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Gender and Tax Incidence of Area-based Land Taxation on Ethiopia: The Case of Rural Land Use Fee and Agricultural Income Tax.

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We examine the gender implications of the magnitude and tax incidence of these taxes. We use self-reported tax payment information and individual-level land ownership data in the Ethiopian Socioeconomic Survey (ESS4) 2018/2019 to estimate tax incidence as a share of household expenditure. We analyze the gender differences in tax incidence at household and individual levels. We find rural land use fee and agricultural income tax - which are assessed on the size of agricultural landholding- to be gender regressive at both levels. At household level, female-headed households bear a larger tax burden than male-headed households, violating the horizontal equity principle. The gender difference still persists at individual-level tax incidence analysis, but the magnitude of the difference is smaller. There are several possible explanations for the horizontal gender inequity in taxation across households. First, the total household expenditure levels for female-headed and female-adult households are lower than for male-headed and dual-headed households, and they pay more in taxes as a proportion of expenditure because of the regressivity of these taxes. Second, existing research in Ethiopia find a gender difference in agricultural productivity because of gender norms limiting women’s role in agriculture, low sharecroppers’ yields on women-owned farms, and womens’ lack of access to inputs, credit, extension services, and social networks (Aguilar, Carranza, Goldstein, Kilic, and Oseni, 2015; Ghebru and Holden, 2015; Kumar and Quisumbing 2015; Teklu 2005). While the tax liabilities for similar-sized farms are the same, lower productivity and consumption imply a higher tax burden for female-headed households compared to male-headed households. Our results suggest that area-based land taxation is likely to reinforce existing gender inequities in agriculture because farmers with lower outputs bear the larger tax burden.

We also find self-reported taxes to be much larger than imputed taxes using GPS-measured farm size and tax schedules from three regions. The possible sources of tax discrepancies

include: (i) the Revenue Bureau not having the most updated titleholder and precise farm area data for tax assessment; (ii) different methods used for land area measurements leading to differences in tax liabilities; (iii) our estimates of land size (and therefore imputed tax liabilities) being understated because they exclude household plots that were rented out or sharecropped out; and (iv) potential tax assessment errors by tax collectors or reporting errors by households on the tax amount paid in the survey. The discrepancies in tax liabilities highlight the need to complement survey data with administrative data to analyze whether the most updated data on titleholders and accurate size of farm are used for tax assessment.

Works cited:

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