxes, multiple taxation, poor tax education, toilet fees, gender blind taxation policies, implicit tax biases, and presumptive taxation.

To complement these, our study asked: are tax and other market payments biased against market women in Nigeria? How is

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tax collection experienced differently by men and women traders in the local market place?

Two main findings emerged from the study – the benefits of having female tax collectors in the markets and the negative effects of presumptive taxation on market women given their lower earnings.

The benefits of female tax collectors in reducing incidences of sexual, physical and verbal harassment

Market traders reported female tax collectors never being involved in asking for sexual favours, unlike male collectors. Although male tax collectors made up only 73% of tax collectors in the markets visited, they were reported to be responsible for 97.9% of cases of physical and verbal harassment; 91.6% of cases of confiscation of goods; and 83.3% of cases of reducing tax amounts. For the 8.4% of cases in which female tax collectors confiscated goods, they reportedly did so in non-violent ways in comparison to men. Incidences of increasing tax amounts and asking for bribes were found equally among female and male tax collectors.

These results suggest that a larger female presence in markets has positive effects on reducing incidences such as sexual, physical and verbal harassment. We found no single disadvantage of having more women in market tax collection. This finding adds to the literature on the benefits of recruiting more women in tax administrations.

No gender differences found in tax and non-tax payments in the market. Yet, presumptive taxation affects women negatively as they earn less but are taxed the same

At first glance, we found no explicit gender discrimination in tax and non-tax payments for the markets visited. The only exceptions were male traders paying higher market rents (given their capacity to afford better shop spaces) and inconclusive evidence that toilet fees could be discriminating female traders. However, it is precisely the fact

that tax payments are equal for men and women traders that creates an implicit tax bias against women. This is because women traders earn less than men – even in cases where they sell the same type of product – but they pay the same amount of tax.

This situation was aggravated for at least two reasons. Firstly, the inflated presumptive tax charged to market traders in nine of the twelve markets visited affects the profits of all traders, especially those earning less, such as women. Secondly, the traps of unpaid care work keep women away from spending more time selling in the market and thus earning more. They are therefore bearing a higher relative presumptive tax.

These findings add to the literature on gender implicit biases in taxation. Specifically, they highlight the importance of acknowledging implicit gender biases related to presumptive taxation in the informal sector. For instance, presumptive taxation is not recognised as a category in the seminal conceptual framework suggested by Stotsky (1996) to analyse explicit and implicit gender biases. The framework only identifies personal income tax, corporate income tax, commodity tax, and trade taxes. Given the large number of women working in the informal sector in Nigeria, Africa and globally, this category cannot be ignored.

Recommendations

The Nigerian tax authorities could increase the number of female tax collectors and create a segmented presumptive tax based on actual earnings. Earnings, more than types of products and services, are the ideal base to adjust segmented taxes, as evidence showed that women earned less than men even for the same products and services sold. If shop assessments are infeasible due to limited government capacity, then segmented tax rates can be agreed with market unions and associations. In turn, more research could be done to explore some inconclusive results of this study on gender and market taxation. The National Bureau of Statistics could also improve data on local markets and market traders in Nigeria, as we found no official database to date.

Further reading

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Credits

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